

# Kgatelopele Local Municipality

2022/2023

## ANNUAL REPORT



**Re gatela Pele” “We moving Forward” “Ons gaan Vorentoe”**

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## LIST OF ABBREVIATION AND DEFINITIONS

ACIP	Accelerated Com. Infrastructure Programme
AFS	Annual Financial Statements
APR	Annual Performance Report
AMP	Asset Management Plan
BDS	Blue Drop System
CRC	Current Replacement Cost
CRR	Cumulative Risk Ratio
CRU	Community Residential Units
DRC	Depreciated Replacement Cost
DWQ	Drinking Water Quality
DWS	Department of Water and Sanitation
EIA	Environmental Impact Assessment
EMS	Environmental Management Services
EPHP	Enhanced People's Housing Process
EPWP	Expanded Public Works Programme
GAMAP	General Accepted Municipal Accounting Practice
GDIP	Green Drop Improvement Plan
GDPR	Regional Gross Domestic Product
GDS	Green Drop System
HIV	Human Immunodeficiency Virus
IAMP	Immovable Asset Management Programme
IDP	Integrated Development Plan
ILI	Infrastructure Leakage Index
ISP	Internal Strategic Perspective
LED	Local Economic Development
MIG	Municipal Infrastructure Grant
MI	Mega Litre
MI/a	Mega Litre per Annum
MTEF	Medium-Term Expenditure Framework
NGO	non-governmental organization
NRW	Non-Revenue Water
NWRS	National Water Resource Strategy
PDA	Previously Disadvantage Area
RDP	Reconstruction and Development Programme
RSA	Republic of South Africa
RUL	Remaining Useful Life
SANS	South African National Standard
SCADA	Supervisory Control and Data Acquisition
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
VAT	Value Added Tax
WDM	Water Demand Management

## CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

### CHAPTER 1 MAYOR’S FOREWORD

#### COMPONENT: A MAYOR’S FOREWORD



I take pride in introducing this draft annual report for 2022/2023 Financial year. This annual report will outline our performance on the targets we set for ourselves as an institution to achieve for financial of 2022/23. Council take pride in servicing the community and to ensure good governance, and all decisions are taken in the best interest of the community of Kgatelopele. The report is honest about our achievements and challenges. The challenges are not unique to Kgatelopele Local Municipality and it is important to note that our goals and visions cannot be successful on its own, and so it becomes imperative that as a collective, Council and administration work closely collectively in identifying the challenges Faced by the institution and rectify them as soon as possible.

The key focus of the institution is guided and driven by the integrated development plan which is developed initially as a (5) five -year plan in alignment with the current term of office. In accordance with the provisions of the laws that governs the affairs of the municipality, we embarked upon a process of consultation with the local community to present the IDP and Budget for the 2022/2023 financial year.

During the period of the public participation, communities and stakeholders were called to make necessary inputs which are intended towards making sure that that the (IDP) integrated Development Plans are aligned to our collective visions and priorities with an

objective of tackling the ongoing challenges. The following are some of the challenges /issues that were raised at the consultations

- Youth Unemployment
- Toilets for informal settlement
- Oxidation ponds to be Fenced
- Vandalism and Theft
- Water taps for informal settlement

The Municipality however managed to address and confront some of the above-mentioned challenges from the community as follows, with regards to vandalism concrete fencing was introduced and is still in progress at both Kuilsville sewage and Tlhakalatlou sewage. The mayoral project is an ongoing project that runs for 6-Months per intake to curb the youth unemployment rate in Kgatelopele. Communal taps and toilets were installed and the project was handed over by Petra Diamonds to the Municipality on 20<sup>th</sup> of December 2023.

Some few highlights on programmes which took place in the mayoral office this year was the Youth Imbizo, a Youth Day Programme in collaboration with our local stakeholders, namely Kgatelopele Youth Centre, Department of Social Development, Kgatelopele Football Association. The programme focused on the football as it is one of the mechanisms to address social cohesions.

The “Pink walk” which was a world cancer awareness programme in commemoration and solidarity of the victims of cancer throughout the world. The awareness was to educate the community on the stigma around cancer.

The Mayoral Imbizo Program which was held on 08<sup>th</sup> October at Tlhakalatlou Community Hall and Tennis Court, where numerous services were brought to the local communities which on the highlight we had, the Department of Home Affairs, Sassa, Department of Labour, Department of Social Development, Department of Health, NYDA, SAPS, IEC, and many other included our local stakeholders. Subsequently to the Mayoral Imbizo we also had a World Aids Day Programme in collaboration with our Health Care Centre including our local stake holders, where HIV Testing and TB Screenings were done. Which was also a successful programme.

With our recent audit findings from the 2021/2022 financial year which was a disclaimer, measures were taken and under the new management we managed to get a qualified audit outcome for the 2022/2023 financial year. It is recognized that continued effort and inputs must be put in place to maintain a culture of service delivery, and to enhance sound fiscal and administrative functioning at all costs. It is clear on this annual report that we are moving in the right direction, although not there yet. It is of great importance that we plan our programmes with quarterly targets to achieve our broader objectives.

I would like to thank the administration for their continues effort in promoting Good Governance and service delivery.

I thank you,

Honourable  
Mayor Irene Williams

## COMPONENT: B EXECUTIVE SUMMARY

### 1.1 MUNICIPAL MANAGER'S OVERVIEW



The 2022/23 Annual Report reflects on the performance of Kgatelopele Local Municipality for the period 1 July 2022 to 30 June 2023. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year. Rates and taxes remain the municipality's main source of revenue in relation to billing, followed by electricity during peak season, which is over autumn and winter.

This Annual Report documents the substantial progress achieved in the provision of basic services in line with the approved strategic plan of the Council. Investment in infrastructure remains an important priority for the town. Aging infrastructure and the demand for new infrastructure to accommodate population growth continue to place the municipality under severe financial pressure.

Maintaining our infrastructure is also vital to allow us to fulfil our various mandates as a local municipality. Despite all the above Covid-19 pandemic, we have worked hard to ensure that service delivery and good governance practices are enhanced throughout the organisation.

I am, however, thankful to the employees and management for their commitment, passion and hard work during the year under review. We have provided access to water and electricity and delivered employment opportunities to local members. We have also strived to ensure that SMME's be given employment opportunities within the municipality.

This hard work and dedication allowed us to reach a number of goals pursuant of our strategic objectives. These include, but are not limited to:

- R62 million was spent on replacement of sewerage water asbestos pipes and enclosing of sewerage oxidation ponds;
- R7 million for the Storm water Project
- R90 million over two phases to eradicate the septic tanks within the greater Danielskuil
- Additional R40 million for;
- R20 million for the replacement of the asbestos water pipes within the greater Danielskuil;
- R20 million for the Budget maintenance of the New Solid waste project;
- R900000.00 for repairs to the Municipal Building - Expanded Public Works Programme (EPWP).
- 4 different SMME's received employment from municipality projects.
- A turnaround strategy was implemented in 2023/2023 to change the financial challenges of the municipality and to ensure continued service delivery;
- Audit opinion for 2022/2023 has been changed from Disclaimer to Qualified Opinion;
- 125 work opportunities have been created from the projects and the mayoral projects;
- 24 training of emerging local contractors were provided;
- All rollovers were approved by National Treasury;
- Municipality has spent 92% on grant funding;
- Debt collection has risen from 50% to 78%;
- A contractor has been appointed to install and reset the prepaid meters;

Kgatelopele Local Municipality does not operate in isolation but has revitalised the relationships with other stakeholders inter alia the Mines, namely Idwala, KP Lime and Finch Mine, to ensure that we make greater strides in the community and economic development within the area. We appreciate the corporate service responsibility (CSR) of the mines for the assistance and involvement in building great community. The following projects in the various SLP3 and SLP 4 was adopted by the following mines;

Finch Mine

SLP 3

- Water and sanitation provision at informal settlements
- Construction of Mackensie Road;
- The mines have donated a refuse truck to furtherance the collection of refuse within the municipality.

SLP 4

- Renovate and reconstruct Kuilsville Community Centre;

Thank you

Mr. Willie Blunden

Municipal Manager

## 1.2 MUNICIPAL FUNCTIONS, POPOULATION AND ENVIRONMENTAL OVERVIEW

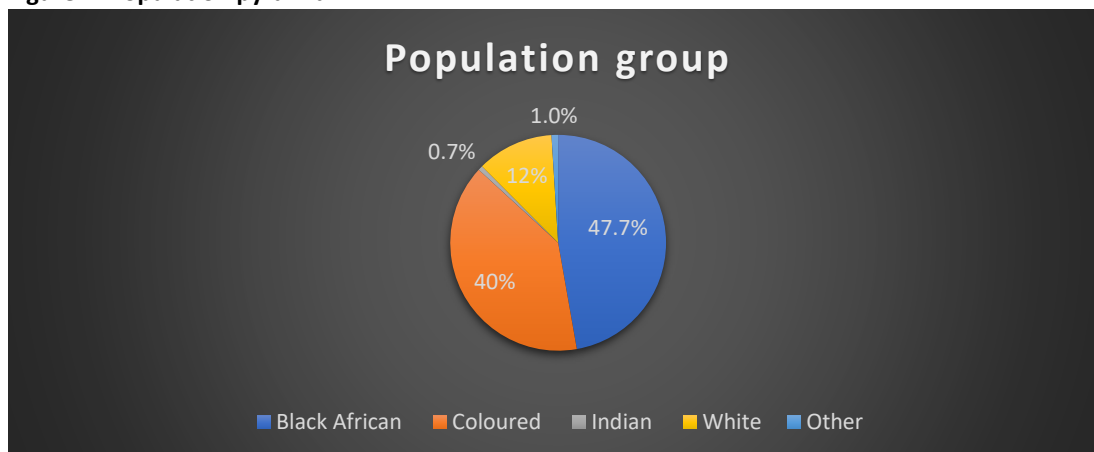
### 1.2.1 DEMOGRAPHIC PROFILE

Kgatelopele Local Municipality falls under ZF Mgcawu District Municipality. The municipality is bordered by Ga-Segonyana LM on the north, on the west it is Tsantsabane LM, east it is Dikgatlong LM and south it is Siyancuma LM. The municipal area is divided into 6 wards and has 2 towns which are Daniëlskuil and Lime Acres. The administrative town of the municipality is Daniëlskuil. Kgatelopele Local Municipality consist of Daniëlskuil, Kuilsville, Marangteng, Tlhakalatlou, Lime Acres and the surrounding farms. The municipality's name Kgatelopele, is a Setswana name which means moving forward. The municipality is situated 154 km west of Kimberley and 91 km to Kuruman.

### 1.2.2 AGE GROUP

The majority of people residing in the Kgatelopele Local Municipality are children of 0 – 4 years old, followed by those in the 15 – 34 years old group and from this group we have a total number of 5202 persons aged 20 years + who have completed their Grade 12 and this indicated that more programmes or projects need to be more responsive to the needs of children and young people. The population of the municipality resembles that of most developing nations, where there are high birth rates, slow growth rates and a population with a short life expectancy. The current population stats are as follow received from Census 2022 Kgatelopele has a population growth of 19 854 to date.

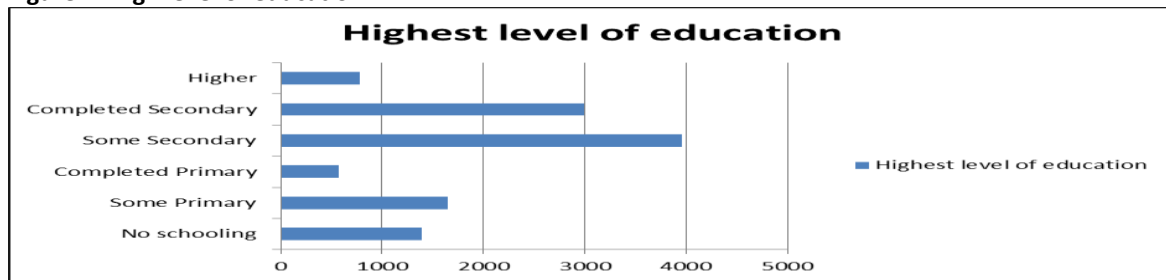
**Figure 1: Population pyramid**



### 1.2.3 EDUCATIONAL LEVEL

The majority of people in the municipal area has some secondary education and has completed their secondary schooling. There are those that have no schooling, some primary and others completed primary schooling and this means that these people did not receive their senior certificate, which limits their chances of getting a decent job or employment opportunities. The numbers of those who completed secondary school and got a higher education is high, so there is a large capacitated workforce to contribute to the economy of the municipality or the region.

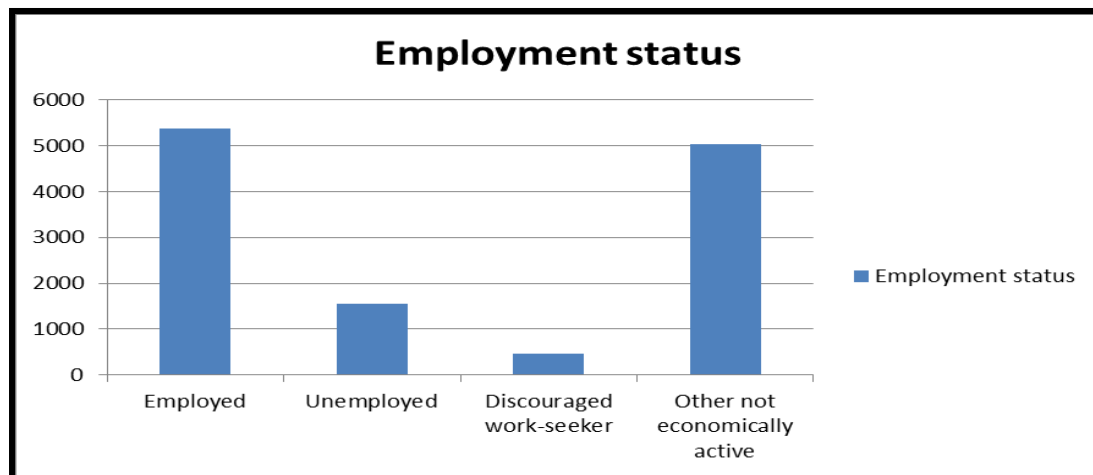
Figure 2: High level of education



### 1.2.4 EMPLOYMENT LEVELS

The number of those economically active is slightly greater than those not economically active, hence the dependency ratio of 50.6% which is very high. Stats SA (2016) indicates that the unemployment rate is at 22.3% while 29.1% of the total unemployed people are young people. There is need to address the challenges of those not employed particularly the youth.

Figure 3: Employment status

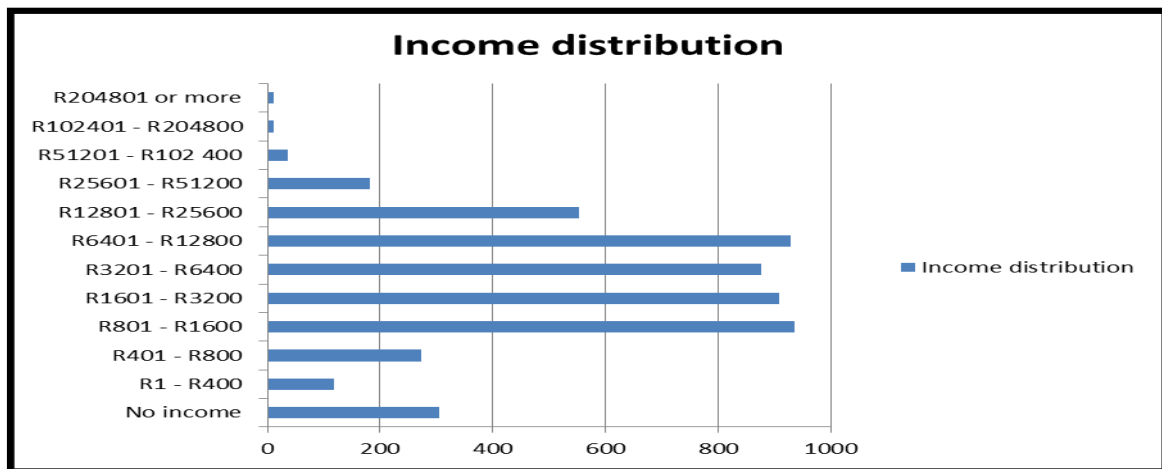


### 1.2.5 INCOME DISTRIBUTION

The income distribution of the municipality shows a very interesting pattern given the education levels in the municipality. A large number of people in the municipal area receive income above the poverty line (large capacitated workforce). It is of great concern from a municipal perspective for those who have no income at all. This income group may most likely

be highly depended on government grants and are thus not able to spend money in the municipal area or pay their rates.

**Figure 4: Income distribution**



### 1.2.6 SOCIAL INFRASTRUCTURE

Historically, the institutions which were most valued by society - such as institutions of learning, worship, exchange, markets and universities - served as the key structuring elements of settlements. The siting of these, in turn, formed the basis for the locational choices of other.” (Redbook, 2000:6).

The residents have access to the following facilities:

Ward	Educational	Health service	Recreational/community facility	Safety
1	Primary school	-	Community hall	-
2	High school	-	-	-
3	High school and primary	Clinic	Club, swimming pool	Police station
4	-	-	Community hall	-
5	2 Primary school	Clinic	Recreational club and swimming pool	Police station
6	1 Primary school	-	Recreational club and swimming pool	Police station

Access to schools, government facilities/services is at the heart of settlements that perform well. These facilities give residents options and do not restrict how they live. The facilities or services offered contribute to the human development of the residents. It is clear that there are limited options for the residents, as there is not a diverse range of social services/facilities that are available to them to use.

### 1.2.7 GEOLOGY AND SOIL

There are two different surface geology types in Kgatelopele local municipality. These are sedimentary rocks and/or soil (karoo sediments), folded sedimentary and volcanic rocks (ZF Mgcau district, 2008). The mineral types that are found in this municipal area include limestone and asbestos. Red, massive or weakly structured soils with high base status (association of well drained lixisols, camisoles', luvisols); red, yellow and greyish excessively drained sandy soils (arenosols). these soils are also very prone to wind erosion. Soils with minimal development, usually shallow on hard or weathering rock, with or without intermittent diverse soils (association of leptosols, regosols, calsisols and durisols. in addition, one or more of cambisols and luvisols may be present (dominant soil type) rocks with limited soils (association of leptosols, regosols, durisols, calsisols and plinthosols). this soil type, which is found in the area, is prone to sand erosion.

## 1.3 SERVICE DELIVERY OVERVIEW

The assessment outlines the key performance areas that needed to be catered for in order for the Department to render basic services to the community of Kgatelopele Local Municipality. This also includes challenges and recommendations in order to improve on areas that were achieved and to develop internal controls and mechanisms to ensure that the Municipality's mandate in terms of service delivery is achieved.

The report is also drafted against the backdrop of the Municipality's 2021/22 Annual Report with a forecast on key deliverables that are also required in order to attain the objectives of the National Development Plan. It also paves a desired destination in the Municipality integrating Infrastructure Planning through the Integrated Infrastructure Master Plan.

The National Development Plan highlights the need for long-term plans of Municipalities aligned with Integrated Development Plan to ensure consistency and coherence in the delivery of basic services to the community of Kgatelopele Local Municipality.

This report seeks to provide a record of the activities of the Municipality during the 2022/23 Financial and promotes accountability to the local community and external stakeholders for the decisions made throughout the year in review.

The Directorate's primary goal in rendering quality services to the community, is to plan, implement and maintain a stable technical infrastructure that supports the organization's business processes, applications and systems.

This is achieved through:

- Well designed, highly resilient, cost-effective technical architectures
- The use of adequate technical skills to maintain the technical infrastructure in optimum condition
- Swift use of technical skills to speedily diagnose and resolve any technical failures that do occur.
- A continuous assessment of capacity through performance management systems.
- Adherence and compliance to relevant legislations and regulations.
- Planning and implementation informed by evidence-based monitoring and evaluation.

### 1.3.1 WATER

Section 27(1)(b) of the Bill of Rights provides that 'everyone has the right to have access to sufficient water', and section 27(2) obliges the state to take reasonable legislative and other measures, within its available resources, to achieve the progressive realization" of everyone's right of access to sufficient water" (Basic Sanitation Guideline in South Africa, 2011: 20). A Water Services Authority (WSA) refers to a municipality's responsibility to ensure access to water services. WSAs derive their authority from the Municipal Structures Act. The water service authority is the Kgatelopele Local Municipality.

Chapter 4 of the National Development Plan (NDP) envisages a South Africa that recognizes the importance of secure and equitable access to water and sanitation as catalysts for socioeconomic development. In line with this vision, over the medium term, the Municipality seeks to focus on developing and investing in water infrastructure, improving planning and regulation of the water sector, and monitoring and protecting Danielskuil's water resources as the main source of supply in the area.

The Water Sanitation unit's performance for example is specifically monitored and evaluated against this activity and reporting thereof. For example, the following remain to be the Unit's core business:

- Number of blockages attended
- Number of septic tanks emptied
- Number of pipe bursts encountered and length of pipes laid/replaced
- Number of water meters attended to and amount of water loss.
- Frequency of maintenance of the water and sewer pumps

The above is an illustration on the approach or methodology for assessment in the Directorate with an exception to the Project Management Unit which its performance is assessed on the deliverables of the following during project implementation;

- Project Initiation
- Project Planning
- Project Execution, Monitoring & Control
- Project Close out

Each above-mentioned phase includes key outcomes which are crucial to the overall implementation of a project and success thereof.

The following key performance activities were used to evaluate the Unit's performance during the 2022/23 fiscal year:

- Sewer Blockages (Reticulation lines),
- Water Meters,
- Water Quality,
- Maintenance of Sewer Pumpstations,
- Drains.

As a Water Services Authority (WSA), the Municipality has executive authority for water services within its area in terms of the prescribed legislation. This means that the Municipality is responsible for ensuring access to quality water supply and sanitation services to all its residents in Kgatelopele. Ordinarily, the WSA may carry out the functions of a water services provider itself or it may enter into a contract (service level agreement) with another water services provider to undertake this function. Currently, the Municipality only provides these services in the greater Danielskuil (Tlhakalatlou, Danielskuil town and Kuilsville) and the greater Lime Acres area which is Norfin, Lime Acres town and Shaleje being serviced by Sedibeng Water Board.

This function is mandated by the following legislation;

- Constitution of South Africa Act No.108 of 1996
- National Water Act No. 36 of 1998 (as amended)
- Water Services Act No. 108 of 1997 (as amended)
- National Sanitation Policy, 2016
- National Water Resource Strategy
- Guidelines for Human Settlement Planning and Design Manual

During the 2022/23 financial year, the performance of the Unit was assessed on the following key performance activities;

- Sewer Blockages (Reticulation lines)
- Water Meters
- Water Quality
- Maintenance of Sewer Pumpstations
- Drains

### 1.3.2 SEWER BLOCKAGES (RETICULATION LINES)

The Municipality currently has 10 Sewer Pumpstations that feed into the main line channelling the water to the existing oxidation pond. With the population of 20 000 in Kgatelopele, there are 11 000 households that are connected to water borne systems as a form of sanitation. During the 2022/23 Financial year, there had been approximately 560 reported incidents of blockages in the sewer lines that have been reported. On average, this means that there had been 47 blockages per month that have been attended during the financial year.

There are two types of sewer blockages:

- Blockages in the main sewer line
- Blockages in the private line that goes from your home to the main line

Blockages relating to the above-mentioned scenario are usually attended to by the Municipality which has been the norm.

## Foreign Objects

The most common reason for sewage backing up are items being flushed down the toilet.

Many people are unaware of the consequences that flushing foreign objects down the toilet may cause. There are many reasons why blockages occur, but the most regular culprits of blocked drains are:

- Diapers and baby wipes
- Menstrual pads, tampons and sanitary napkins
- Cat litter
- Oil and Grease
- Clip on toilet freshener holders
- Children's toys
- Cotton balls
- Hair

## Tree Roots

If roots of trees are large enough, they can get inside the pipes either by breaking the older style pipes or growing into the joints in the pipe to form roots inside which block the sewer line. With the majority of the sewer pipelines being asbestos, this scenario is bound to be common in the area.

Drainage is based on gravity, and that water will flow downhill. Incorrect pipe installation with inadequate falls could contribute to the build-up of particles and debris in the pipe and could eventually result in blocked drains. It is vital that pipes are installed correctly to ensure adequate water flows. Blockages can build up over time and you may get some early warning signs that there are some obstructions to water flow. These include gurgling sounds after you flush a toilet, the water level in your sink or bath draining slowly, and bad smells from sinks or drains. Some blockages can be easily cleared using a plunger; however, treating the symptom may not address the underlying causes of the drain blockage.

The Municipality currently has certified plumbers that assist with blockages and a team that is tasked to respond to challenges relating to this based on job cards and call-outs.

The Municipality also has two honey comb suckers that are attending approximately 300 households that are not connected to the main sewer-line. This has caused several challenges

in being able to attend to all overflows or emptying out of septic tanks in time. The Municipality is envisaging on embarking on a project to connect all formal households to alleviate the burden of resources as the fleet used is also currently old.

### 1.3.3 WATER METERS

Kgatelopele Local Municipality currently has conventional metering as well as prepaid metering installed within its residents. The community members are encouraged to apply for the prepaid meters to be installed in their premises as technical department already has a list of those interested in the meters.

### 1.3.4 WATER QUALITY

The importance of access to clean water cannot be over emphasized, as the absence of that can result to a lot of health-related challenges. In a bid to ensure that all residents receive clean water, the municipality takes water samples on a monthly basis and they are sent to the laboratory for analysis. With 19 sampling points identified, the municipality has, throughout the years, consistently complied with the provisions of South African National Standard (SANS) 241-1:2015.

This part of SANS 241 specifies the acceptable quality of drinking water, defined in terms of microbiological, physical, aesthetic and chemical determinants. Water that complies with this part of SANS 241 is deemed to present an acceptable health risk for lifetime consumption. It is for this reason that the municipality was awarded the prestigious Blue Drop status with 99.9% compliance making the municipality the top performer in the province, with regards to the provision of drinkable water

No audit has been done by DWS in the 2022/23 FY. The reported results are the results reflected on the DWS Integrated Regulatory Information System (IRIS). No blue drops scores available for 2022/23 FY.

### 1.3.5 DRAINS

The Municipality currently has approximately 300 households that are not connected to the main sewer line and instead making use of septic tanks. This requires the Municipality to ensure that the drains are emptied out daily through the two Sewer Trucks that the Municipality currently has. The municipality purchased a new truck to increase more fleet in the sanitation unit and enable the unit to achieve the targets set for the year.

### 1.3.6 WASTE MANAGEMENT

Section 84(1)E) of the Municipal Structures Act (117 of 1998) mandate the Waste Management section of Kgatelopele Local Municipality to make provision for the collection and disposal of waste from the community and this includes; determining and implementing its Waste Management Strategy i.e. refuse collection, waste recycling, transportation, disposal etc.; regulating the disposal of waste within its area of jurisdiction; establishing, operating and controlling waste disposal facilities including waste transfer . In order to achieve its legislative mandate, the section is subdivided into the following functional categories, namely:

- Refuse removal services
- Street Cleaning & litter-Picking
- Illegal Dumping Removal
- Waste Minimization
- Landfill site Operations & Management

Disposing waste in an environmentally friendly manner is very important for the Municipality, as conservation of the environment is one of its strategic objectives. The last Quarter of the financial year, the Municipality introduced in-house refuse. The Municipality uses a landfill site for this purpose. This function is very important as it is not just about making the municipal area aesthetically pleasing but maintaining the dignity of the natural environment. This places a responsibility on the Municipality to conduct awareness campaigns and educational workshops to those who use their own dumping site. This is essential so that they are educated and that some materials should not be publicly disposed such as medical waste and batteries which can be toxic for the environment.

Street cleaning activities are carried out on a daily basis in the CBD and main streets in residential areas. Cleaning in residential areas is carried out in conjunction with the Community Workers Programme.

### 1.3.7 ELECTRICITY SERVICES

The Electrical section falls within the Technical Services Directorate and is responsible for the provision of quality and sustainable electrical services to all customers within the Kgatelopele electrical distribution area. The functions of the electricity unit are to maintain the electrical infrastructure, monitor implementation of electrical projects, upgrading of dilapidated electricity infrastructure, reduction of electricity losses and improve quality of supply.

### Electricity supplier to households:

All formal settlements in the municipal area have access to electricity supply. Number of households that have access to electricity are 232 conventional meters and 3289 are pre-paid. Informal settlements do not have access to electricity.

### Electricity unit is facing the following challenges:

- Cable theft & vandalism of pillar boxes,
- By-passing of electrical meters & aged infrastructure,
- Insufficient budget to undertake consistent maintenance,
- insufficient supply from ESKOM, un-firm electrical capacity in our substation,
- high electricity loss due to aged infrastructure & theft of electricity (by-pass)
- Vandalism of electrical assets & network and skills shortage.
- Increasing cost of electricity supply

Local Municipality efforts in trying to ensure sustainable provision of electricity services includes the following initiatives:

3524 households are connected to electricity and a total number of 3289 households have been registered for prepaid meters and 235 conventional meters for use of electricity as a source of energy for lighting this initiative was introduced in order to test its feasibility.

The following outlines the Units' performance in terms of;

- Planned power outages
- Meter inspections
- HV-electrical network
  - Replacement of drop-out fuses.
  - Repair broken jumpers and replace PG clamps.
  - Repair broken lines.
- LV-electrical network
  - Cut tree branches from conductors.

- Repair underground distribution cable faults.
- Repair ABC cable faults.
- Repair service cables faults.
- Households service problems.
- Illegal connections inspections
  - Inspection of illegal supply to informal settlements
- Street lighting
  - Repair of street lights and high mast lights
- Sewer pump stations-repairs
  - Reset circuit breakers
  - Cleaning panels
  - Replacement of level switches
- Water pump stations-repairs
  - Inspection and cleaning of panel

## 1.4 FINANCIAL HEALTH OVERVIEW

### 1.4.1 EXPENDITURE

In the 2022/23 financial year the municipality remains committed to this objective, to ensure creditors are paid within 30 days. We need to start prioritising expenditure and reduce the nice to have expenditure. Expenditure should be incurred in a manner where service delivery is prioritised.

#### Creditors analysis

The following information provides an understanding of the municipality's outstanding creditors as at 30 June 2023.

The following is our outstanding creditors at 30 June 2023:

<b>Account</b>	<b>May 2023</b>	<b>June 2023</b>	<b>Difference</b>
Eskom	R15 201 473.20	R17 615 770.34	R 2 414 297.14
Auditor General	R12 416 441.92	R12 216 441.92	-R 200 000.00

Dep of Safety and Liaison	R7 201 931.39	R7 148 307.69	-R 53 623.70
Taanil Construction	R 0	R 7 265 177.64	R7 265 177.64
<b>Total</b>			<b>R2 160 673.44</b>

Points to notes:

- The Eskom account has increased by R2 414 297.14
- The Auditor General account has decreased by R 200 000.00.
- The Department of Safety and Liaison has decreased by R 53 623.70.
- Taanil Construction R 7 265 177.64 was outstanding at the end of June 2023 but was paid on 07 June 2023, thus the impact was temporary since there's funding available for MIG Projects.

The above status shows that our overall creditors account increased by R 2 160 673.44 excluding R 7 265 177.64 of Taanil Construction. Meaning we owe more money to our creditors than in the month of April 2023.

#### Contractual Commitments

On average our contractual agreements are R 6 350 307 a month, this excludes the cost for repairs and maintenance and other operational cost.

CONTARCT NAME
Landfill site management
Security Services
Prepaid Vending
Water sample testing
IMIS
Inside Data
Fuel
Telkom
Eskom
Salaries

## Recommendation

Implementation of improved controls such as cashflow forecasting has assisted the municipality in better planning for expenditure it wishes to incur. A drastic reduction in expenditure is needed to ensure the municipality remains financially stable again.

One of the biggest cost drivers is the aging infrastructure which needs to be refurbished, replaced or upgraded. The municipality is not in the position to undertake capital projects that are not funded by our infrastructure grants due to our cashflow and collection ability. The implementation of a maintenance plan for infrastructure will aid the municipality in reducing the reactive repairs which are costly.

## 1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

### 1.5.1 ORGANISATIONAL STRUCTURE

The municipality is made up of the following key departmental sections and all the departments has a section 56&57 manager (senior Management) Excluding Mayor's office which is council. The Accounting Officer reports to Council and ensures a credible, efficient, effective and economical institution. Based on good ethical conduct and responsive to community needs.

- Mayor's Office
- Municipal Manager's Office
- Budget and Treasury (finance)
- Corporate Services
- Technical and Infrastructure

### 1.5.2 HUMAN RESOURCE MANAGEMENT

Human resource management is a strategic approach to nurturing and supporting employees and ensuring a positive workplace environment. Its functions vary across different businesses and industries, but typically include recruitment, compensation and benefits, training and development, and employee relation.

## Skills development and Training

The skills development Act aims to expand the knowledge and competencies of the labour force in order to improve productivity and employment.

The Workplace Skills Plan and Annual Training Report were submitted on the 30 April 2023 to LGSETA to ensure the municipality reports the Annual Training of 2022/2023 on the education and training interventions that were delivered in the previous year and also consists of all training attendance registers, proof of expenditure, training providers used and the purpose of the Work skills plan for 2022/2023 is based on the skills needs of the organisation at large that serves to put in place the training requirements of the municipality and the amount of funding needed in terms of the upcoming year 2023/2024.

The benefit of skills development is it enhances improvement in the quality of life of workers. It encourages ongoing skills and development, learning, and the acquisition of new skills and work experience.

There is a table to illustrate the number of trainings held in the period of 2022/2023 financial year for employees of municipality. The attendance of the training committee is also provided which states all the members of committee.

## Recruitment and Post and Qualification

The municipality takes recruitment seriously and believes in providing quality service delivery to the community, hence it conducts employee qualification verification to ensure there is transparency and good governance in the institution. The Accounting Officer conducted a skills and qualification audit and realign an organogram.

### The importance of recruitment

Recruitment helps divide applications into categories of under-qualified and over-qualified. This helps streamline the process, making it easier to shortlist people who would be perfect for the job and would help the company grow.

## 1.6 AUDITOR GENERAL REPORT

### 1.6.1 AUDIT OUTCOME / OPINION

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

### 1.6.2 INTERNAL CONTROLS

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

- There was inadequate or no proper review of financial statements submitted for audits as at 30 June 2023.
- Management did not review policies to ensure that the department has a sound system of internal controls to mitigate emerging misstatements within the annual financial statements, annual performance report and non-compliance with laws and regulations.
- Preparation of regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information was not performed.
- Leadership did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities.

## **CHAPTER 2 - GOVERNANCE**

### **CHAPTER – 2 GOVERNANCE**

#### **COMPONENT A – POLITICAL AND ADMINISTRATIVE GOVERNANCE**

The municipality has a political and administrative component, the section below will give an analysis of the two and how they operate in making sure that the developmental mandate is achieved. The Municipal Elections took place on 01 November 2021 where different political organizations elected its representatives to contest into the elections for the next 5 years, and different organizations did part take and the outcome of the elections came out different whereby the then regime (ANC) which led Kgatelopele Council for the past years formed a collision with newly formed political organization known as Patriotic Alliance (PA) , Democratic Alliance (DA) has 2 seats ,whereas Economic Freedom Fighter (EFF) and Freedom Front Plus (FFP) has obtained 1 seat and the new regime was then inaugurated into office to take over the Municipal Council for a Period of five (5) years. The council has changed from the original council elected in November 2021 Elections, as a result some councillors resigned and were replaced. The Municipality is currently running the political structures of the Municipality in collision between African National Congress (ANC) and Patriotic Alliance (PA)

## 2.1 POLITICAL GOVERNANCE

The municipality is led by a Council, which performs both legislative and executive function.

The Council for the 2022/23 financial year was led by the Hon. Mayor Cllr I. Williams.

KGATELOPELE LOCAL MUNICIPALITY COUNCIL: COLLECTIVE EXECUTIVE COUNCIL, WARD PARTICIPATOR

NO	NAME & SURNAME	POSITION	POLITICAL PARTY	WARD/PR	GENDER
1.	Irene Nona Williams	Mayor	African National Congress (ANC)	Ward 5 Cllr	Female
2.	Mosala George Leutlwetse	Speaker	African National Congress (ANC)	Ward 1 Cllr	Male
3.	Ronell Haai	Council Whip	African National Congress (ANC)	Ward 2 Cllr	Female
4.	Jan Slinger	Council member	African National Congress (ANC)	Ward 4 Cllr	Male
5.	Denys Pienaar	Council member	African National Congress (ANC)	Ward 6 Cllr	Male
6.	Anna Van Zyl	Institutional Committee Chairperson	Democratic Alliance (DA)	Ward 3 Cllr	Female
7.	Dorcas Burger	Council member	Democratic Alliance (DA)	PR Cllr	Female
8.	Frikkie Sebelego	Technical, Infrastructure & Community Services Chairperson	Patriotic Alliance (PA)	PR Cllr	Male
9.	Sylvester Vukeya	Municipal Public Accounts Committee (MPAC) Chairperson	Patriotic Alliance (PA)	PR Cllr	Male
10.	François Maritz	Council member	Freedom Front Plus (FFP)	PR Cllr	Male
11	Govern Letlhogonolo Teteme	Council member	Economic Freedom Fighters (EFF)	PR Cllr	Male
	Total No of Cllrs: 11				4x Female 7x Male

### 2.1.1 COUNCIL MEETINGS

The following reflect the number of Council meetings that took place in the year 2021/2022:

(03) Normal Council Meetings

(06) Special Council Meetings

### 2.1.2 PORTFOLIO AND COMMITTEES / SECTION 79 & 80 COMMITTEES

Council has also established committees to ensure its effectiveness in terms of Section 79 and 80 of the Municipal Structures Act 1998.

- Finance Committee
- Institutional Committee
- Technical Committee
- Audit, Risk and Performance Committee
- MPAC

### 2.1.3 DIRECTORATES

Technical, infrastructure and Community services Directorate

This directorate's main functions are to see to it that residents have basic services. The Unit headed by the Technical and Community Services Manager. The unit is responsible for:

- Basic Services
- Management & Maintenance of all infrastructure
- MIG Projects
- Coordinating the building of houses
- Library services
- Housing administrator
- Traffic services
- Town Planning, Land Use Management and the SDF
- Waste management

Financial Management Directorates

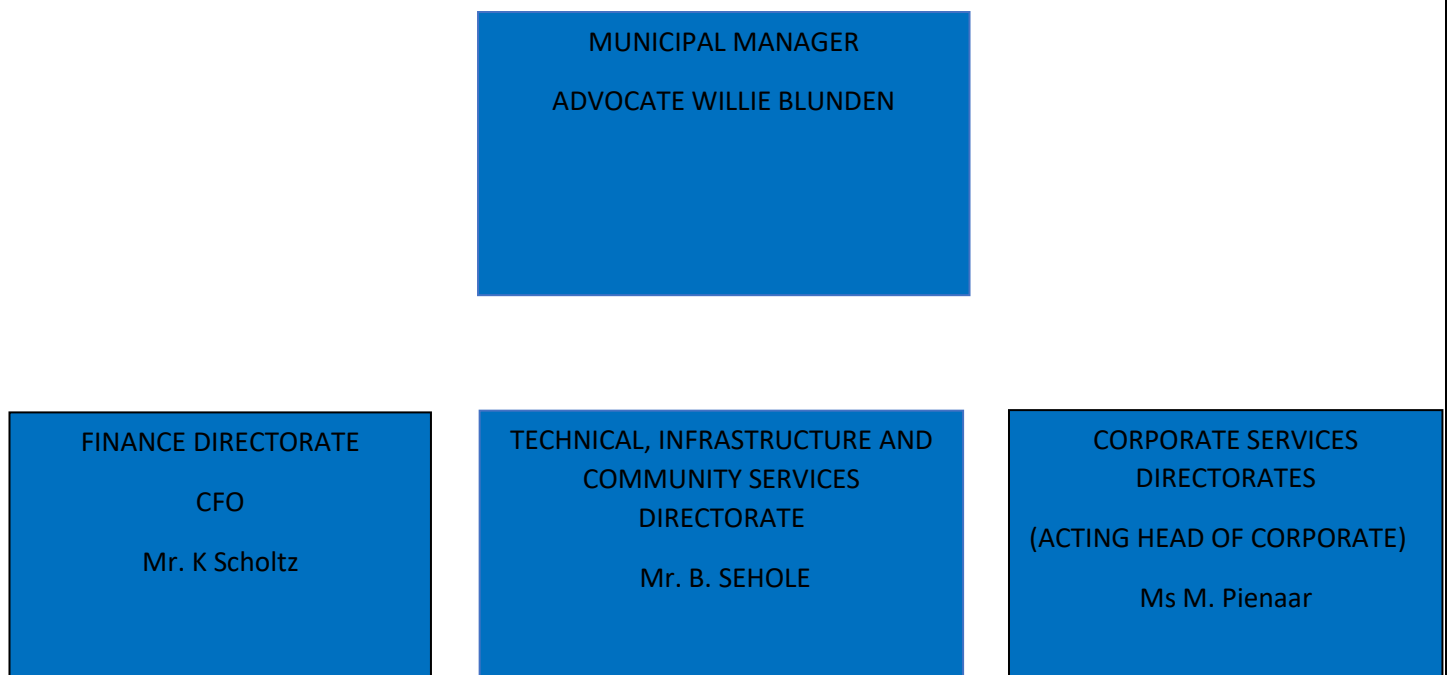
This directorate is responsible for the financial management of the municipality, putting systems in place for proper financial management and managing the inflow and outflow of

money in the municipality. This Unit has been headed by Chief Financial Officer. The Unit is responsible for the following:

- Financial systems
- Budget and treasury
- Revenue/Income
- Expenditure
- Assets Management

## 2.2 ADMINSTRATIVE GOVERNANCE

The Municipal Finance Management Act section 60 (b) states that 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 Act to political structures; political office bearer, and any entity under the sole or shared control of the municipality. Top level structure of Kgatelopele local municipality is as follow:



## COMPONENT B – INTERGOVERNMENTAL RELATIONS

### 2.3 INTERGOVERNMENTAL RELATION

There is a need to coordinate and integrate activities of government in delivering services to the communities and that forms the basis because intergovernmental relation is crucial. The need for the three spheres of government to work together is a Constitutional obligation reconfirmed by various pieces of legislations. The Intergovernmental Fiscal Relation Act, of 1997, Section 4, provides that all spheres of government to facilitate coordination in the implementation of policy and legislation in cooperate with one another in mutual trust and good faith by.

- Fostering friendly relations
- Assisting and supporting one another
- Informing one another of; and consulting one another on matters of common interest
- Coordinating their actions and legislation with one another
- Adhering to agreed procedures; and
- Avoiding legal proceedings against one another

Kgatelopele Local Municipality is instrumental in the process of Intergovernmental relations by participating in various legislated forums i.e., District Intergovernmental Forum and Premiers Intergovernmental Forum, and attendance hereby attested.

## COMPONENT C- PUBLIC ACCOUNTABILITY AND PARTICIPATION

### 2.4 PUBLIC MEETINGS

The Constitution of South Africa affirms the right of public involvement in legislative and development policy. The intention is to allow communities and other non-state sectors another platform with which to engage the State other than through political representatives elected through the ballot. The concept of ward committees is meant to speak to this need. Section 152 (1) of the Constitution enjoins local governments 'to encourage the involvement of communities and community organizations in the matters of local government.' (Republic of South Africa, 1996). The establishment of ward committees is provided for in Chapter 4 of the Municipal Structures Act of 1998. According to the Act, ward committees should be established in each ward of a Category A or Category B municipality. The Municipal Systems

Act of 2000 elaborates further on the issue of community participation in municipal affairs and encourages municipalities to establish alternative forums where no municipal structures for community participation exist. An important provision of the Act is that these forums are to be representative of the different interests within communities.

### 2.4.1 WARD COMMITTEES

No	Scheduled Meetings	Dates	Venues	Time
1.	Ward 1	29 March 2023	Tlhakalatlou Hall	17:00
2.	Ward 2	28 July 2022 16 July 2022 23 August 2022 13 February 2023 13 February 2023	Smirna Church	17:00
3.	Ward 3	28 July 2022 05 July 2022 17 July 2022 23 March 23	Kgatelopele Tourism Centre (1933)	17:00
4.	Ward 4	18 August 2022 13 September 2022 16 July 2022 15 March 2023	Kuilsville Hall	17:00
5.	Ward 5	18 August 2022 23 September 2022 14 July 2022	Church Park	17:00
6.	Ward 6	15 July 2022 22 September 2022 08 March 2023 03 April 2023	Roman Catholic church / Shaleje Hall	17:00

## 2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 of Municipal Systems Act 2000	T 2.5.1

## COMPONENT D – CORPORATE GOVERNANCE

### 2.6 OVERVIEW OF CORPORATE GOVERNANCE

The national and provincial governments must by agreement assist municipalities in building the capacity of municipalities for efficient, effective and transparent financial management. They must support the efforts of municipalities to identify and resolve their financial problems. National and provincial departments and public entities must:

- In their fiscal and financial relations with the local sphere of government, promote cooperative government in accordance with Chapter 3 of the Constitution.
- Promptly meet their financial commitments towards municipalities.
- Provide timely information and assistance to municipalities to enable municipalities.

- To plan properly, including in developing and revising their integrated development plans.
- To prepare their budgets in accordance with processes set out in Chapter 4 of the Local Government Municipal Finance Management Act.

Comply with the Public Finance Management Act, the annual Division of Revenue Act and the Intergovernmental Fiscal Relations Act, 1997.

## 2.7 RISK MANAGEMENT

Section 62 of the Municipal Finance Management Act requires the Accounting Officer to take all reasonable steps to ensure that the Municipality has, and maintains, effective, efficient and transparent systems of financial and risk management, internal control, internal audit as well as the effective, efficient and economical use of the resources of the Municipality. Risk Management is a logical and systematic process of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process, in a way that enables an organization to minimize losses and maximize opportunities. Strategic and operational risk assessment are done in quarterly basis by Management and departmental officials. The participants for operational risk assessment sessions were senior managers and extended managers and lower official where possible. The focus was on progress to date on mitigation strategies, emerging risk for the institution and the way forward to improve on what has been done.

### 2.7.1 THE ROLE/FUNCTION OF RISK MANAGEMENT

The risk management function within the municipal manager environment is a critical component of strategic management. Risk management must be able to influence Strategy in relation to the major risks that that the municipality is facing and must be informed by the extent of its risk exposure, be it financial, reputational or operational in nature. With the modern-day economic uncertainties that directly and indirectly impact on the municipality 's own business environment, risk management plays a crucial role in the identifying both risks and opportunities that are present and to take a strategic position in minimizing the said risks and maximizing present opportunities for the benefits of the Kgatelopele Local Municipality.

The role of the Risk Management unit is to provide the municipality with the expertise and support for institutionalizing ERM and thereby embedding a risk intelligent culture.

## 2.8 ANTI-CORRUPTION STRATEGY

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. The Anti-Fraud and Corruption Policy was developed and it outlines the municipality's commitment to the reduction and possible eradication to fraud and misconduct. The policy is established to facilitate the development of controls which will assist in the prevention and detection of fraud and corruption as well as to provide guidelines as to how instances of fraud and corruption could be identified and gives effect to various legislative instruments.

Legislative instruments include various acts such as the Constitution, Protected Disclosure Act, Prevention and Combating of Corrupt Activities, MFMA, Municipal Systems Act and Schedule 1 and 2 of the Municipal Systems Act. The policy sets out a stance with regard to fraud and corruption as well reinforcing existing legislation aimed at preventing, reacting and reducing the impact of fraud and corruption. The policy was successfully work shopped with the municipal staff members. All employees were also required to declare under oath their direct and indirect business interests. The principle is for employees to abide by the principles of local government and foster an environment, where all employees and councillors shall strive for the ultimate eradication of fraud, corruption, theft and maladministration by means of the application of the full spectrum of both pro-active and re-active measures at their disposal. Consistent with such an Act, the municipality has the responsibility to take reasonable steps to ensure that "whistle Blowers" who disclose such information are protected from any reprisals as a result of such disclosure.

## 2.8.1 ANTI-CORRUPTION AND FRAUD POLICY

The primary objective of the Policy is to prevent fraudulent conduct before it occurs by encouraging a culture within the municipality where all employees, members of the public and other stakeholders continuously behave with and promote integrity in their dealings with or on behalf of the municipality. Fraud represents a significant potential risk to the municipality's assets and reputation. Fraud represents a significant potential risk to the municipality's assets and reputation. The principle of the strategy is for employees to abide by the principles of local government. The policy also aims to develop and foster an environment, where all employees and councillors shall strive for the ultimate eradication of fraud, corruption, theft and maladministration by means of the application of the full spectrum of both pro-active and reactive measures at their disposal. Consistent with such an Act, the municipality has the responsibility to take reasonable steps to ensure that "whistle Blowers" who disclose such information are protected from any reprisals as a result of such disclosure.

## 2.8.2 WHISTLE BLOWING ACT

The whistle blowing act further-more aims to provide avenues for staff to raise concerns and receive feedback on any action taken, inform staff on how to take the matter further if they are dissatisfied with the response and re-assure staff they will be protected from abuse and victimization for blowing the whistle in good faith. The policy contains detailed procedures that should be followed when employees, councillors', service providers and members of the public should they wish to report fraud and corruption allegations. The policy included Whistle Blowing Act, as it is designed to make it clear that the Kgatelopele Local Municipality is committed to fighting Fraud and Corruption whether the perpetrators are internal and external. Enforcing whistle blowing act is part of the municipality commitment towards a culture of accountability, transparency, excellence and efficiency the Protected Disclosure Act 26 of 2000 provides protection to employees who make disclosures in good faith.

Fraud and Corruption represent a significant potential risk to the Municipality's' assets, service delivery efficiency and reputation. The Municipality will not tolerate corrupt or fraudulent activities, whether internal or external to the institution and will vigorously pursue and prosecute any parties which engage in such practices or attempt to do so by all legal means available. For the year 2022-2023 FY, they hasn't been any cases reported or referred to the Risk Unit.

## 2.9 SUPPLY CHAIN MANAGEMENT

### 2.9.1 IMPLEMENTATION OF SCM PROCESS

Integrated Supply Chain Management aims to add value at each stage of the process, from demand of goods and services to their acquisitions and managing the logistics process.

The municipality has a dully approved SCM policy in place. The policy is aligned to the MFMA, regulations, circulars and all other relevant legislations. A system of internal controls is in place even though not always adhered to. The services of internal audit are utilised in order to continually identify shortfalls and to address them.

Currently, the municipality has no long-term contracts in place. When such a need arises, the relevant legislation will be applied and the relevant stakeholders such as provincial treasury will be contacted for comment.

The municipality uses the GRAP compliance checklist and other tools availed by National Treasury in order to ensure compliance.

There have been instances where the municipality was found not to be in compliance on components such as revenue, receivables and payables.

### 2.8.2 DEMAND MANAGEMENT

The procurement plan for 2022/2023 has been developed and approved by the Accounting Officer. The goods and services above R200 000.00 (vat inclusive) are procured according to the procurement plan.

### 2.8.3 BIDS (procurement above R 200 000 00):

NO	BID NO	BID DESCRIPTION	DATE OF ADVERT	CLOSING DATE OF ADVERT	BIDS RECEIVED	TENDERED AMOUNT	STATUS	BIDS AWARDED TO:
1.	KLM2022/23/001	Supply and Delivery of light motor vehicle for Kgatelopele Local Municipality	29/07/2022	12/08/2022	<ul style="list-style-type: none"> <li>▪ Key Spirit Trading 218cc</li> <li>▪ Simunye Fleet Management (Pty) Ltd</li> <li>▪ Matamba Supply Services</li> <li>▪ Williams Hunt</li> </ul>	R395 547.71  R 335 870.74  R 355 200.01  R 330 599.70	Not awarded	N/A
2.	KLM2022/3/002	Supply and delivery of cleaning materials for Kgatelopele Local Municipality	29/07/2022	30/08/2022	<ul style="list-style-type: none"> <li>▪ Bidela Technology</li> <li>▪ Thusanami Medical Supplies</li> <li>▪ Spiff Business Holding</li> <li>▪ Full Capacity and Projects</li> <li>▪ Freedom Express and Security &amp; Projects</li> <li>▪ Platinum Supplies (PTY)LTD</li> <li>▪ Luyolo Projects</li> <li>▪ Slaite Management</li> </ul>	R41 128.06  R67 609.71  R11 736.89  R53 397.45  R83 659.50  R30 816.39  R48 056.10	Awarded	JB Praise Center

					<ul style="list-style-type: none"> <li>▪ Consultants and Projects R81 131.00</li> <li>▪ Sireko (PTY)LTD</li> <li>▪ Motate Projects and Supplies (PTY)LTD R105 715.00</li> <li>▪ Mthatos Trading and Projects (PTY)LTD R36 321.00</li> <li>▪ Hustle with Ambience Inc (PTY)LTD R40 6626.00</li> <li>▪ Motloung and Motle Logistics and Properties R42 779.11</li> <li>▪ Status Alliance Entertainment and Promotion R34 335.00</li> <li>▪ Gravity Projects and services</li> <li>▪ Ditshegofatso tsa Rona Trading R39 649.00</li> <li>▪ Granite Patterns trading and Projects R50 103.20</li> </ul>		
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3.	KLM2022/23/003	Supply and delivery of stationary for Kgatelopele Local Municipality	29/07/2022	30/08/2022	<ul style="list-style-type: none"> <li>▪ Gravity Projects and Services (PTY)LTD</li> <li>▪ Sekokodi Engineering &amp; Construction</li> <li>▪ Thusanami Medical Supplies</li> <li>▪ Platinum Supplies (PTY)LTD</li> <li>▪ Bidela Technologies (PTY)ltd</li> <li>▪ Mthatos Trading and Projects (PTY) LTD</li> <li>▪ Luyolo Projects</li> <li>▪ Slaite Management Consultants and Projects</li> <li>▪ PRV Enterprise (PTY) ltd</li> <li>▪ NLH Office Stationary</li> <li>▪ Kenyamo Trading and</li> </ul>	R 33 321.29  R14 456.62  R35 967.89  R17 673.60  R11 245.53 R26 565.70  R23 283.74  R43 413.00  R35 499.67  R24 830.14	Awarded	Sekokodi Engineering & Construction
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					Logistics (pty) ltd	R29 531.01		
					▪ Levao Trading (pty) ltd			
					▪ Hustle within ambience Inc (pty)ltd	R25 691.00		
					▪ Newgen Pumps and valves (pty) ltd	R19 505.81		
					▪ Mtloung and Motle Logistics and Properties	R34 464.35		
					▪ Status Alliance entertainment and promotions	R30 646.00		
					▪ Granite Patterns Trading and projects	R29 130.00		
					▪ Mashapane Construction and supply	R47 961.90		
					▪ Freedom express security and projects	R81 011.66		
					▪ Ditshehla Business Holding	R64 902.00		

					<ul style="list-style-type: none"> <li>▪ Think Royalty 7 Projects R44 769.00</li> <li>▪ Full Capacity and projects R65 415.00</li> <li>▪ TS General Trading (PTY) ltd R35 853.00</li> <li>▪ Ditshegofatso Tsa rona R26 296.00</li> </ul> <p>R60 058.00</p>		
4.	KLM2022/23/04	Danielskuil Eradication of conservancy tanks through the construction of HDPE sewer network phase 2	09/12/2023	20/01/2023	<ul style="list-style-type: none"> <li>▪ Phepheng Project management R 24 258 729.55</li> <li>▪ Oitsegodira General Trading R64 400 068.98</li> <li>▪ Weird Industries R45 718 388.58</li> <li>▪ Taanil Construction R58 922.694.33</li> <li>▪ KKS Wealth R 59 791 017.95</li> <li>▪ Tarcon Projects (PTY) ltd R35 380 133.02</li> <li>▪ Matela Civil and Construction R43 833 768.00</li> <li>▪ SupaVolt JV</li> </ul>	Not Awarded	

					<ul style="list-style-type: none"> <li>▪ Ruwacon</li> </ul>	R38 892 065.95		
						R102 86 099.74		
5.	KLM2021/22/014	Management of prepaid electricity vending system and auditing of prepaid electricity meters	17/06/2022	19/08/2022	<ul style="list-style-type: none"> <li>▪ Magidi Revenue Protection Services</li> <li>▪ PCMA Power Metering Africa</li> <li>▪ Opulent Tech Business</li> <li>▪ Landis+Gyn (pty) ltd</li> <li>▪ Bonakude</li> <li>▪ CIC-ICELL Assuming Revenue for municipalities</li> <li>▪ MBL Smart Solutions</li> <li>▪ Conlog (PTY) ltd</li> <li>▪ Easy Pay (PTY) ltd</li> <li>▪ Ontec Systems (PTY) ltd</li> <li>▪ Ntlangani Group of Companies</li> <li>▪ Contour Technologies</li> </ul>	R7 567 000.00  R1 771 212.75  R4 161 040.00  R88 370.60 R808 000.00 R2 441 866.80  4.2% R191 .67.00 (5.52%) R6 211.15.00 R120 per meter + R10850+4.44 per bill 5.5% + R 150 000.00	Awarded	CIG- Cell

					<ul style="list-style-type: none"> <li>Khavhakone Construction Group</li> </ul>	4.60% of sales. R 20286.00  R476 190.48		
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## CONTRACTS MANAGEMENT

Contracts Register is updated on a quarterly basis, and finalization is done at the end of each financial year.

### 2.8.6 COMPLIANCE AND REPORTING

Insufficient supporting documents from the bidders the unit has been experiencing the issue of service providers who are reluctant to register on the National Treasury's Central Supplier Database (CSD), and also the slow internet when the SCM Unit is helping local suppliers to register on the CSD. Order printers that are not functioning, recommends the purchase of new order printer. Lack of complying with SCM processes by other units and recommends that all procurement should be centralized to the SCM Unit.

#### Order Processing

To be done at least 3 days so that SCM can be afforded the time and space to attend to other daily office operations such as reports, bookings, sourcing quotations etc. Officials come daily with isolated individual requests with expectation of the SCM officials to stop execution of service to attend to their issues. This clashes with our flow of work and results in pile-ups and disagreements between employees.

#### Records management

All Tender documents and Quotation documents are stored in the lockable filing cabinet. The Register has been implemented for all the documents that were issued.

SCM information on website

Reports on SCM and bid invitations were also available on the municipality's official website at [www.kgatelopele.gov.za](http://www.kgatelopele.gov.za). Challenges were being experienced during the year on the issue of the website being down and as a result not all the information pertaining to SCM was uploaded. The administration is currently looking at resolving the matter by training and capacity building initiatives.

## 2.10 BY-LAWS

Bylaws are a type of law and specifically a type of legislation made by a municipal council rather than the other two spheres of government (i.e. provincial and national government). Bylaws as legislation must be distinguished from common law. Like all legislation bylaws are – made by a legislature (your municipal council) and intended to comprehensively regulate a particular situation (such as, street trading).

## 2.11 WEBSITES

Kgatelopele Municipality has a website which is available and accessible to all who has internet access. The website link to access the website is [www.kgatelopele.gov.za](http://www.kgatelopele.gov.za). All information about Kgatelopele Local Municipality is placed on the municipality website. For enquiries, reporting and complaints the tab "CONTACT US" can be clicked on and an email will be sent automatically to the Customer care and Reception department, Thus, the community can enter: His/her name and surname as well as email and contact number. Customer care will respond back and also capture one's enquiries. All Documents or Reports are found under the tab All Tender and Bids documents will be placed under Supply Chain Tenders as well as the municipality policies with other options/tabs as well for each department.

Kgatelopele Local Municipal website is available accessible and to all who has internet access:

- Website: [www.kgatelopele.gov.za](http://www.kgatelopele.gov.za)
- Email: [customercare@kgatelopele.gov.za](mailto:customercare@kgatelopele.gov.za)

## 2.12 PUBLIC SATISFACTION ON MUNICIPAL SERVICE

Public Satisfaction Municipal survey was not undertaken in the year under review; however, customer care unit will make all social media platform available for public to participate and to register all complaints.

## CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT 1)

### CHAPTER 3 – SERVICE DELIVERY

#### COMPONENT: A BASIC SERVICES

##### 3.1 WATER PROVISION

Water is currently extracted from three boreholes and pumped into two reservoirs situated on the hill towards the Northern most side of Danielskuil. These two reservoirs are commonly described as the Old (3.5 megalitres) and New (4 megalitres) reservoirs and their combined capacity is 7.5 megalitres. The former is made of concrete and it was constructed in the early nineteen seventies (approximately 50 years old). It was sealed in 1986, and was rehabilitated in 2000 which included the installation of a Geotextile lining. The New Reservoir is made of steel and it was constructed in 2016. The Municipality supplies portable water to the community through the use of municipal boreholes. The breakdown of the existing boreholes and their status are as follows: Number of Municipal boreholes- Four (4), namely:

- Danlime 1 standby pump
- Danlime 1 main pump
- Danlime 2
- Tlhakalatlou borehole

Number of boreholes in use-2

- Danlime 1 standby pump
- Danlime 1 main pump
- Tlhakalatlou borehole

Reasons for non-functionality of boreholes:

- Danlime2: Submerges with water due to heavy rainfalls experienced in the 2020/21 FY

Current Levels of Boreholes (As of June 2023)

NAME OF BOREHOLE	TOTAL DEPTH OF BOREHOLE (Meters)	DIP METER LEVEL (Meters)	CURRENT WATER LEVEL (Meters)
DANLIME 1	60m	12m	42m

DANLIME 1(STANDBY)	60m	15 m	45m
DANLIME 2	50m	9m	41m
TLHAKALATLOU NEW BOREHOLE	34m	13m	21m

## 3.2 WATER AND SANITATION

### 3.2.1 SANITATION/SEWER SERVICES

The following key performance activities were used to evaluate the Unit's performance during the 2022/23 fiscal year:

- Sewer Blockages (Reticulation lines),
- Water Meters,
- Water Quality,
- Maintenance of Sewer Pumpstations,
- Drains

#### Sewer Blockages (Reticulation Lines)

There are now 10 sewer pumpstations in the Municipality that feed into the main line that directs water to the oxidation pond. In Kgatelopele, which has a population of 20,000, 11,000 houses have access to waterborne sanitation facilities. Approximately 860 recorded cases of sewage line blockages were reported during the fiscal year 2022–2023. This indicates that over the fiscal year, there were, on average, 57 blockages each month that required attention.

Sewer obstructions come in two varieties: Blockages in the main sewer line and the private pipe that connects your house to the main line of sewage. According to tradition, the Municipality often responds to obstructions related to the aforementioned circumstance

## Foreign Objects

Items flushed down the toilet are the primary cause of sewage backups. Our major sewer pipes become blocked as a result of stones getting inside.

Although most people are aware of the negative effects of flushing foreign things down the toilet, additional awareness campaigns and activities need to be held to remind the community on a regular basis. There are several causes for blockages, however the following are the primary offenders:

- Cat litter;
- Oil and Grease;
- Clip-on toilet freshener holders;
- Diapers and baby wipes;
- Menstrual pads,
- tampons, and sanitary napkins;
- Children's toys;
- Cotton balls; Hair;

## 3.2.2 WATER QUALITY

The importance of access to clean water cannot be over emphasized, as the absence of that can result to a lot of health-related challenges. In a bid to ensure that all residents receive clean water, the municipality takes water samples on a monthly basis and they are sent to the laboratory for analysis. With 19 sampling points identified, the municipality has, throughout the years, consistently complied with the provisions of South African National Standard (SANS) 241-1: 2015. This part of SANS 241 specifies the acceptable quality of drinking water, defined in terms of microbiological, physical, aesthetic and chemical determinants. Water that complies with this part of SANS 241 is deemed to present an acceptable health risk for lifetime consumption. It is for this reason that the municipality was awarded the prestigious Blue Drop status with 99.9% compliance making the municipality the top performer in the province, with regards to the provision of drinkable water. No audit has been done by DWS in the 2022/23 FY.

### 3.2.3 DRAINS

The Municipality currently has approximately over 300 households that are not connected to the main sewer line and instead making use of septic tanks. This requires the Municipality to ensure that the drains are emptied out daily through the two Sewer Trucks that the Municipality currently has. During the 2019/20 Financial year, the Municipality was able to register a Sewer Reticulation Project with the Department of Water and Sanitation (WSIG) with the intention of connecting households that are making use of septic tanks to the main sewer network. The project is valued at an amount of R 36 000 000.00 and earmarked to be implemented during the 2021/22 Financial year as per the indication received from the Sector Department. The Unit has been performing above average during the financial year with a good turn-around time in terms of addressing complaints in the short, Medium Long-Term Plans. The oxidation pond was upgraded in 2022/2023 FY and will be completed in 2023/24 FY

- Water Services Development Plan
- Water Resource Strategy
- Water & Sanitation Master Plan

### 3.3 ELECTRICITY

The Electrical section falls within the Technical Services Directorate and is responsible for the provision of quality and sustainable electrical services to all customers within the Kgatelopele electrical distribution area. The functions of the electricity unit are to maintain the electrical infrastructure, monitor implementation of electrical projects, upgrading of dilapidated electricity infrastructure, reduction of electricity losses and improve quality of supply.

The existing 22kV Daniëlskuil, Kuilsville and Tlhakalatlou under the Kgatelopele Municipality's main intake is at the Ouplaas 88/22kV Substation, as the existing 22kV infrastructure does not have adequate capacity to accommodate any further development within Kgatelopele Municipality. Development in Daniëlskuil constitutes of mostly domestic/residential and commercial expansion because of the mining activities in the surrounding area of the town.

The Ouplaas Substation consists of 2 x 10 MVA 132k/22kV transformers which supply the Kgatelopele Municipality via the Daniëlskuil 22kV feeder (at an NMD of 5MVA) and the Idwala Lime Mine (at NMD 15MVA). The figure 1 below is the MV & LV network being supplied by the Ouplaas Substation via the Daniëlskuil 22kV feeder. The Daniëlskuil 22kV feeder supplies

±3578 customer, of which are made up of residential customers, local business customers and other customers (clinics, libraries, municipal offices etc.)

Kgatelopele Municipality is and has been supplied by Eskom at a Medium voltage supply of 22kV from Ouplaas 88/22kV substation. The municipality is currently being supplied from a single source POS i.e. no premium supply, and that would usually translate to the fact that any loss of supply from Ouplaas substation, whether through planned or unplanned outages will leave the municipality without any alternative form of electrical supply to its domestic, industrial and other customers. Due to vandalism the power stations are being damaged hence; municipality will increase security to monitor the power station. Furthermore, this loss of supply will also leave the municipality with the inability of being unable to maintain reliability and continuity of supply and that means loss of revenue to the municipality.

### 3.3.1 REPLACEMENT OF STREET LIGHTS

Contractors: Sivtech Engineering Cc & Newgen Pumps & Valves (Pty)Ltd

- Replacement of existing 125w Mercury Vapor Street Lights with 50w 224

The new substituted fittings are more energy efficient and provides a longer life span; thus, less maintenance.

### 3.4 WASTE MANAGEMENT

Section 84(1)E) of the Municipal Structures Act (117 of 1998) mandate the Waste Management section of Kgatelopele Local Municipality to make provision for the collection and disposal of waste from the community and this includes; determining and implementing its Waste Management Strategy i.e. refuse collection, waste recycling, transportation, disposal etc.; regulating the disposal of waste within its area of jurisdiction; establishing, operating and controlling waste disposal facilities including waste transfer .

In order to achieve its legislative mandate, the section is subdivided into the following functional categories, namely:

- Refuse removal services

- Street Cleaning & litter-Picking
- Illegal Dumping Removal
- Waste Minimization
- Landfill site Operations & Management

Since protecting the environment is one of the Municipality's strategic goals, disposing of garbage in an ecologically sustainable way is crucial. The Municipality started using in-house trash during the latter quarter of the fiscal year. For this, the Municipality makes use of a dump site. This role is crucial since it protects the natural environment's honor in addition to improving the aesthetics of the local community. Due to this, it is the Municipality's obligation to organize awareness campaigns and instructional sessions for those who utilize their own disposal sites. This is crucial in order to inform them about the need to dispose of particular goods privately, such as batteries and medical waste, which can be harmful to the environment.

Daily street cleaning operations are conducted in residential regions' major streets and the CBD. Residential cleaning is done in coordination with the Community Workers Program.

### 3.4.1 CONSTRUCTION OF NEW LANDFILL SITE

The Kgatelopele Municipality proposed to close its existing, landfill site and find a suitable site for the establishment of a new landfill site at Daniëlskuil for the disposal of General Urban waste.

The Department of Water and Sanitation (DWS) has set out minimum requirements by which a landfill must be designed and operated. The requirements are aimed at protecting the public and environment from the impacts of bad waste management.

The proposed solid waste disposal site is situated approximately 3.5km along the D3399 gravel road linking Daniëlskuil to Koopmansfontein on the remainder of Erf 1 Daniëlskuil. the scope of the project involves:

- Construction Of Landfill Site & Leachate Ponds
- Construction of Water Distributing Network and Connection
- Construction Of Weigh Bridge Structure H Building Works
- Construction Of Roads & Storm Water
- Fencing
- Closing Of Existing Landfill Site

## COMPONENT: B PLANNING AND DEVELOPMENT

### 3.5 PLANNING

The Town Planning Unit is responsible for the management of the key performance areas associated with the spatial planning and land use management aspect of development planning and control in the Municipality.

The Unit is structured according to legislative requirements which its primary mandate is to enforce the following in the local sphere of government:

- Spatial Planning and Land Use Management By-law, 2015;
- Zoning Scheme, 2010;
- Spatial Development Framework, 2010;
- Advertising Signs By-law, 2017;
- Dolomite Risk Management Policy, 2016; and
- Church Erven Allocation Policy, 2016.

#### 3.5.1 PERFORMANCE ASSESSMENT: 2022/23

The Unit was faced with several challenges concerning planning and land development issues during the 2022/23 financial year that ranged from land invasions (including dolomitic land) which led to informal settlements, contraventions in terms of non-adherence to by-laws and policies, substandard land-use and development applications as well as the compliance of building plans with the development parameters outlined in the zoning scheme.

The Municipality managed to appoint a Town Planner during the 2022/2023 financial year to enforce the credibility and assurance of compliance with legislated requirements in terms of spatial planning. Despite this, the Unit remains to be under-capacitated which has also posed as a challenge in ensuring that exceptional deliverables are attained in terms of the Spatial Planning and Land Use Management Act (Act No. 16 of 2013).

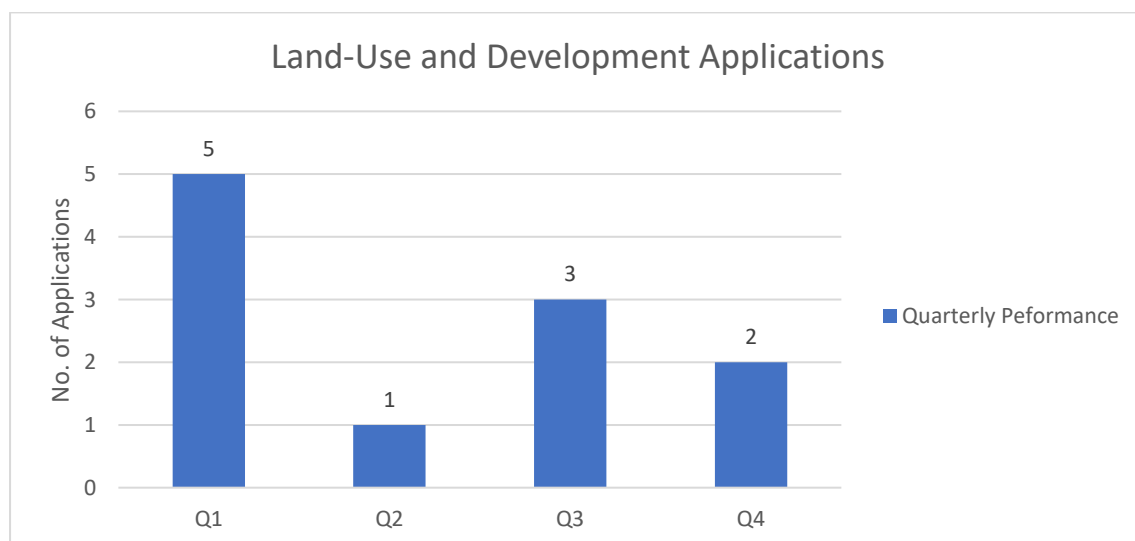
### 3.5.2 COMPLIANCE WITH SPLUMA

As required by Section 35(1) of the Spatial Planning and Land Use Management Act, Act No. 16 of 2013 (SPLUMA), the Kgatelopele Local Municipality has a functional Municipal Planning Tribunal in the form of a joint structure with the Kai! Garib Local Municipality, Tsantsabane Local Municipality and Kheis Local Municipality while the ZF Mgcawu District Municipality provides administrative assistance. The Municipality is represented by two officials. Its meetings take place in Upington at the offices of the District Municipality subject to receipt of land use and development applications. In line with Section 35(2) of SPLUMA, Council delegated the function to decide on “Category-2” land use and development applications to the Town Planner.

Furthermore, the Municipality managed to finalize and adopt a SPLUMA compliant Spatial Development Framework (SDF) through Council during the 2022/23 financial year which will allow the Municipality to guide and attain its economic, sectoral, spatial, social, institutional and environmental vision. In addition, the Municipality also approved a comprehensive Land Use Management System during the same year composed of a SPLUMA compliant Land Use Scheme, By-law, Application Manual and application forms. While the SDF project was internally funded, the Land Use Management System project was funded by the National Department of Rural Development and Land Reform.

### 3.5.3 LAND USE MANAGEMENT

#### Land Use and Development Applications

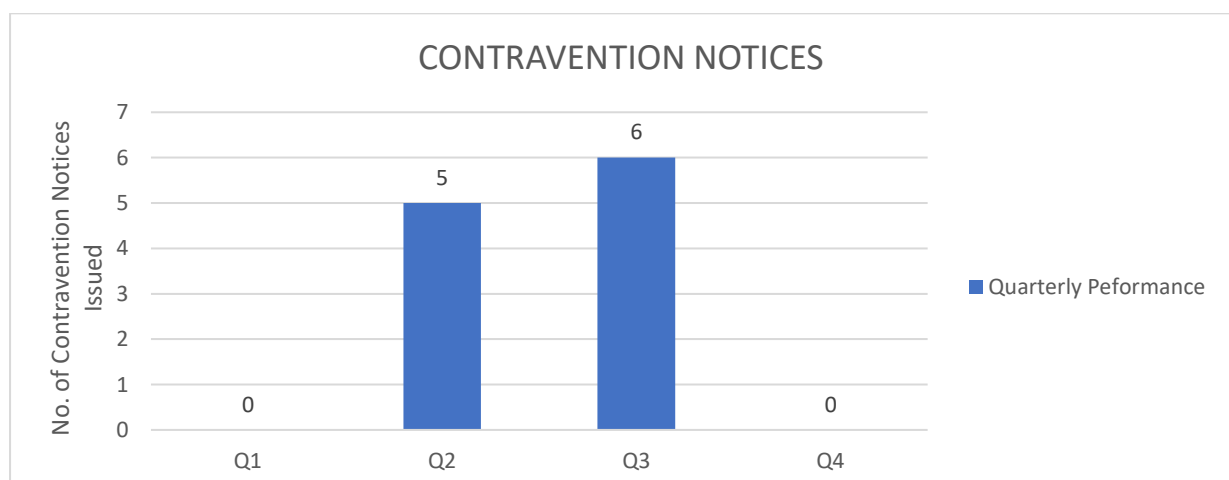


Land use and development applications received during the 2022/23 financial year were primarily dictated by the submissions made by the public to the Municipality. Performance thereof cannot be accurately assessed as the approval and finalisation of applications is subjected to the Joint Municipal Planning Tribunal processes with the Municipality still playing a vital role in the facilitation of all processes. Despite administrative challenges outlined above, all applications were handled within stipulated timeframes. The applications received during the period under review were for:

- Rezoning;
- Subdivision;
- Consolidation; and
- Removal of restrictive conditions.

Eight (8) of the applications that were received and finalised during the said year were approved while the other three (3) are at different phases of the pre-approval process

The Municipality has encountered several challenges with regards to non-compliance of by-laws by the public; in the main, the Zoning Scheme. This is demonstrated through non-submission of land use and development applications and construction of buildings and usage of properties for purposes they are not zoned for. In the main, these town planning contraventions relate to the operation of tuckshops and construction of additional dwelling units on residential properties without having followed the applicable land use change processes. This is despite the availability of the Spatial Development Framework and Zoning Scheme on the Municipal website and offices as well as the awareness campaigns that were held. It is quite vital to emphasise the importance of adhering to the development parameters, mainly because of the nature of the geology in most parts of Danielskuil which is dolomitic. Ordinarily, town planning contravention notices are a means to enforce the provision of the Zoning Scheme.



The above graphical presentation denotes that more emphasis in terms of monitoring and enforcement of by-laws needs to be a key focus in addressing issues of non-compliance and contraventions of town planning regulations. This can be achieved through constant public participation and awareness for the community to take heed on the kind of impact that non-adherence to these regulations has on the planning of the Municipality at large especially on the efficient and effective delivery of basic services to the community as well as the well-being and safety of properties and residents.

### 3.6 CEMERTIES

a) Number of Cemeteries in the municipal area

- 1 in Kuilsville
- 1 in Tlhakalatlou
- 1 in Daniëlskuil

b) There is no Crematoriums in the Municipal area.

c) Maintenance and management are done by the Municipality through the Operation and Maintenance Budget along with the assistance of the community Works Programme (CWP). As part of supporting indigent households, the municipality allocates graves for free to the latter household. The municipality will in the new financial year appoint caretakers of cemeteries and community halls.

### 3.7 SOCIAL PROGRAMMES

Accessibility of computer training provided by mines for local youth in particular matriculants sitting at home, so as to meet the employment requirements. Improvement: Information dissemination by mines on training opportunities to the communities. Kgatelopele youth centre had a programme to uplift unemployed youth and encourage them to enrol in tertiary institutions. The unit of IDP/LED and Youth co-ordinator collaborated in hosting a career fair for the matriculants of 2022 to educate, them on different career opportunities.

## 3.8 PROJECTS FOR 2022/23 FINANCIAL YEAR

### 3.8.1 Expanded Public Work Programme

Kgatelopele Local Municipality has received a sum of R1 073 000.00 from the National Department of Public Works, with the final tranche of R 800 000 was received during the month of February 2023.

Under the Expanded Public Works Programme, the Municipality had 1 project with an allocation of R1 073 000.00 and it was categorized under the following criteria:

#### **Repairs and Refurbishment of Municipal Facilities for the allocation of. R 1 073 000.00**

This project was funded by Department of public works under the Expanded Public Works Programme. The purpose of this project was to maintain, repair and refurbish municipal Properties.

#### SITE PICTURES



Photo1.: Replacement of toilet seats at Main Municipal Build

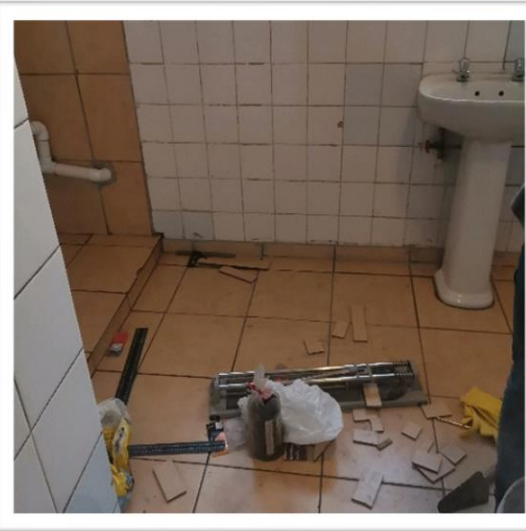


Photo2: Installation of tiles and skirtings at Municipal Building.



Photo3: Installation of tiles at Municipal Building.



Photo4: Partitioning of Municipal Building



Photo5: Partitioning of Municipal Building



Photo6: Painting of partitioning board



Photo 7. Worn-out paint at Municipal Library



Photo.8 Newly painted Municipal Library Wall



Photo 9 Worn-out paint at Municipal Library



Photo.10 Newly painted Municipal Library Wall



Photo.11 Newly painted glass door



Photo.12 New blinds installed at municipal property

This project was branded in terms of the EPWP requirements, the temporary employees were supplied with the personal protective clothing and safety equipment. There was no training provided for the employees that took place on the project.

### 3.8. 2 Eradication of conservancy tanks through the construction of HDPE sewer network

The entire Kgatelopele Municipality is situated on Dolomite as we know Dolomite is soluble in water. Rainwater and percolating ground water gradually dissolve the rock over time as it seeps through joints, fractures and fault zones in the rock. The dissolution of the dolomite gives rise to cave systems and voids in the rock. Soils covering the rock can collapse into these caves or voids resulting in catastrophic ground movement on the surface such as sinkholes or dolines.

Currently there are numerous erven in Danielskuil and Kuilsville which have conservancy tanks which were constructed many years ago and the possibility of leaks developing over many years is inevitable.

Secondly the eradication of the conservancy tanks would alleviate the costs associated with the continuous maintenance (emptying) of the conservancy tanks and acquiring funding for additional sewer suction vehicles is challenging.

During the IDP review process in 2009, the Kgatelopele Local Municipality resolved to provide sewer connections to the erven in Danielskuil who are currently making use of conservancy tanks.

Kgatelopele Local Municipality applied for Municipal Infrastructure Grant (MIG) funding several years ago, however, at that stage the abovementioned erven didn't meet the MIG criteria as the erven effectively had waterborne sewerage.

Therefore, Kgatelopele Local Municipality has reverted to apply for funding from Department of Human Settlements Water and Sanitation through the Water Services Infrastructure Grant (WSIG).

The areas which will be serviced are some businesses in Kuilsville and existing residential areas in Danielskuil and Kuilsville. No new development areas are included in this application.

The erven that require connections to a gravitational network comprise of the following:

- 309 residential sites,
- and 60 Commercial sites

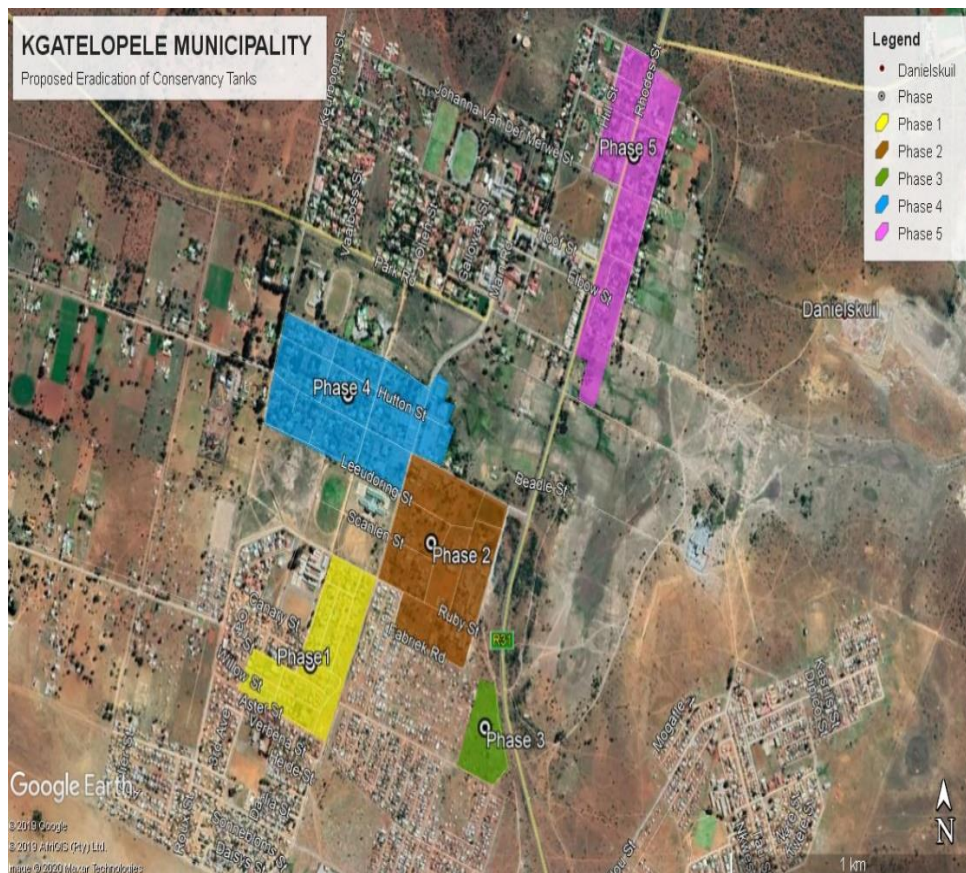


Figure 1: Proposed Eradication of Conservancy Tanks: Phase 1 to 5

## Scope of Works:

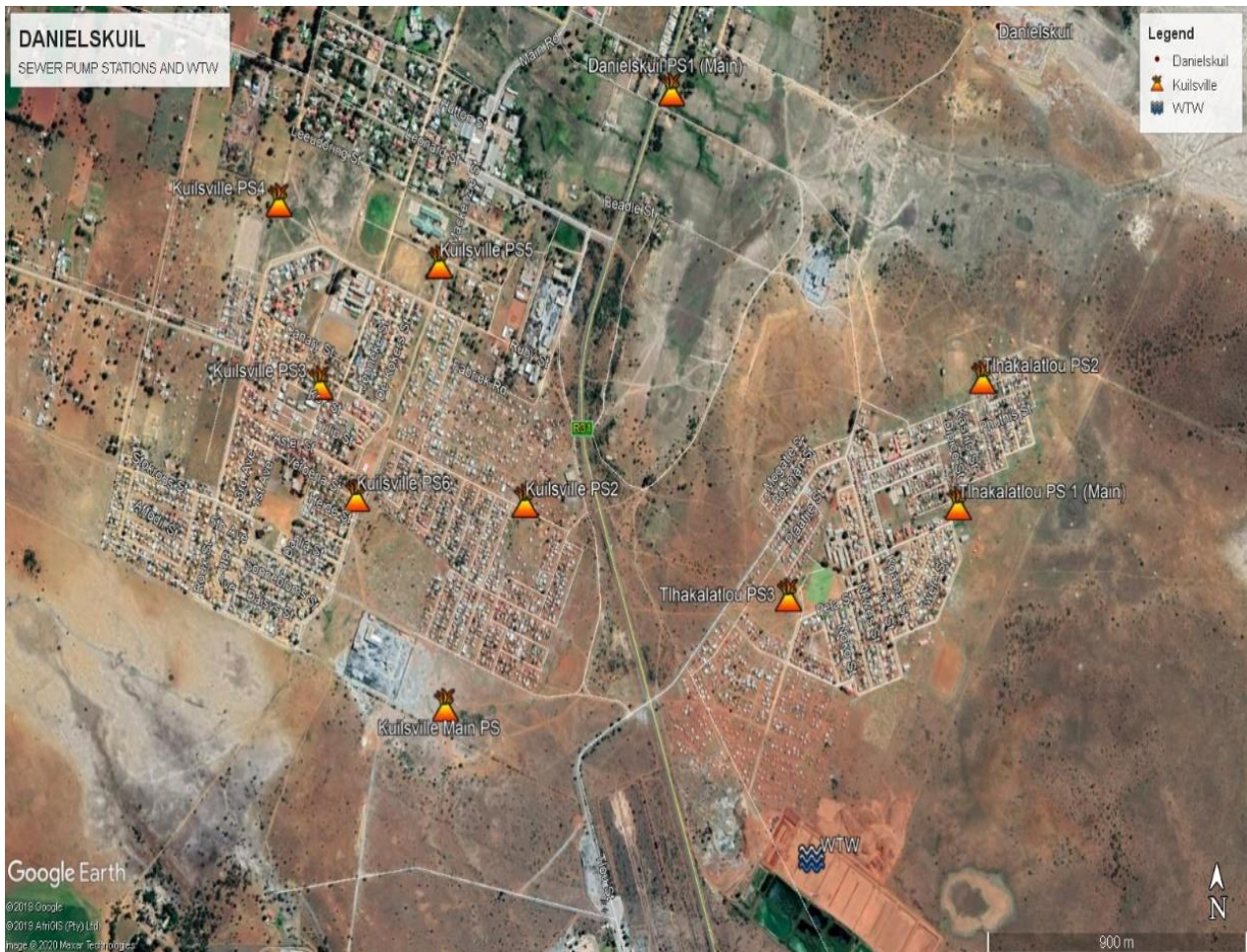
The Eradication of Conservancy Tanks can be divided into the following portions, namely:

- Portion 1 : Sewer Reticulation Network Phase 1:
  - This portion is approximately 2,048m long and consists of the following:
  - 122 Residential Erven
  - 8 Commercial Erven
- Portion 2: Sewer Reticulation Network Phase 2:
  - This portion is approximately 1,629m long and consists of the following:
  - 44 Residential Erven
  - 22 Commercial Erven

The purpose of this project is to provide 170 households, 21 Commercial Erven with a connection to the sewer gravitational systems, by constructing the following infrastructure, namely:

- The total length of the proposed gravitational sewer reticulation is approximately 5,268 m in length gravitating towards an existing sewer pump station.
  - Portion 1 : Sewer Reticulation Network Phase 1: This portion is approximately 2,048 m long and consists of the following:
    - 122 Residential Erven
    - 8 Commercial Erven
  - Portion 2 : Sewer Reticulation Network Phase 2(A): This portion is approximately 3,220 m long and consists of the following:
    - 48 Residential Erven
    - 13 Commercial Erven
- The proposed gravitational network will comprise of 160 and 200mm diameter HDPE sewer pipes. HDPE Manholes will be placed at a maximum distance of 80 m apart.
- Numerous sewer pump stations (depicted in **Error! Reference source not found.** 4) will receive additional effluent, namely:
  - Kuilsville Pump Station 2 commonly referred to as Lemaro Pump Station
  - Kuilsville Main Pump Station commonly referred to as Koos Buckle Pump Station
  - Daniëlskuil Pump Station 1 commonly referred to as Rhodes Pump Station.

- The proposed gravitational network will comprise of 160 and 200mm diameter HDPe sewer pipes. HDPe Manholes will be placed at a maximum distance of 80 m apart.
- Numerous sewer pump stations (depicted in **Error! Reference source not found.4**) will receive additional effluent, namely:
  - Daniëlskuil Pump Station 1 commonly referred to as Rhodes Pump Station.
- However, the abovementioned pump stations were initially designed in 1990 to accommodate these areas and have been refurbished, therefore no additional funding has been requested for pump stations.



### Sample of project photographs

Pump Stations in Kgatelopele Local Municipality, Northern Cape, Coordinates -  
28°12'03.2"S 23°32'29.7"E 28°11'35.0"S 23°33'37.1"E



Kgatelopele Local Municipality, Northern Cape Sewer line Coordinates 23°32'42.18"E  
28°11'30.21"S



## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

### CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

#### COMPONENT: A AN INTRODUCTION TO MUNICIPAL PERFORMANCE

#### 4.1 PERFORMANCE MANAGEMENT SYSTEM

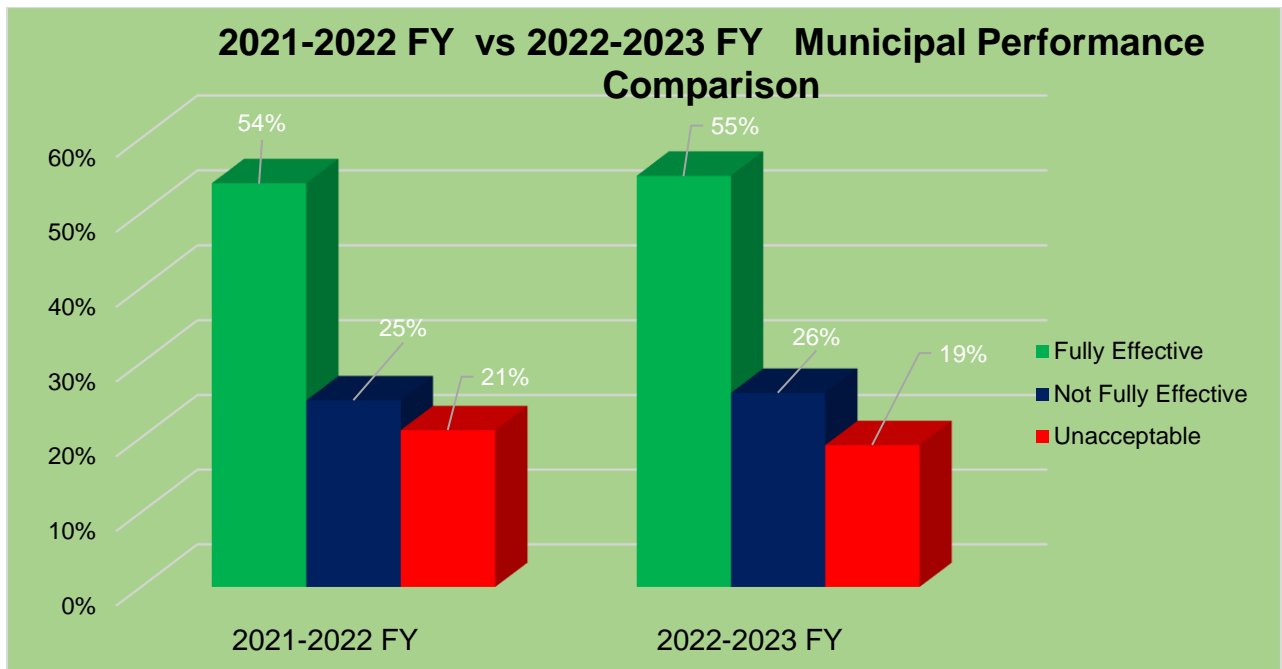
Performance Management is the institutional mechanism used to monitor and evaluate achievements and under achievements of the Kgatelopele Local Municipality's mid-year report performance. Performance Assessment assist management to take strategic decision, provide early warning signals also increase accountability of officials and institutional decision makers.

In terms of Section 40 of Local Government: Municipal Systems Act

Monitoring and review of performance management system-

A municipality must establish mechanisms to monitor and review its performance management system. Consequently, each Quarter a performance report reflecting the municipality's performance against the approved SDBIP. The report must indicate the development and service delivery priorities and the performance targets set by the municipality for the current financial year and measures that were or are to be taken to improve performance. Effort have been made to ensure that this report is reflective of the above legislative requirements.

The municipality has translated the national key performance areas into strategic objectives. These strategic objectives assisted the institution to refocus in achieving the developmental agenda. Performance Management System is the key element in ensuring implementation and realisation of the Integrated Development Plan. The total of 74 Key performance indicators applicable were measured and evaluated for the year under review realised 55% fully effective, 26% Not Fully Effective and 19% Unacceptable. The institution realised 1% increase the year 2022/2023FY in comparison to the year 2021/2022 FY.



## COMPONENT: B MANAGING THE MUNICIPAL WORKFORCE

### 4.2 RE-ASSIGNMENTS/PLACEMENTS/PROMOTIONS

MONTH	Position	New Position
July	Assistant Human Resource Management Officer	Human Resource Management Officer
	Assistant Audit Officer	Audit Officer
October	Financial Internship	Project Management Administrator
November	Senior Librarian Librarian	Accountant Expenditure Senior Librarian

## 4.2.1 RESIGNATION

MONTH	POSITION
January	Assets Officer
February	Information Technology Technician
June	Risk Management / OHS Officer

## 4.2.2 ADVERTISED POSITIONS

The following positions were advertised:

MONTH	OFFICE OF THE MAYOR	TECHNICAL, INFRASTRUCTURE & COMMUNITY SERVICES	BUDGET AND TREASURY OFFICE
August	<ol style="list-style-type: none"> <li>1. Manager: Office of the Mayor</li> <li>2. Youth Coordinator</li> <li>3. Mayors Secretary</li> <li>4. Council Administrator</li> <li>5. Driver of the Mayor</li> <li>6. MPAC Secretary</li> </ol>	<ol style="list-style-type: none"> <li>1. Director Technical, Infrastructure &amp; Community Services</li> <li>2. Project Administrator</li> <li>3. Spatial Information /Town Planning Officer</li> </ol>	<ol style="list-style-type: none"> <li>1. Chief Financial Officer</li> </ol>

NOVEMBER	<ul style="list-style-type: none"> <li>• Financial internship x1</li> <li>• General workers x 14</li> <li>• Chief traffic and licensing officer</li> </ul>
FEBRUARY	<ul style="list-style-type: none"> <li>• Chief financial officer</li> </ul>
MARCH	<ul style="list-style-type: none"> <li>• Supply acquisition officer</li> <li>• Motor registration officer</li> </ul>

### 4.2.3 APPOINTMENTS

August	
Position	Date of Appointment
Municipal Manager	01 August 2022
September	
Position	Date of Appointment
Municipal Manager Secretary	01 September 2022
October	
Manager in the Mayor's Office Youth Coordinator Mayors Secretary Council Administrator Driver of the Mayor	01 October 2022
December	
Position	Date of Appointment
Spatial Information / Town Planner	01 December 2022
January	
Position	Date of Appointment
Director Technical Infrastructure & Community Services	01 January 2023
Financial Internship	01 January 2023

<b>February</b>	
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Position	Date of Appointment
Chief Traffic and Licensing Officer	01 February 2023
Learner Office of the Municipal Manager	01 February 2023

<b>May</b>	
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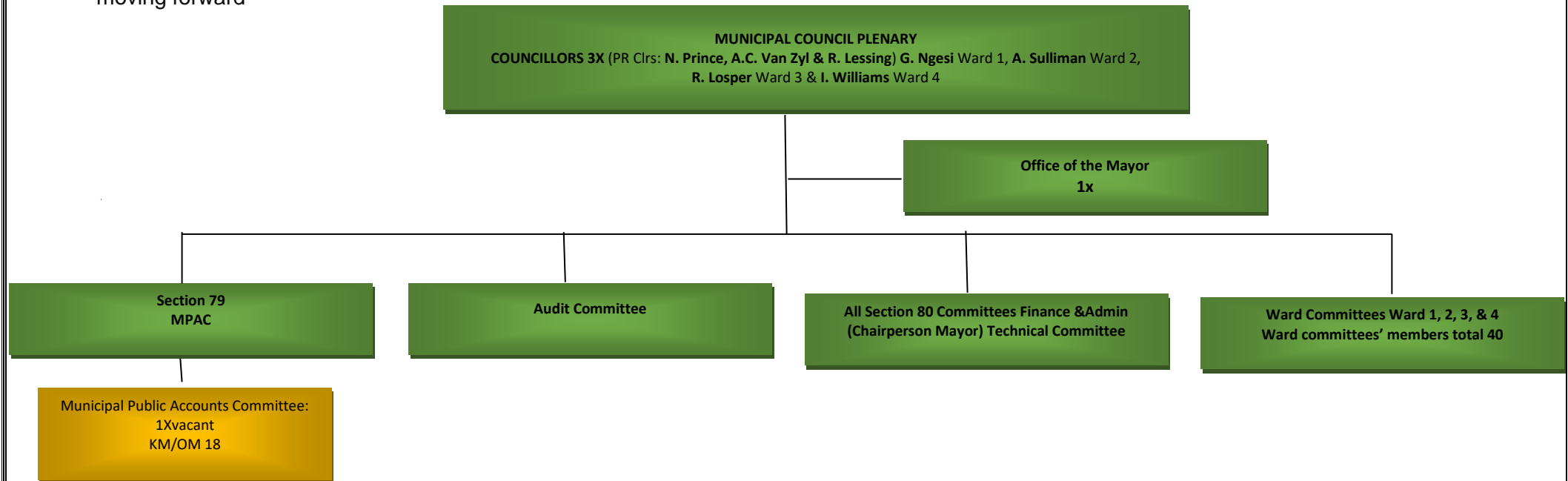
Position	Date of Appointment
Chief Financial Officer	01 May 2023

<b>June</b>	
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Position	Date of Appointment
Motor Registration Officer	01 June 2023

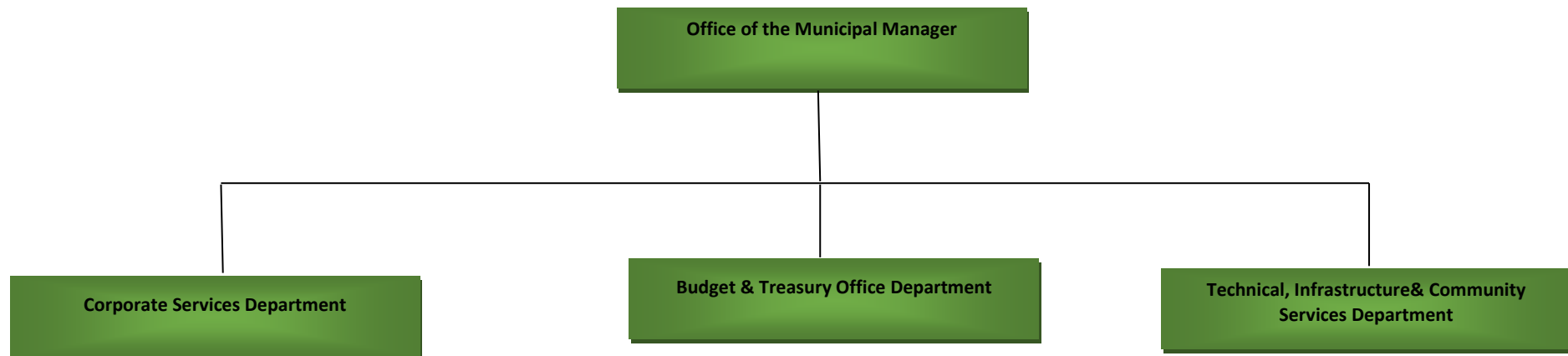
## 4.2.4 ORGANISATIONAL STRUCTURE

Vision: Kgatelopele Local Municipality aims to improve the quality of life of all its residents. Mission Kgatelopele Local Municipality will strive to promote sustainable development by the: Provision of quality services, Conservation of the environment, Stable and effective administration, Promotion of socio-economic development and promoting social cohesion. Values of the municipality: The values of the municipality are in line with the basic values and principles governing public administration as envisioned in section 195 of the Constitution of the Republic of South Africa: a high standard of professional ethics must be promoted and maintained, efficient, economic and effective use of resources must be promoted, public administration must be development oriented, services must be provided impartially, fairly, equitably and without bias, people's needs must be responded to, and the public must be encouraged to participate in policy making, public administration must be accountable, transparency must be fostered by providing the public with timely, accessible and accurate information, good human-resource management and career development practices, to maximize human potential, must be cultivated, public administration must be broadly, representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation. Municipal slogan "Re gatela pele" "ons gaan vorentoe" "we moving forward"



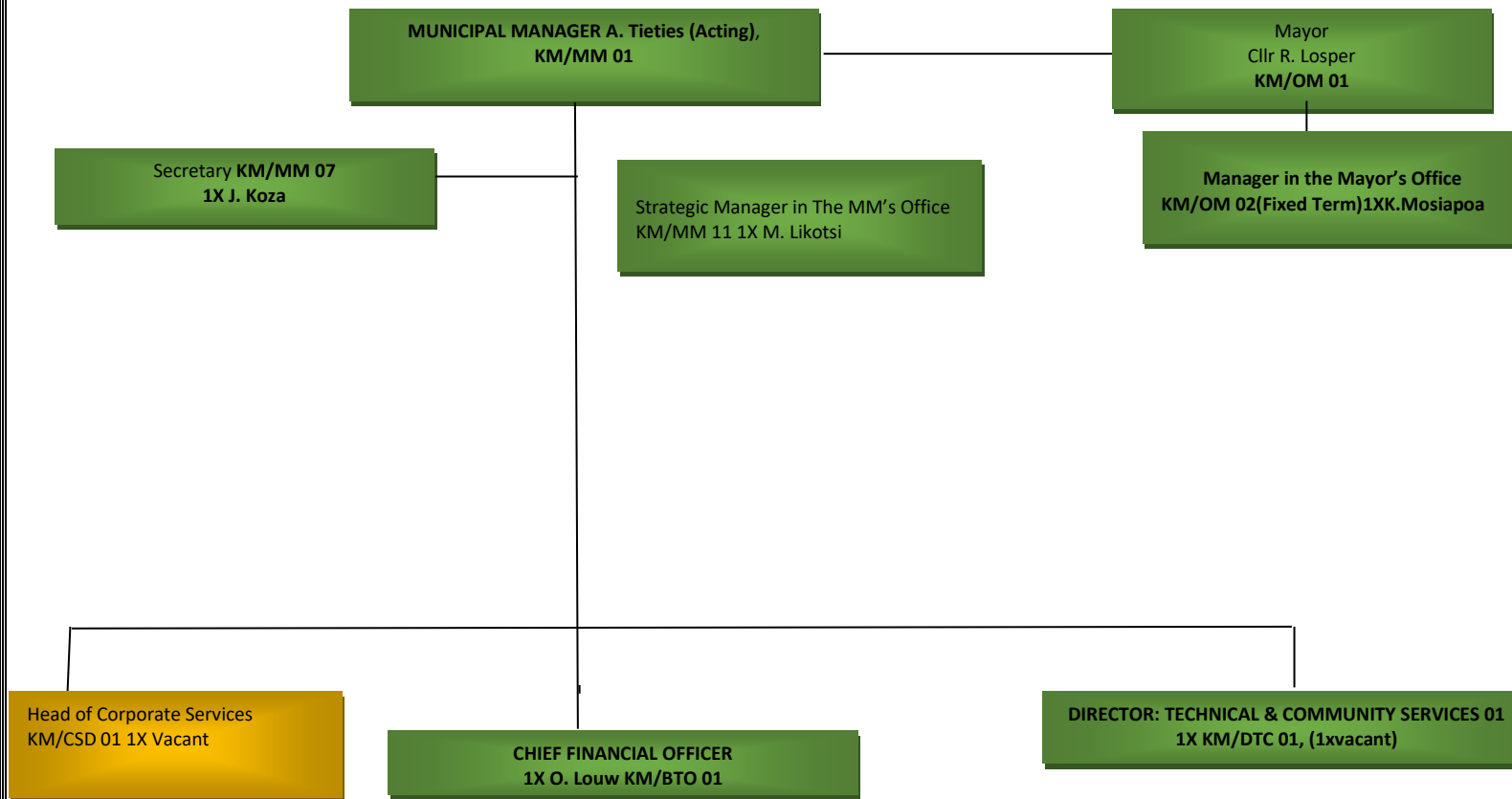
## OFFICE OF THE MUNICIPAL MANAGER

The Acting Municipal Manager Mr. Alfred Tieties is the head of Administration and is the accounting officer. He is responsible for the day to day running of the municipality. The Municipal Manager is further responsible for making sure that, the Council objectives gets achieved as well as making sure that the municipality functions optimally. The Municipal Manager is responsible for overseeing; internal audit, risk management, compliance, council secretariat, LED, IDP, PMS, communication and marketing, which falls under his department. The Municipal Manager works closely with the Managers who are responsible for the various Departments whose manager are directly accountable to him.



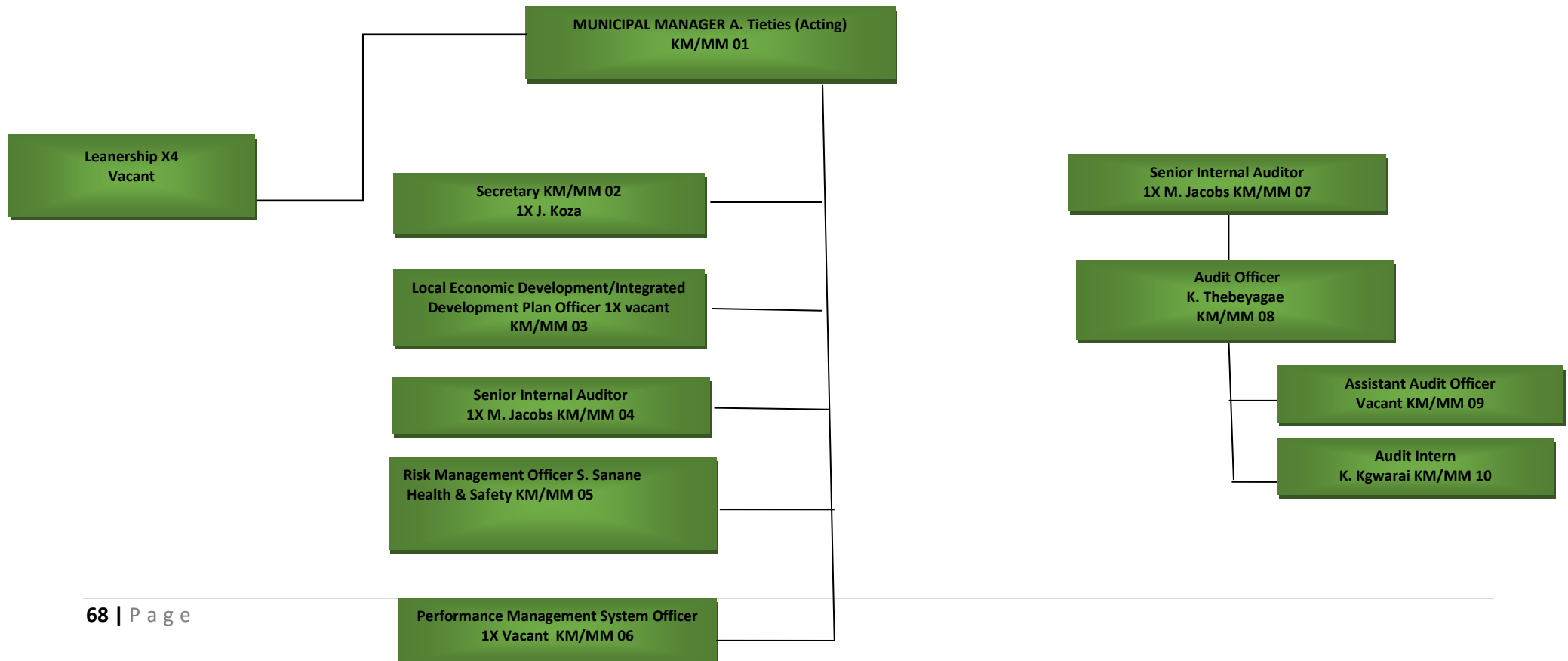
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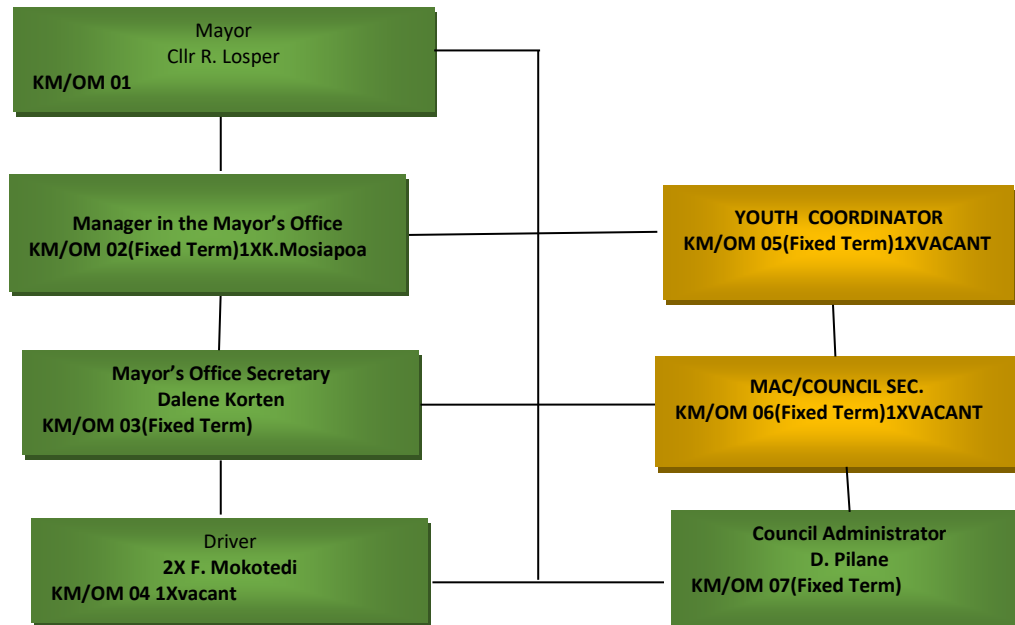
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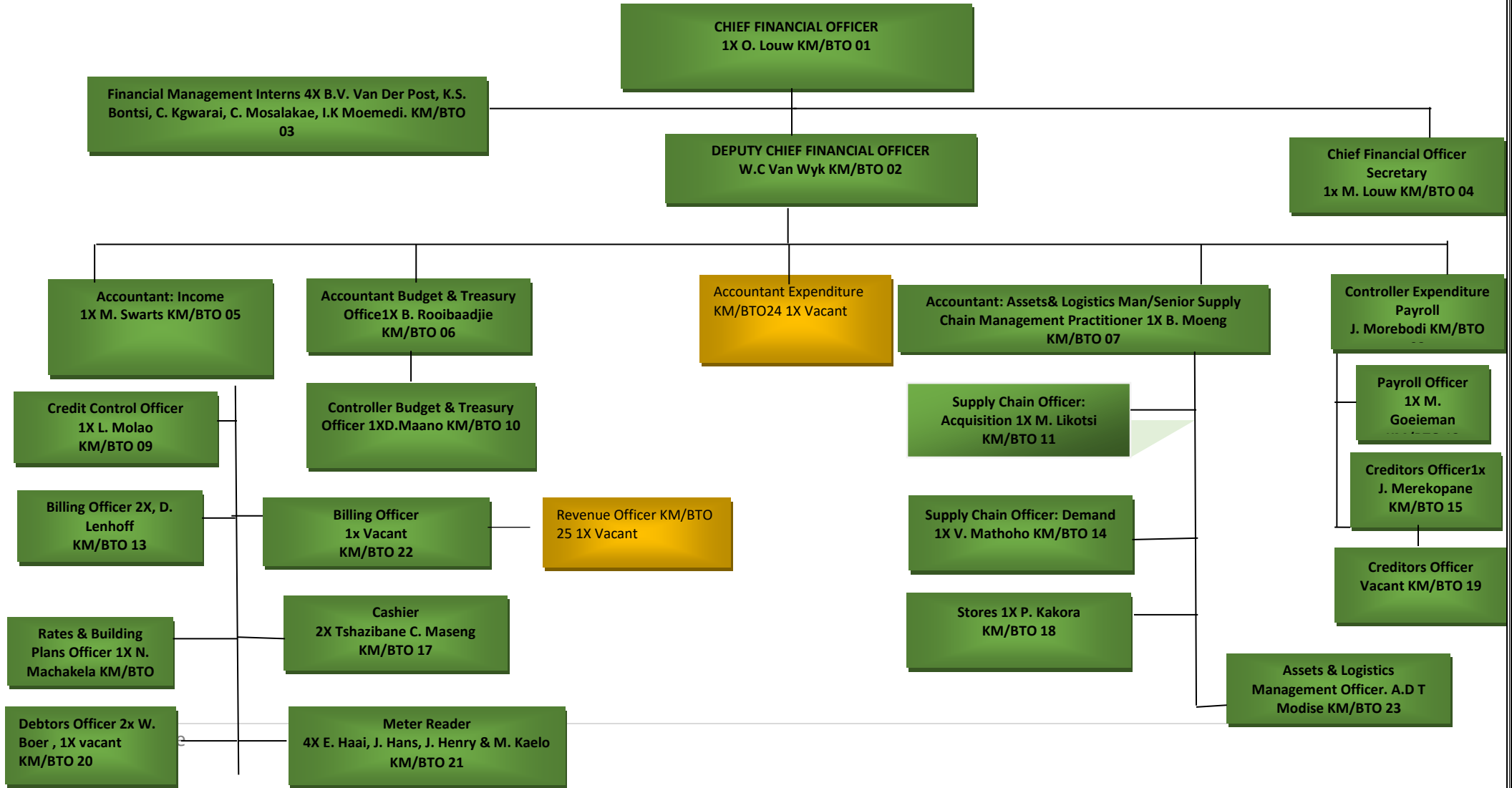
## OFFICE OF THE MAYOR

The mayor is the Political head of the Municipal Council and chairs all Council meetings. Since the Municipal Council is a Plenary type the Mayor serves on a fulltime basis. Besides being the Political head of the Council, the Mayor's Office is responsible for certain administrative functions of which the Manager in the Mayor's Office is the head. Other areas that are covered in the Office include: Transversal issues like Youth Development, HIV/AIDS, People with Disability, Children Rights, Gender Issues and elderly issues and also coordination of the MPAC Secretariat



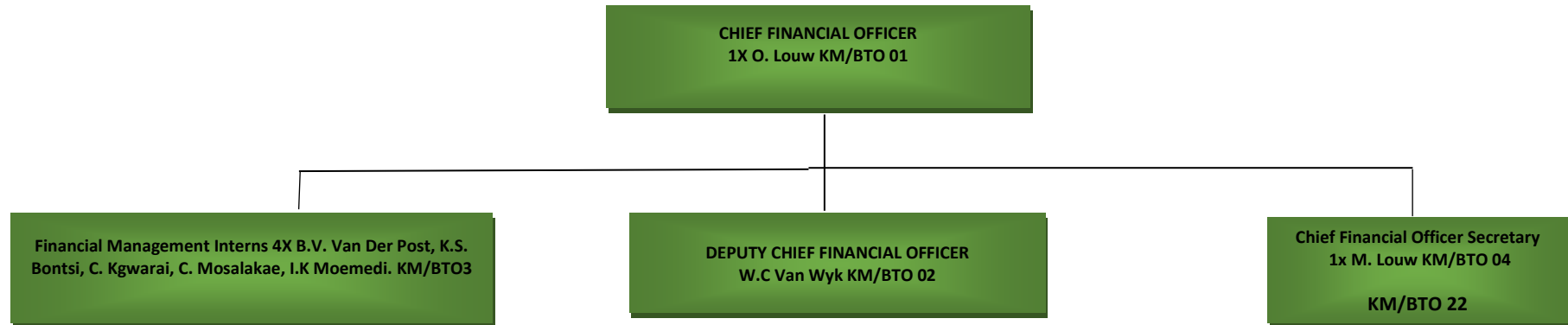
## BUDGET & TREASURY OFFICE

This Department is responsible for the financial management of the municipality, putting systems in place for proper financial management and managing the inflow and outflow of money in the municipality. The Department is responsible for the following: Financial systems, Budget and treasury, Revenue/Income, Expenditure, Supply Chain Management and Assets Management and Stores



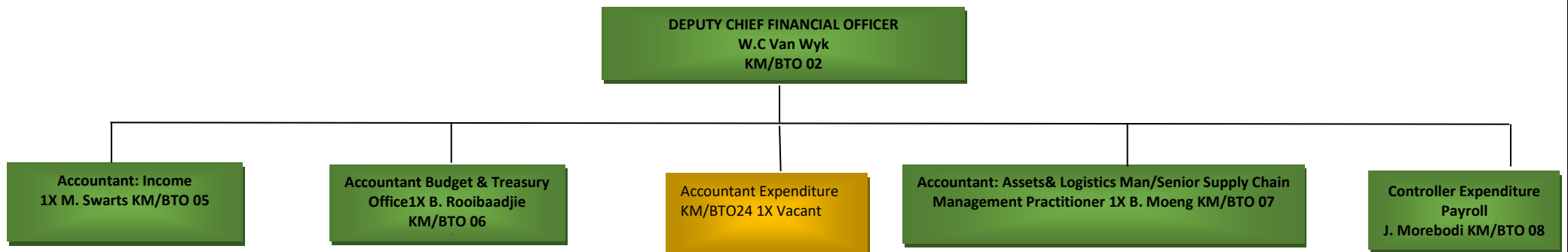
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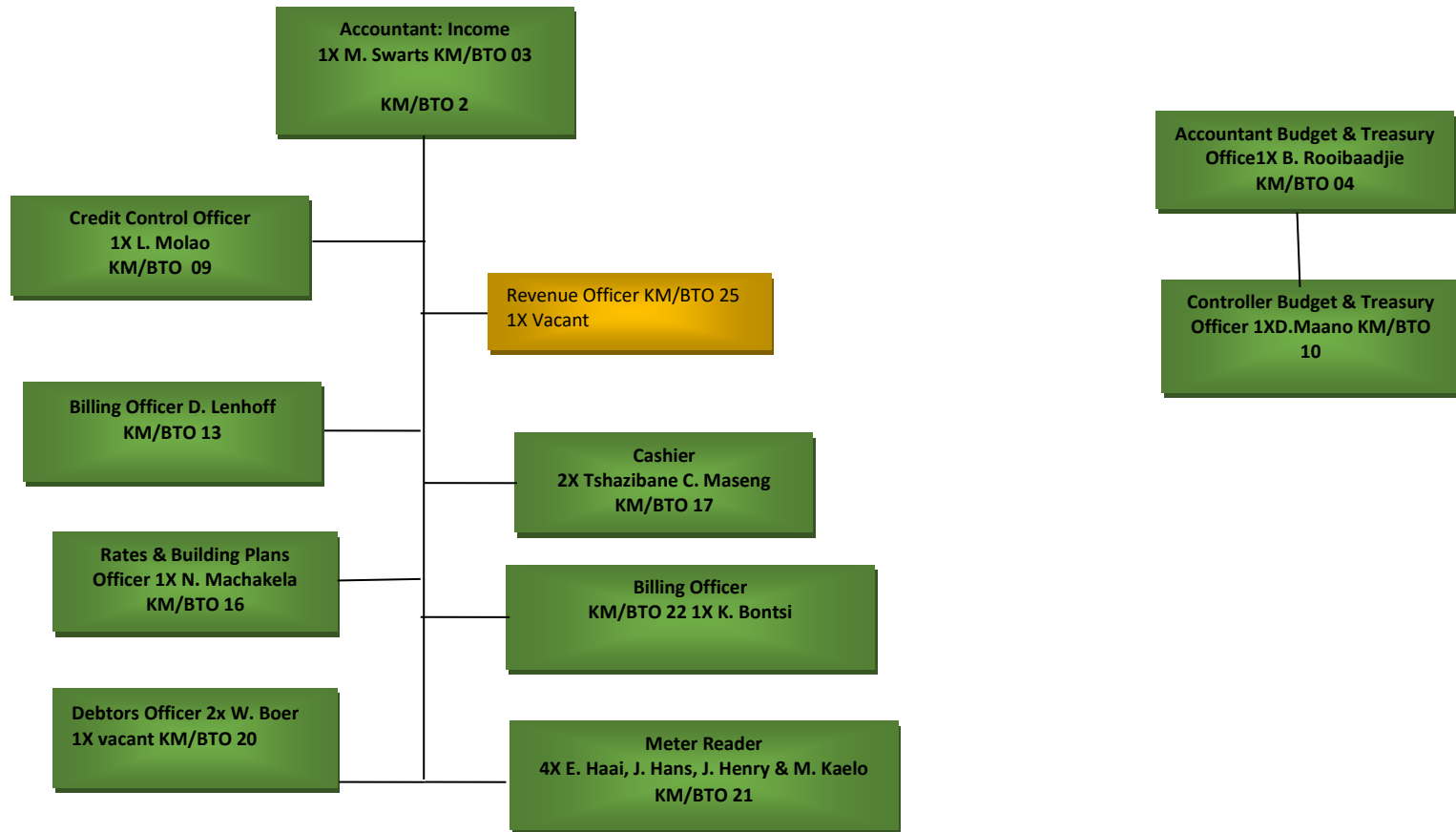
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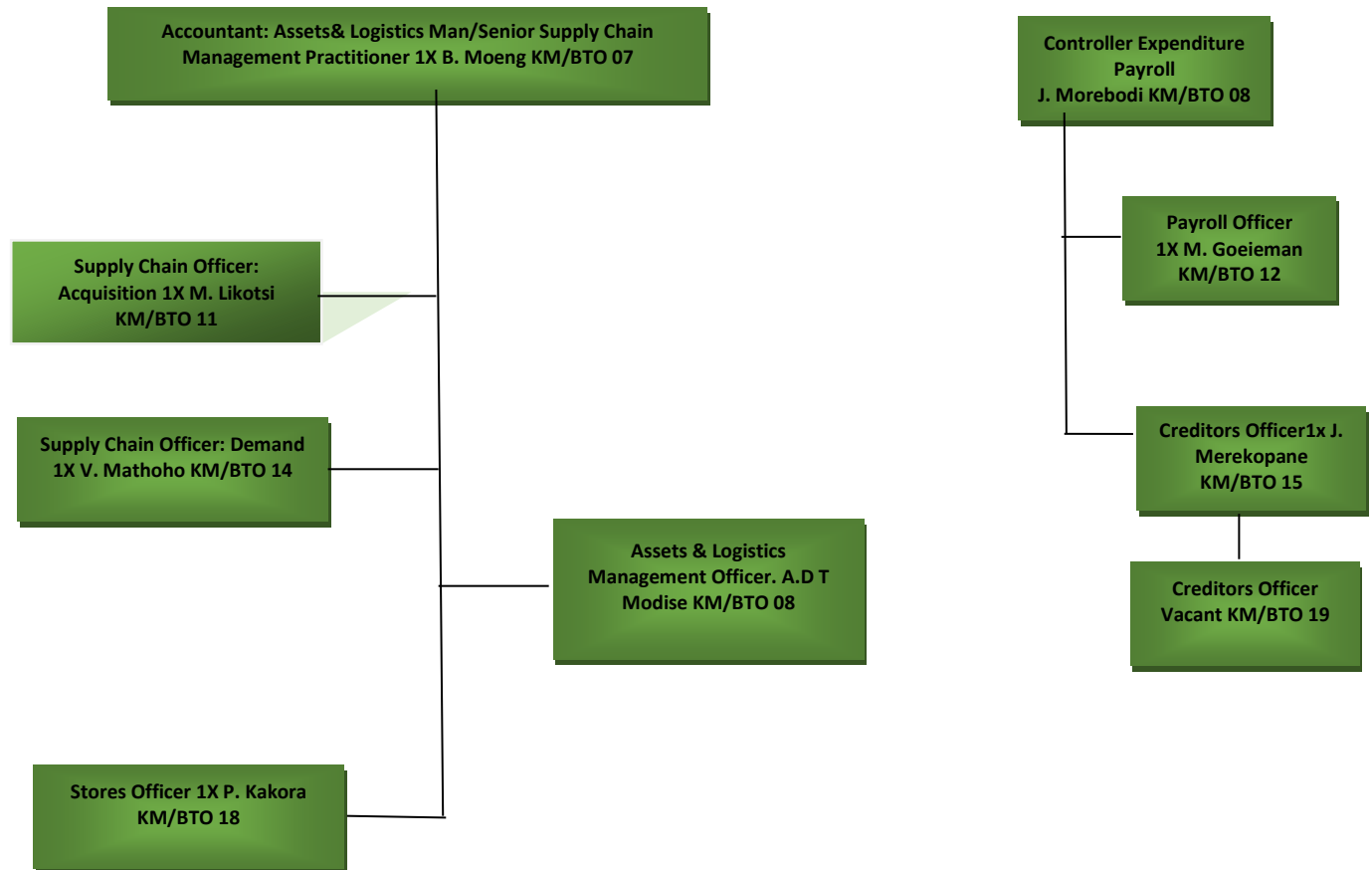
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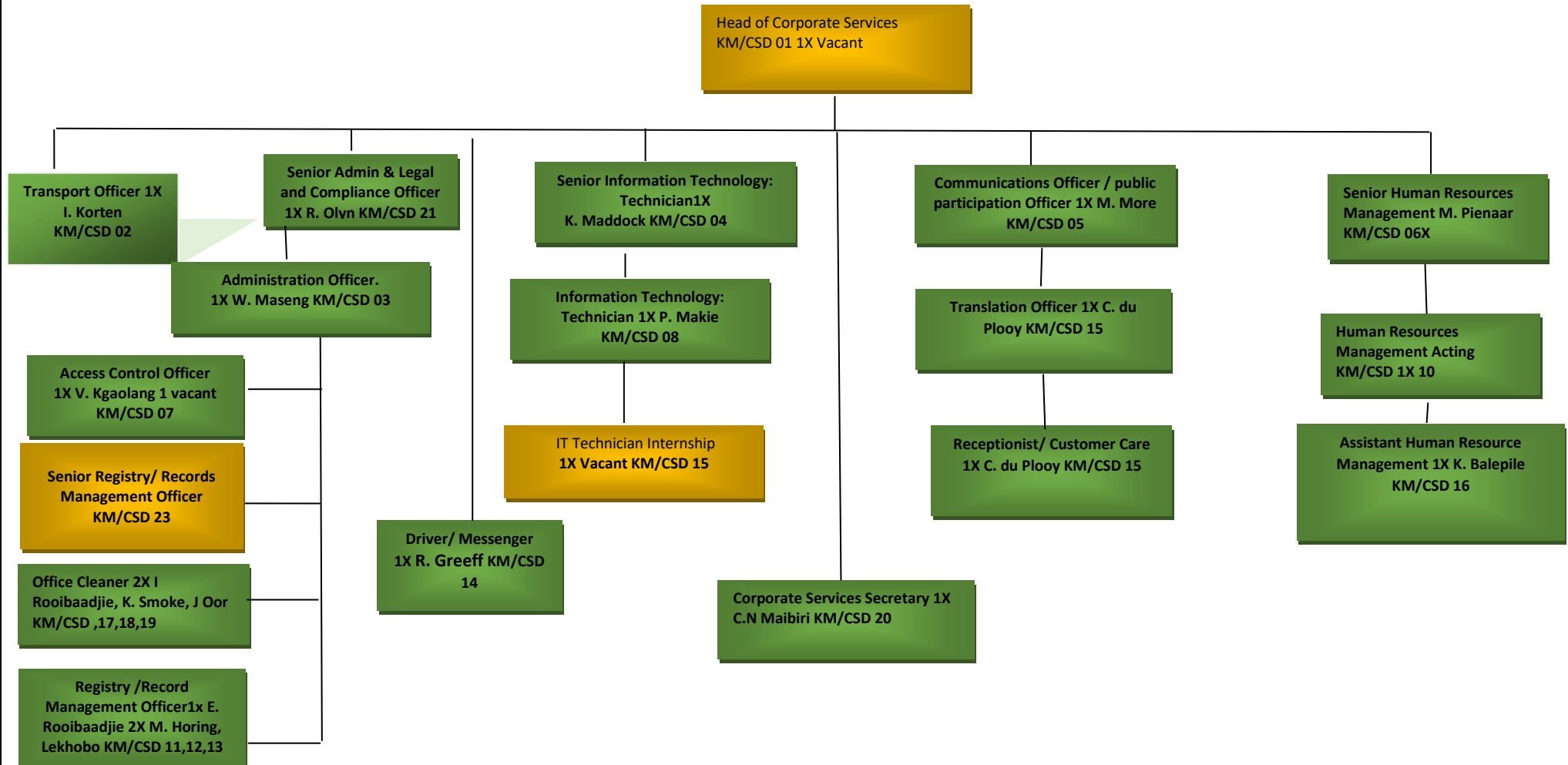
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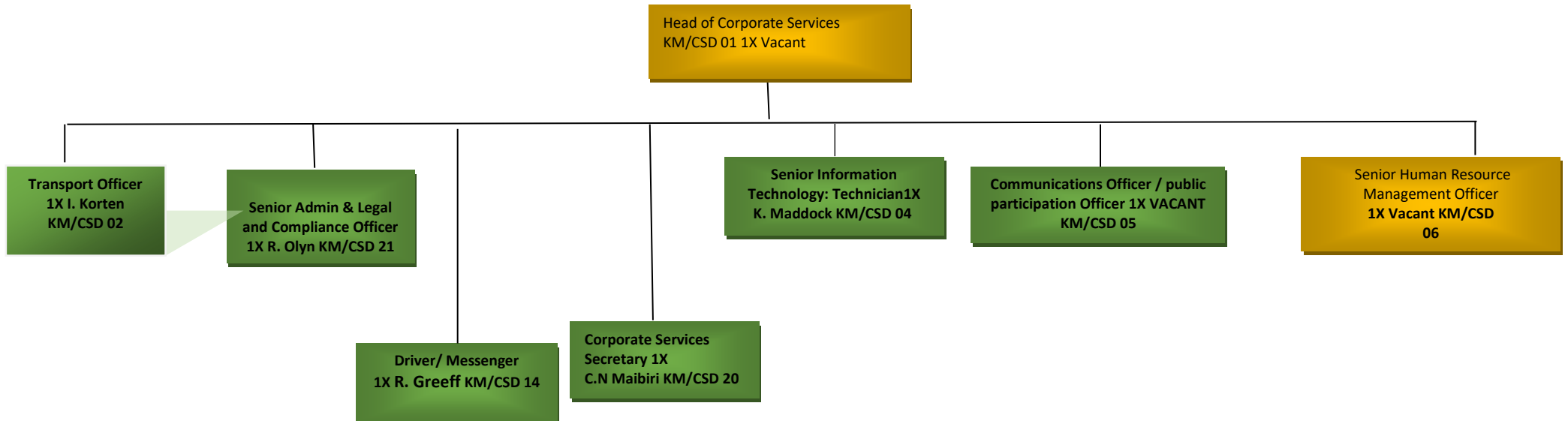
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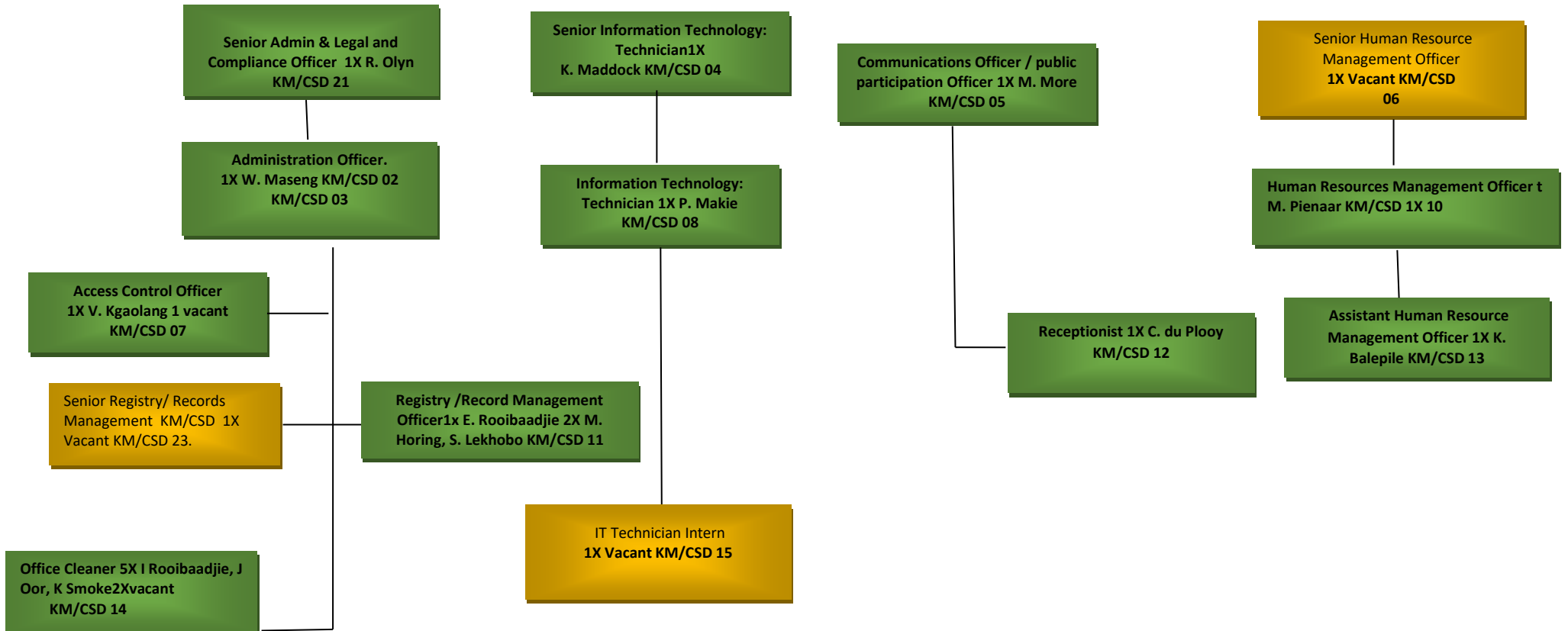
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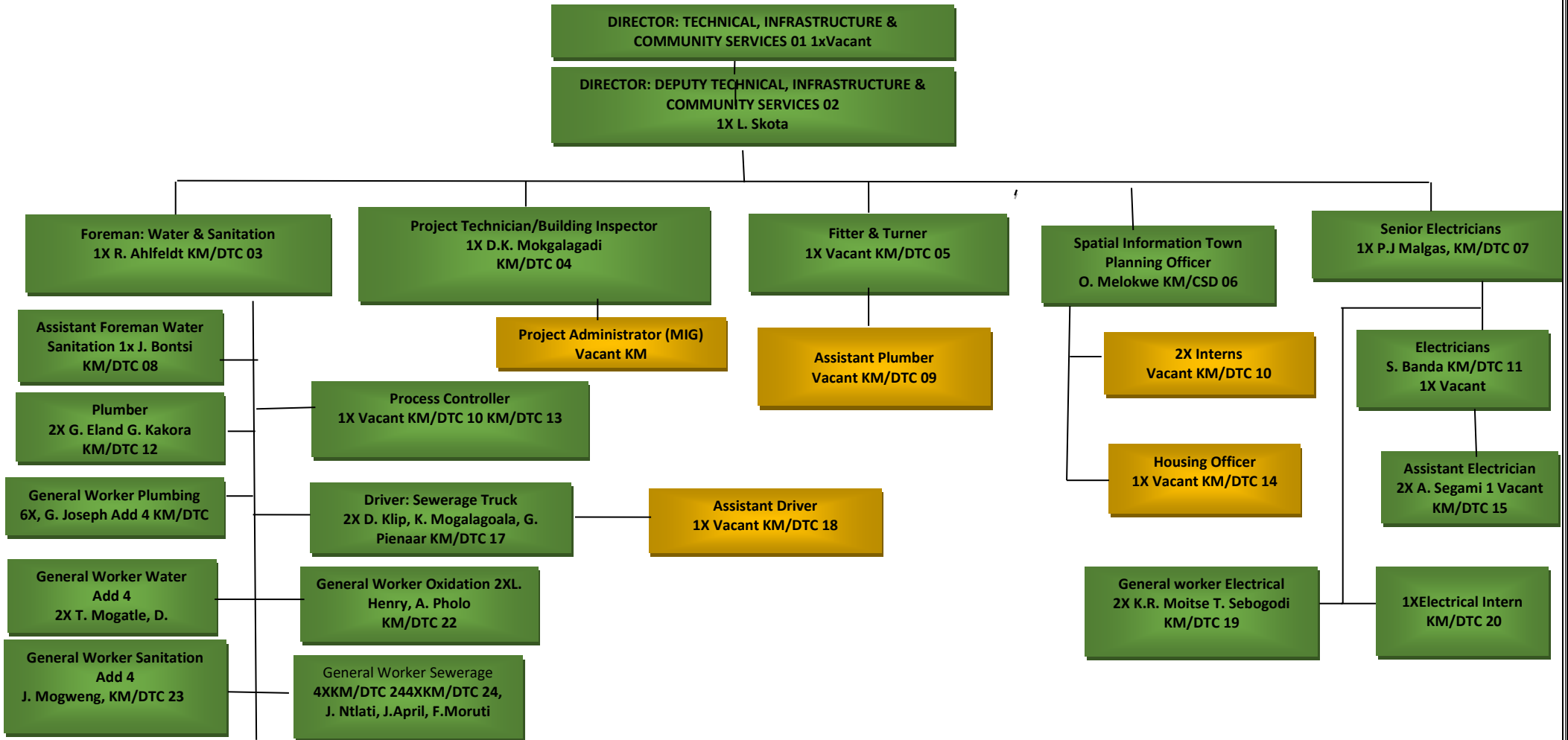
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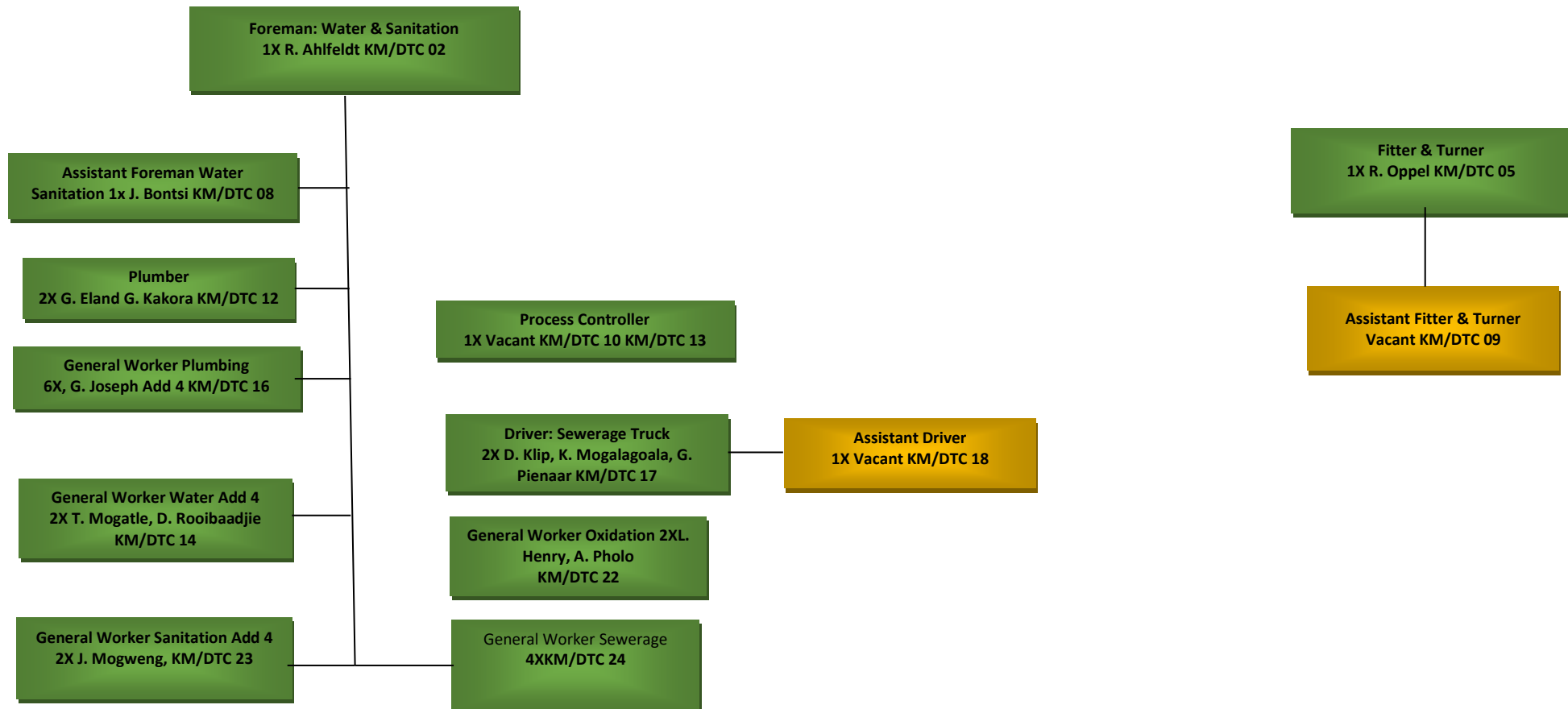
## TECHNICAL & COMMUNITY SERVICE DEPARTMENT (TECHNICAL SERVICE UNIT OR SECTION)

This Department's main functions are to see to it that residents have basic services. The unit is responsible for: Basic Service delivery, Maintenance of all infrastructures, MIG Projects, Waste management and coordinating the building of houses Town Planning, Land Use Management and the SDF



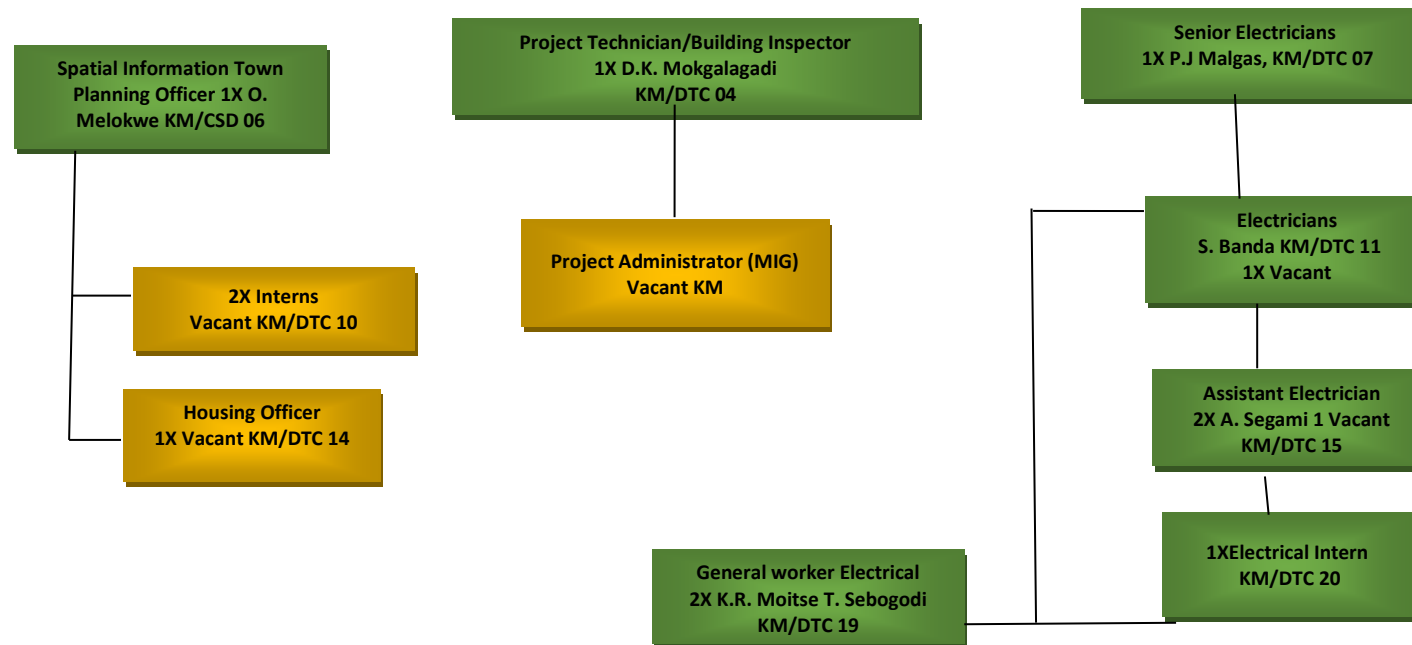
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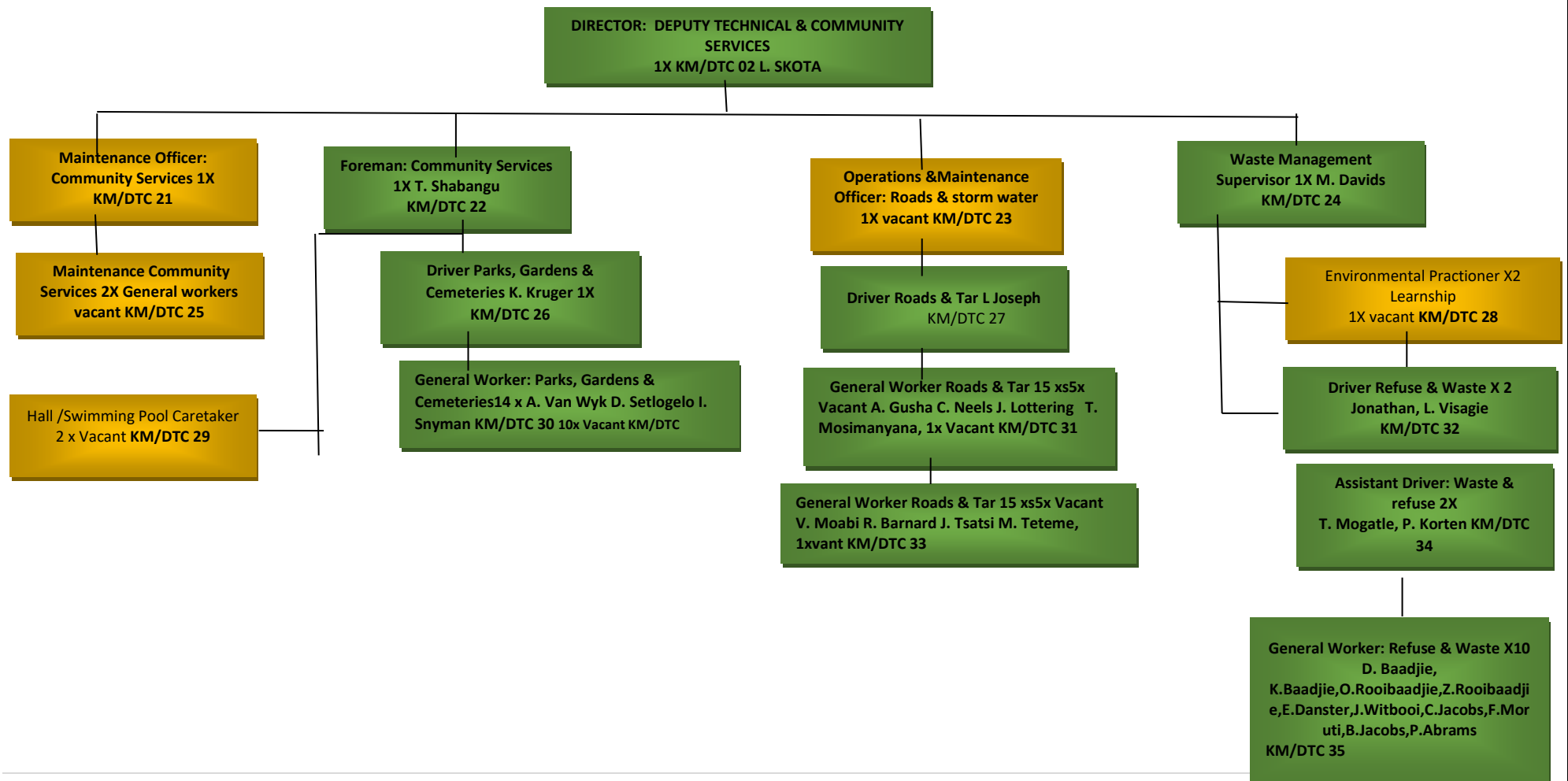
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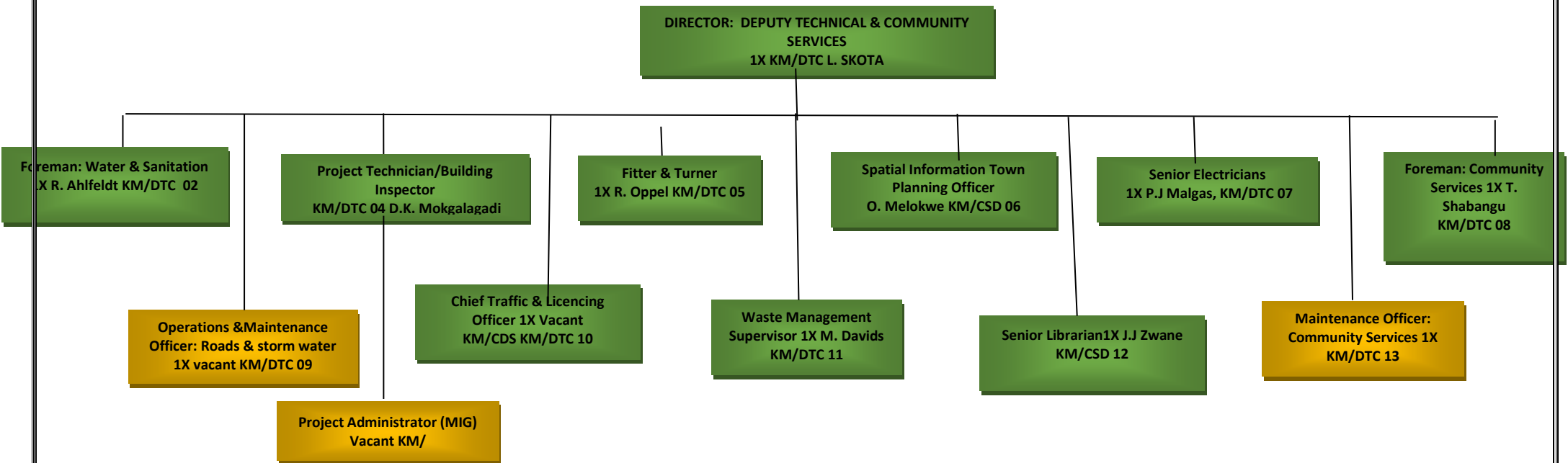
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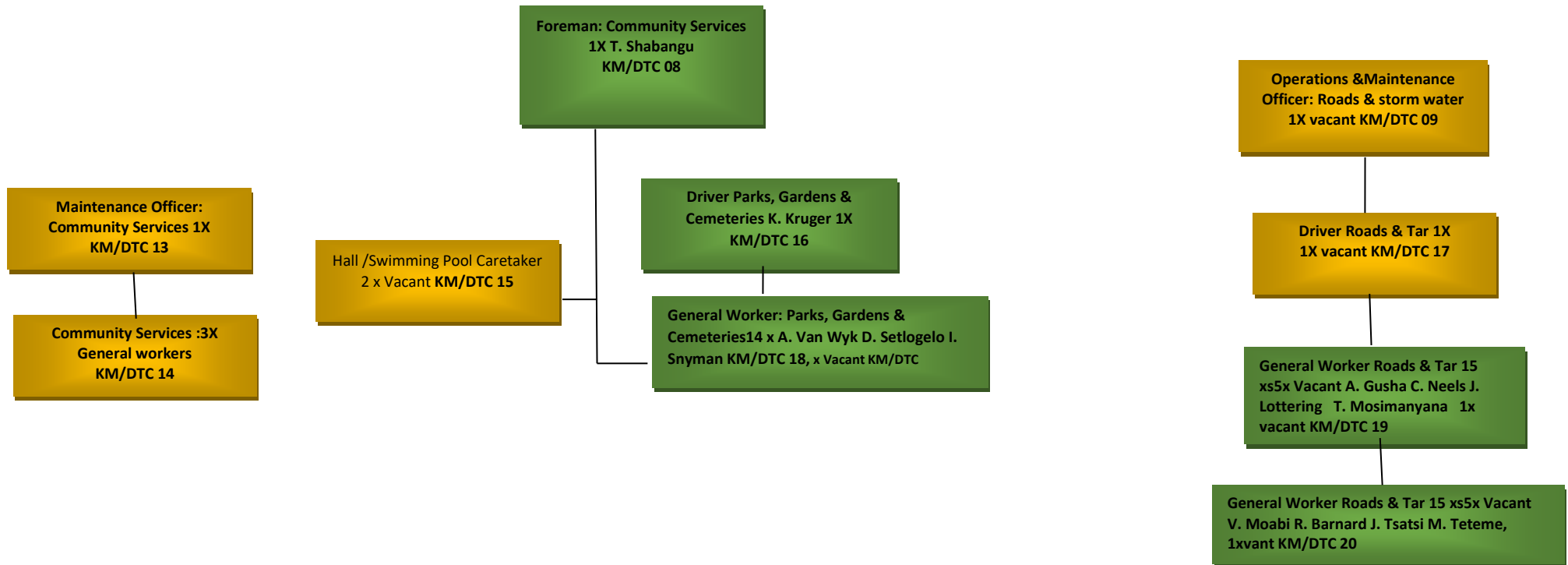
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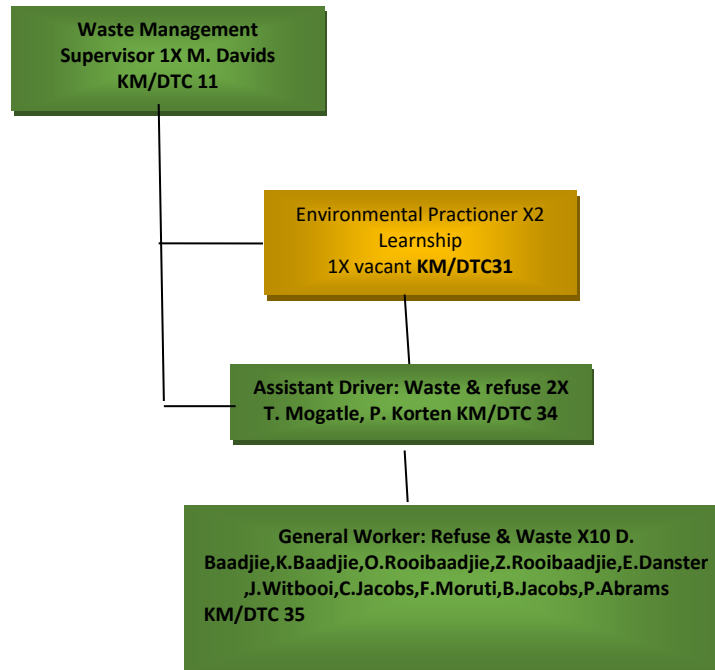
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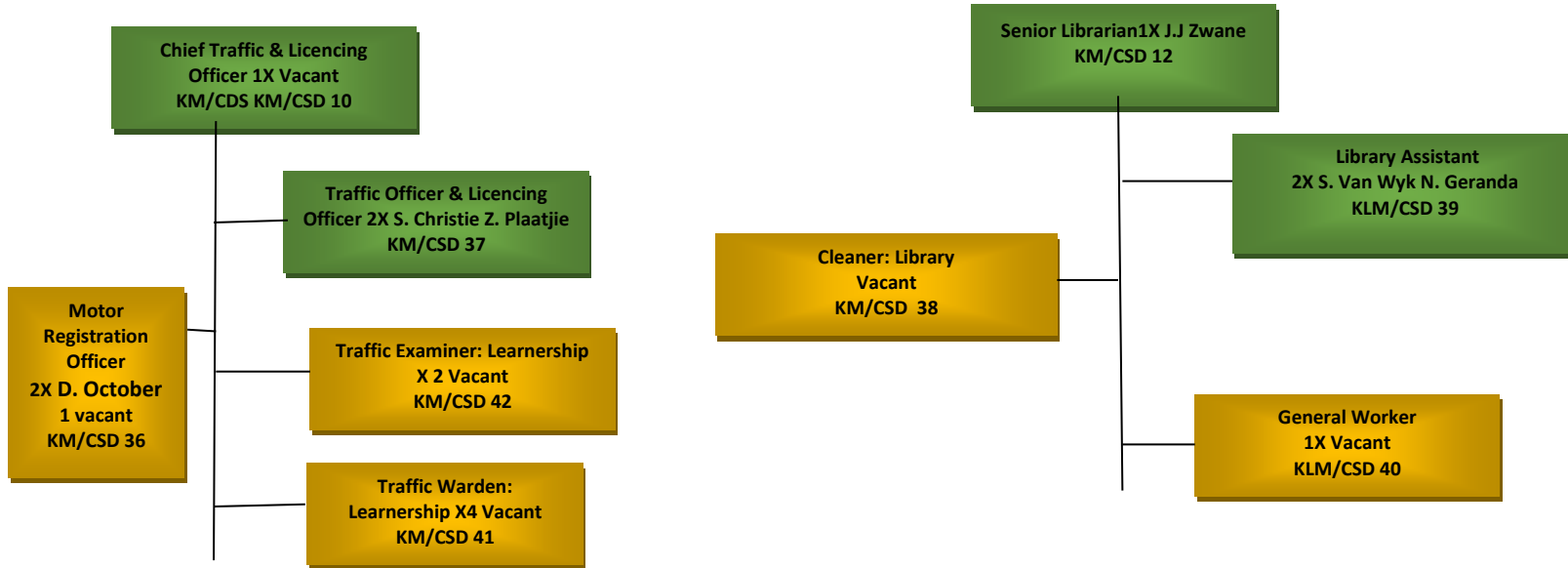
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**TECHNICAL & COMMUNITY SERVICE DEPARTMENT**  
**(COMMUNITY SERVICE UNIT OR SECTION TRAFFIC, LICENCING AND LIBRARY SERVICE)**

*Key responsibilities are: Traffic services, Library services*



COMPONENT: C CAPACITATING THE MUNICIPAL WORKFORCE

4.3 SKILLS DEVELOPMENT AND TRAINING

Number of officials who went for training:

Month	Corporate Services	Budget and Treasury	Office of the Municipal Manager	Technical & Community Services	Office of the Mayor	
August	3	0	1	1	0	
September	2	0	1	3	0	
Total						11
Month	Corporate Services	Budget and Treasury	Office of the Municipal Manager	Technical & Community Services	Office of the Mayor	
October	2	5	0	1	0	23
November	2	6	1	1	0	
December	0	5	0	0	0	
Total	4	16	1	2	0	

Month	Corporate Services	Budget and Treasury	Office of the Municipal Manager	Technical & Community Services	Office of the Mayor	Office of the Speaker	
January	2	3	1	0	0	0	
February	2	1	0	4	2	0	
March	0	3	3	4	3	0	
Total	4	7	4	8	5	0	28
Month	Corporate Services	Budget and Treasury	Office of the Municipal Manager	Technical & Community Services	Office of the Mayor	Office of the Speaker	
April	0	0	0	1	0	0	1
May	0	0	0	0	0	0	
June	0	0	0	0	0	0	
Total				1			1
Total training attendance							59

### 4.3.1 TRAINING ATTENDED

August	September
<ul style="list-style-type: none"> <li>The Municipal Finance Management Programme commenced for four (4) employees (Senior Human Resource Officer, Performance Management Systems Officer, Senior Information Technology Technician and the Project Technician and will end in February 2023.</li> <li>The Communications/Public Participations Officer attended the SALGA Government Communication Induction and one day training programme on 19 August 2022.</li> </ul>	<ul style="list-style-type: none"> <li>The Municipal Finance Management Programme continued for five (5) days for four (4) employees (Senior Human Resource Officer, Performance Management Systems Officer, Senior Information Technology Technician and the Project Technician.</li> <li>The Senior Information Technology Technician attended a workshop / training with the MTN Enterprise Business Unit</li> <li>The Acting Director Technical Infrastructure and Community Services and the Assistant Water and Sanitation Foreman attended a National Water Resource Strategy public consultation workshop.</li> </ul>

October			November			December		
Officials	Training	Training Provider	Officials	Training	Training Provider	Officials	Training	Training Provider
Vuledzani Mathoho Kutlwano Banda Christopher Mosalaka	Request for quotation training	National Treasury	Claudine Van Rooyen	Expenditure Training	CCG Systems	Claudine Van Rooyen Constance Mojagotlhe Magrietha Prins Kutlwano Banda Marishe Swarts	Municipal Finance Management Internship Forum	Northern Cape Provincial Treasury

Magrietha Davids	Climate for Growth Workshop	Democracy Work Foundation	Claudine Van Rooyen Constance Mojagotlhe Magrietha Prins Kutlwano Banda	MFMA Interaction DVD Training	Provincial Treasury			
Sherley Bontsi Dorcas Maano	Electricity Distribution Forms Completion Workshop/Training	NERSA	Vuledzani Mathoho Christopher Mosalakae	Municipal Supply Chain & Assets Management Forum	National Treasury			
Maricia Pienaar Nadine Sebella	Job Description Writing Training	SALGA	Maricia Pienaar Kyle Maddocks Katlego Mokgalagadi Pule Setlogelo	The Municipal Finance Management Programme	FACHS Training			

Vuledzani Mathoho Kutlwano Banda Christopher Mosalakae	Request for quotation training	National Treasury						
Bolokang Moeng	Induction Session Preferential Procurement Regulations	Northern Cape Provincial Treasury	Cllr Sylvester Vuyeka Senobia Eilers Wandy Maseng Emelda Rooibaadjie	Records and Asset Management Workshop	SALGA	Mildred Likotsi	National Capacity Building Workshop	Sustainable Development Goals
Beauty Rooibaadjie Marishe Swarts Sherley Bontsi	Cost Reflective Tariff Tool Training, Reconciliation of the Billing System with the Valuation Roll and the FRP Assessment	Northern Cape Provincial Treasury	Benjamin Sehole Linda Skota Felicia Mereekopan e Innocentia Korten	Provincial EPWP Capacity Building Session	Departme nt of Roads and Public Works	Claudene Van Rooyen Beauty Rooibaadjie	Draft Budget 2024 Working Session	CCG Systems

Maricia Pienaar Pule Setlogelo Kyle Maddocks	The Municipal Finance Management Programme training		Benjamin Sehole Linda Skota Felicia Mereekopane Innocentia Kortzen Constance Mojagotlhe	MIG Management Information Systems Hands on Training	- COGH STA	Cllr Sylvester Vuyeka Dorcas Burger Senobia Eilers	MPAC Training	SALGA
						Felicia Mereekopane Innocentia Kortzen Constance Mojagotlhe Benjamin Sehole	MIG Management Information System Training	COGHSTA
						Felicia Mereekopane	MIG Management Information System Hands on Training	COGHSTA

						Kagisho Thebeyagae Solofelang Sanane	Audit and Risk Management Forum	Northern Cape Provincial Treasury
April			May			June		
Official	Training	Service Provider	Official	Training	Service Provider	Official	Training	Service Provider
N/A			Naledi Geranda	National Conditional Grant Evaluation Workshop	Department Sports Arts and Culture	N/A		

COMPONENT: D MANAGING THE WORKFORCE EXPENDITURE

4.4 EMPLOYEE EXPEDITURE

Task Category 1: 2022/2023 salary scale 4.9% salary increase W.E.F.1 July 2022

LEVEL	T 1	T 2	T 3	T 4	T 5	T 6	T 7	T 8	T 9	T 10	T 11
1	108513	111117	113775	116516	128099	150487	181934	204852	230630	259648	306562
2	115531	113775	116516	119310	131191	154105	186308	209765	236163	265883	313904
3	118304	116516	119310	122185	133670	157802	190762	214785	241833	272280	321436
4	0	119310	122185	125115	136882	161582	195350	219940	247636	278813	329156
5	0	122185	125115	128099	140148	165468	200047	225231	253575	285507	337065
6	0	0	128099	131191	143523	169437	204852	230630	259648	292364	345136
7	0	0	131191	133670	146977	173513	209765	236163	265883	299355	353423
8	0	0	133670	136882	150487	177669	214785	241833	272280	306562	361898
9		0	0	140148	154105	181934	219940	247636	278813	313904	370590
10		0	0	143523	157802	186308	225231	253575	285507	321436	379498
11		0	0	146977	161582	190762	230630	259648	292364	329156	388594
12			0	0	165468	195350	236163	265883	299355	337065	397934

Task Category 1 : 2022/2023 salary scale 4.9% salary increase W.E.F.1 July 2022

Level	T 12	T 13	T 14	T 15	T 16	T 17	T 18	T 19
1	361898	407463	458750	528906	595497	719909	830015	891209
2	370590	417262	469763	541619	609803	737185	849935	912614
3	379498	427275	481046	554603	624434	754893	870316	934505
4	388594	437506	492599	567910	639415	773005	891209	956938
5	397934	448007	504423	581542	654775	791550	912614	979908
6	407463	458750	516515	595497	670485	810553	934505	1003419
7	417262	469763	528906	609803	686573	830015	956938	1027524
8	427275	481046	541619	624434	703038	849935	979908	1052170
9	437506	492599	554603	639415	578779	870316	1003419	1077435
10	448007	504423	567910	654775	737185	891209	1027524	1103294
11	458750	516515	581542	670485	754893	912614	1052170	1129774
12	469763	528906	595497	686573	773005	934505	1077435	1156876

## CHAPTER 5 - FINANCIAL PERFORMANCE

### 5.1 STATEMENT OF FINANCIAL STATEMENTS – COMPARISON BUDGETED FIGURES VERSUS ACTUAL AMOUNTS

Description	2022/23			
	Original Budget (R)'000	Adjustment Budget (R)'000	Final Adjustment Budget (R)'000	Actual (R)'000
Financial Performance – Revenue				
Property Rates	22 611	16 706	16 706	14 766
Service Charges	71 251	59 663	59 663	47 722
Investment Revenue – Interest earned	3 373	3 668	3 668	10 119
Other own Revenue	2 639	22 055	22 055	779
<b>Total Revenue ( Excluding capital transfer and contributions)</b>	<b>99 874</b>	<b>102 092</b>	<b>102 092</b>	<b>73 386</b>
Financial Performance – Expenditure				
Employee Cost	47 115	44 854	44 854	41 440

Remuneration of Councillors	3 766	3 885	3 885	4 718
Debt Impairment	4 687	4 687	4 687	3 745
Depreciation & amortisation	9 720	9 025	9 025	16 198
Finance Charges	601	1 200	1 200	3 226
Bulk Purchases	25 731	25 819	25 819	24 352
Bad debts written off	4 472	1 167	1 167	5 607
Contracted Services	19 760	16 052	16 052	18 456
General expenses	12 709	14 812	14 812	14 583
Total Expenditure	128 561	121 501	121 501	132 325
Transfer revenue – Government grants and subsidies	56 173	171 357	171 357	93 436
Surplus/(Deficit)	27 486	151 948	151 948	34 497
<b>Cash flows</b>				
Net cash from (used) operating	3 734	35 350	35 350	65 714
Net cash from (used) investing	5 663	19 416	19 416	61 761
Net cash from (used) financing	0	0	0	0
<b>Cash/cash equivalent at the year end</b>	<b>(1 929)</b>	<b>15 934</b>	<b>15 934</b>	<b>3953</b>

Operating Ratios	
Details – key costs as a % of the total actual costs	%
Employee Cost	34.88%
Repairs& Maintenance	3.2%
Finance charges	2.4%
Bulk purchases	18.4%

## 5.2 GRANTS

### GRANTS PERFORMANCE

Description	2022/2023		
	Actual	Original Budget	Adjustment Budget
<b>Operating transfer and grants</b>			
<b>National Government</b>			
Equitable share	30 490 000	30 490 000	30 490 000
Financial Management Grant	3 000 000	3 000 000	3 000 000
Expanded public work programme	1 073 005	1 073 005	1 073 005
	34 563 005	34 563 005	34 563 005
<b>Provincial Government</b>			
Library	1 100 000	1 100 000	1 100 000
	1 100 000	1 100 000	1 100 000
<b>TOTAL</b>	<b>35 663 005</b>	<b>35 663 005</b>	<b>35 663 005</b>
<b>Capital transfer and grants</b>			
Municipal Infrastructure grant	29 038 600	29 038 600	29 038 600
Municipal water infrastructure grant	12 420 709	12 420 709	32 202
Regional bulk infrastructure grant	15 994 628	62 367 000	62 367 000
Disaster	-	-	-
Energy	318 792	318 792	318 792
	57 772 729	104 145 101	104 145 101

### 5.3 CASH FLOW

Cash flows	Original Budget (R)'000	Adjustment Budget (R)'000	Final Adjustment Budget (R)'000	Actual (R)'000
Net cashflows from (used) operating activities – Receipts – payments to suppliers and employees	3 734	35 350	35 350	65 714
Net cashflows from (used) investing activities – Purchase of property, plant and equipment	5 663	19 416	19 416	61 761
Net cashflows from (used) financing activities – Proceeds from loans	0	0	0	0
Cash and cash equivalents at the end of the year	(1 929)	15 934	15 934	3953

### 5.4 PUBLIC PRIVATE PARTNERSHIP

Name of Service provider	Description of service rendered	Contract value
PETRA DIAMOND MINE	Co-funding in the Eradication of Conservancy tank project	R 2 500 000
KGATELOPELE LIME MINE & IDWALA LIME MINE	Co- Funding in Upgrading of roads in Danielskuil (storm water)	R 1 067 027  R 1 067 027

## 5.5 ASSETS MANAGEMENT

Kgatelopele Local Municipality has insourced its movable assets management and only uses consultants for the infrastructure assets. Below is a summary of the different asset class.

Land & Buildings	75,585,676.00	(32,642,205.00)	42,943,471.00
Infrastructure	509,019,915.00	(251,129,074.00)	257,890,841.00
Community Assets	11,529,936.00	(10,295,351.00)	1,234,585.00
Heritage assets	1,151,058.00	-	1,151,058.00
Other assets	135,194,054.00	(12,214,037.00)	122,980,017.00
Investment Properties	28,727,247.00	-	28,727,247.00
Intangible Assets	2,989,550.00	(1,259,788.00)	1,729,762.00
<b>Grand Total</b>	<b>764,197,436.00</b>	<b>(307,540,455.00)</b>	<b>456,656,981.00</b>

The municipality awaits the outcome of the 2022/23 financial year audit to update the final asset figures. Additions such as the roller and stamper that was purchased to assist with filling of potholes will also be added to the register as new assets.

### CHAPTER 6

#### 6.1 AUDITOR GENERAL -AUDIT FINDINGS

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General. The audit outcome for 2022/2023 Financial year was an opinion of qualified.

In my opinion, except for the effects and possible effects of the matters described in basis for qualified opinion section of this auditor's report ,the financial statements present fairly, in all material respects, the financial position of Kgatelopele Local Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with Standard Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipality Finance Management Act 560f 2000(MFMA) and Division of Revenue Act 5 of 2022 (DORA) .

These are the comments made Auditor general (overall key message)

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

- There was inadequate or no proper review of financial statements submitted for audits as at 30 June 2023.
- Management did not review policies to ensure that the department has a sound system of internal controls to mitigate emerging misstatements within the annual financial statements, annual performance report and non-compliance with laws and regulations.
- The municipality did not implement controls over daily and monthly processing and reconciling of transactions.
- Preparation of regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information was not performed.

**ANNEXTURE: A –  
ANNUAL PERFORMANCE REPORT**

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# **KGATELOPELE LOCAL MUNICIPALITY ANNUAL PERFORMANCE REPORT**

**2022/2023  
FINANCIAL YEAR**



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# **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

## **1. INTRODUCTION**

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The Annual Performance Report is prepared and submitted in terms of the Municipal Systems Act (MSA), 32 of 2000, section 46(1) and (2), as well as the MFMA Circular 11 providing guidelines on the Annual Report. The Annual Performance Report covers the performance information from 01 July 2022 to 30 June 2023 and focuses on the implementation of the Service Delivery Budget and Implementation Plan (SDBIP), in relation to the objectives as encapsulated in the Municipality's Integrated Development Plan (IDP). The report reflects actual performance of the Municipality as measured against the performance indicators and targets in its Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) for 2022/2023. The format of the report will reflect the Municipality's Key Performance Indicators (KPI) per Municipal Key Performance Area. Each Key Municipal KPA have number of Municipal Key Performance Indicators (KPI's) which was deliberately designed by the Kgatelopele Local Municipality to focus its development initiatives in a more coherent and organized manner. This report will also endeavor to report to Council the Municipality's performance in terms of the five (6) National Government's Strategic Key Performance Areas for local government, which are:

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

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

### **2. LEGISLATIVE BACKGROUND**

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This Annual Performance Report has been compiled in compliance with the requirements of section 46 (1) of the Local Government: Municipal Systems Act, 2000; which stipulates as follows: (1) A municipality must prepare for each financial year a performance report reflecting (b) A comparison of the performance referred to in paragraph (a) with targets set for performance in the previous financial year; and (c) measures taken to improve performance. In addition, Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that “A Municipality’s Performance Management System entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players.

### **3. EXECUTIVE SUMMARY**

Performance Management and Reporting the organisational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level and through the Service Delivery Budget Implementation Plan (SDBIP) at Directorate levels. The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business process of the municipality is implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and Budget. MFMA Circular No.13 prescribes that: The IDP and budget must be aligned; the budget must address the strategic priorities; The SDBIP should indicate what the municipality is going to do during next 12 months; and The SDBIP should form the basis for measuring the performance against goals set during the budget /IDP processes. The SDBIP were prepared by the Accounting Officer and approved by the mayor. The overall assessment of actual performance against targets set for the Key Performance Indicators as documented in the SDBIP is illustrated in terms of the following assessment methodology:

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

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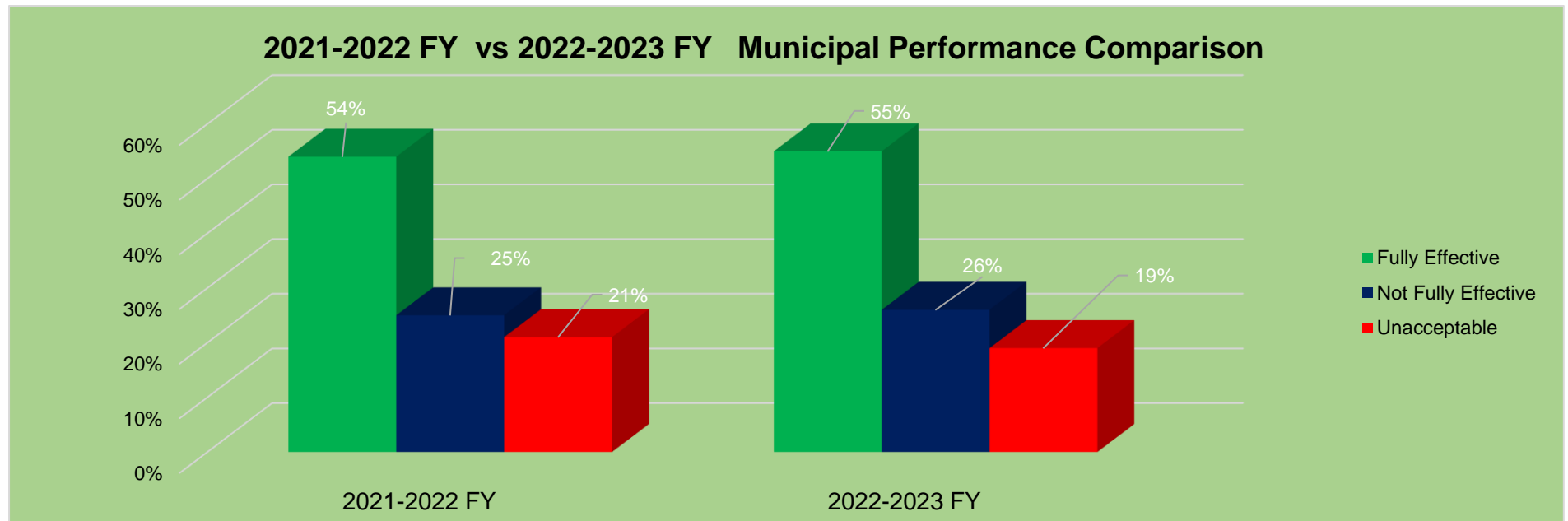
Description	
Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the employee has achieved above fully effective results against all performance criteria and indicators as specified in the performance plan and maintained this in all areas of responsibility throughout the year.
Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.
Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the employee has fully achieved effective results against all significant performance criteria and indicators as specified in the performance plan.
Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the performance plan.
Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## 4. PERFORMANCE COMPARISON FOR 2021/2022 FY AND 2022/2023 FY

Figure 1: High level summary of performance comparison for the 2021/2022 FY and 2022/2023 FY



The municipality has translated the national key performance areas into strategic objectives. These strategic objectives assisted the institution to refocus in achieving the developmental agenda. Performance Management System is the key element in ensuring implementation and realisation of the Integrated Development Plan. The total of 74 Key performance indicators applicable were measured and evaluated for the year under review realised 55% fully effective, 26% Not Fully Effective and 19% Unacceptable. The institution realised 1% the year 2022/2023FY in comparison to the year 2021/2022 FY.

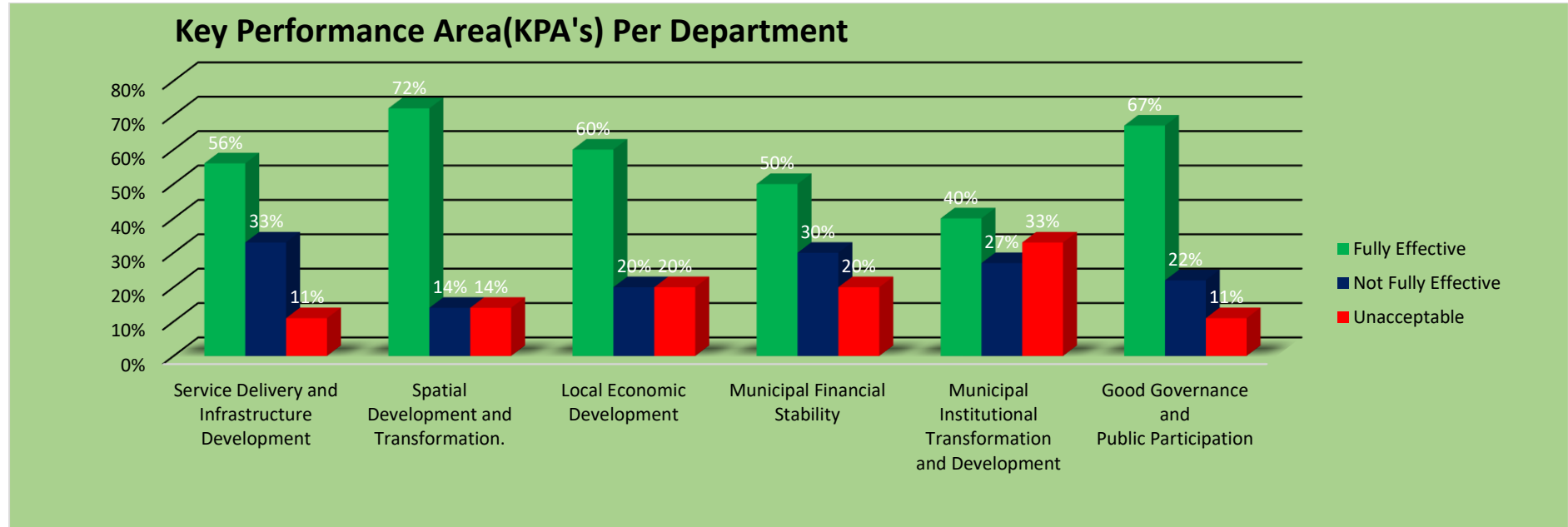
# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## 5. INSTITUTIONAL PERFORMANCE PER KEY PERFORMANCE AREA FOR 2022/2023 FY

Figure 2: Key Performance Area

(KPA)



The Key performance area performance achieved above 56% Fully Effective for Service Delivery and Infrastructure Development, 72% Fully effective for Spatial Development and Transformation was achieved, Local Economic Development achieved 60% fully effective whereas Municipality financial instability achieved 40% Fully effective and Municipal Institutional Transformation and Development achieved 40% Fully effective. Good Governance and Public Participation with 67% was fully effective.

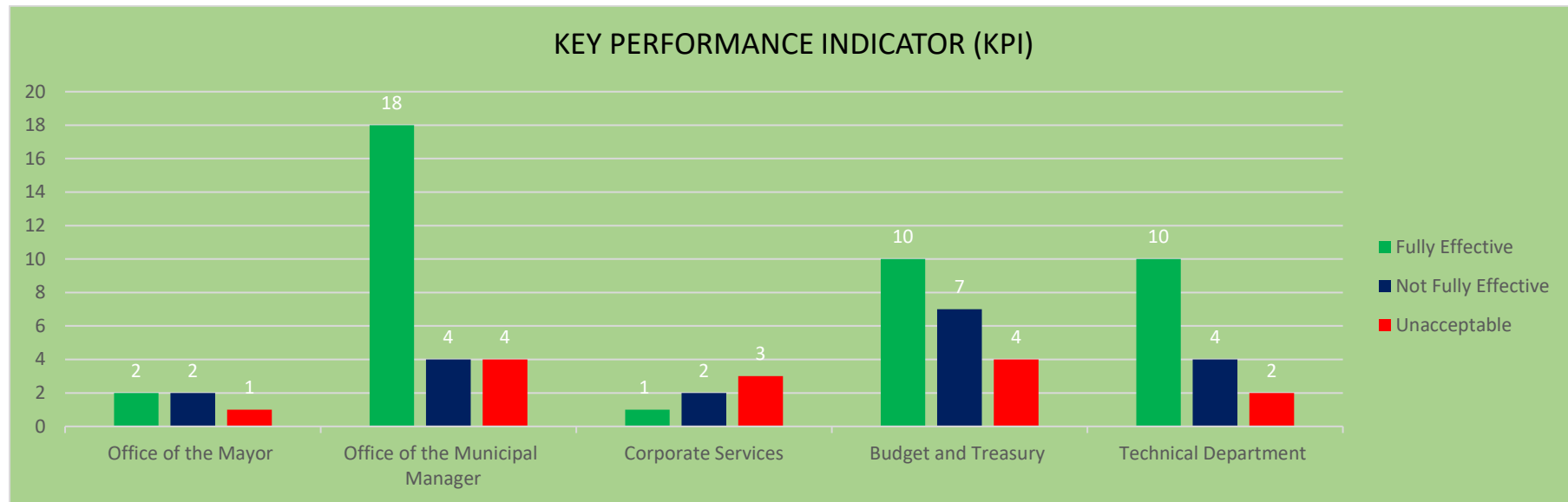
# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## 6. DEPARTMENTAL

### PERFORMANCE PER KEY PERFORMANCE INDICATOR FOR 2022/2023 FY

Figure 3: Key Performance Indicators (KPI's) per department



For the year under review, office of the mayor had 5 KPI's in total of which 2 were fully effective, 2 not fully effective and 1 unacceptable. Office of the Municipal Manager had 26 targeted KPI's, 18 were fully effective, 4 were not fully effective and 4 were unacceptable. Over and above, the municipality is determined to improve its performance to ensure the fully implementation of the performance management cycle. The 6 set of KPI's for corporate services department 1 Fully effective ,2 not fully effective and 3 unacceptable. The budget and treasury department has total of 21 KPI's targeted of which were 10 fully effective, 7 not fully effective and 4 was unacceptable. Technical and community services had 16 targeted KPI's for the year of which 10 were fully effective, 4 not fully effective whereas 2 unacceptable.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### 7. DETAILED INSTITUTIONAL SERVICE DELIVERY BUDGET INDICATOR'S OUTCOME

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of SDBIP outcomes. This report provides strategic achievement of the municipality, in terms of the pre-determined objectives and basic service delivery mandate. Basic service delivery and Infrastructure development is the major focus of the reported information.

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance	Performance against Target		Ratings	Reason for Variance	Remedial Action
		2021/2022	Target 2022//23	Actual 2022/23			
<b>KPA 1: Basic Service Delivery: Service Delivery and Infrastructure Development.</b>							
<b>Strategic Objective :To ensure the provision of sustainable basic service to our communities</b>							
KPI 1. Number of households provided with clean piped water by 30 June 2023.	R 10 959 271 (Million)	3045	3050	3053	Fully Effective	N/A	N/A
KPI 1.1 Number of Water Quality Assurance reports for the provision of clean piped water by 30 June 2023.		12	12 Monthly results	12	Fully Effective	N/A	N/A
KPI 2 Number of households provided with electricity prepaid by 30 June 2023.	R 10 959 271 (Million)	3574	3574	3509	Not Fully Effective	Households who fail to pay services as per agreements at municipality are blocked. Those who bypass electricity we switch off their electricity hence we don't bill them.	Encourage customers to pay by sending payments reminders regularly.
KPI 3 Number of households provided with access to Basic sanitation service by 30 June 2023.	R 7 849 937.00 (Million)	3137	3137	3207	Fully Effective	N/A	N/A

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance 2021/2022	Performance against Target		Ratings	Reason for Variance	Remedial Action
			Target 2022//23	Actual 2022/23			
KPI 4. Number of households provided with weekly solid waste removal services in Danielskuil and Lime Acres by 30 June 2023.	R 7 849 937.00 (Million)	4050	4050	3148	Not Fully Effective	The schedule was adjusted due to holiday or bad weather conditions and servicing of municipal fleet. Customers did not put the bins outside the yard	Communicate if there is a change of schedule. Request donations from stakeholders for a truck to improve on collection.

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance 2021/2022	Performance against Target		Ratings	Reason for Variance	Remedial Action
			Target 2022//23	Actual 2022/23			
KPI 5 KM Pipe line installed to connect new households to existing sewer network Phase 2	R 12 000 000 (Million)	2.3 km	9km	0	Unacceptable	Contractors has been appointed, and they are currently connecting sewer line networks.	Site visits and meetings sit and progress reports are provided monthly.
KPI.6 Construction of new landfill site by 30 June 2023.	R 8 510 000 ( Million)	0	2 Waste cells	2 Waste cells	Fully Effective	N/A	N/A
KPI 7 Repairs and Refurbishment of Municipal Facilities	R 1 073 000 (Million)	Repair and Maintenance of Workshop Office and Kitchen	Main building Toilet Workshop Municipality Toilet	Main building Toilet Workshop Municipality Toilet	Fully Effective	N/A	N/A

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance 2021/2022	Actual against Target 2022//23	Performance Actual 2022/23	Ratings	Reason for Variance	Remedial Action
KPI.8 Upgrading of water oxidation ponds by 30 June 2023.	R 62 367 000.00 (Million)	New	Feasibility study Construction of concrete	0	Not fully effective	Feasibility study Construction of concrete done in Quarter 4.	Site visits and meetings sit and progress reports are provided monthly.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

KEY PERFORMANCE INDICATORS KPI's)	Budget Projections 2022/2023	Performance 2021/2022	Actual against Target		Performance Ratings	Reason for Variance	Remedial Action
			Target 2022/23	Actual 2022/23			
<b>KPA 2: Spatial Development and Transformation.</b>							
<b>Strategic Objectives : conservation of the environment</b>							
KPI.9 Human Settlement Planning and Development by 30 June 2023.	R 9 000 000.00 (Thousand)	2 By-annual reports	2 By-annual report	1 Approval letter	Not Fully Effective	The township establishment application has been submitted with all comments addressed.	Request the whole farm 1 from Department of public Works.
KPI .10 Number of Consolidation application by 30 June 2023.	R 300 000.00 (Thousand )	2	2	0	Unacceptable	Municipality did not receive any applications for the financial year under review.	N/A
KPI.11 Number of sub-division application by 30 June 2023.	R 350 000.00 (Thousand )	1	1	1	Fully Effective	N/A	N/A
KPI 12 Number of rezoning Applications by 30 June 2023.	Operational	1	1	1	Fully Effective	N/A	N/A
KPI 13 Number of conveyancing for rectification and allocation of stands by 30 June 2023.	R 200 000.00 (Thousand)	1	1	1	Fully Effective	N/A	N/A
KPI 14 Percentage of subdivision and rezoning of a portion of Erf 1 for purpose of developing landfill site 30 June 2023.	Operational	1	1	1	Fully Effective	N/A	N/A
KPI.15 Number of Joint Municipal Tribunal in implementation of SPULMA meeting attended by 30 June 2023.	Operational	2	2	2	Fully Effective	N/A	N/A

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

KEY INDICATORS (KPI's)	PERFORMANCE	Budget Projections	Performance	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
		2022/2023	2021/2022	Target 2022/23	Actual 2022/23			
<b>National KPA 3: Local Economic Development</b>								
KPI.16 Number of temporary jobs created through projects by 30 June 2023.	Operational		20	20	20	Fully Effective	N/A	N/A
KPI.17 Number of Updated MoU between 3 mines by 31 December 2022.	Operational		3	3	0	Unacceptable	No memorandum of understanding was submitted.	KPI owner to submit requested
KPI.18 Number of local contractors Developed through awarding contracts or sub-contracting by 30 June 2023.	Operational		4	4	4	Fully Effective	N/A	N/A
KPI.19 Number of information brochure formulated to enhance tourism in the Municipal area by 30 June 2023.	Operational		1	1	0	Not Fully Effective	Information is submitted to Website by IDP/LED and still waiting for Feedback	Information to be published or uploaded on the website as per submission date.
KPI.20 Number of Career Exhibition by 30 June 2023.	R	5000.001 (Thousand)		1	1	Fully Effective	N/A	N/A

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance	Actual against Target	Performance	Ratings	Reason for Variance	Remedial Action
		2021/2022	Target 2022/23	Actual 2022/23			
<b>National KPA 4: Municipal Financial Stability</b>							
<b>Strategic Objectives: To ensure effective and efficient financial viable Municipality</b>							
KPI 21 Compliance with Submission of Adjustment budget to Council for approval by 25 January 2023.	Operational	100%	100%	100%	Fully Effective	N/A	N/A
KPI 22 Number of Section 52 reports submitted to the Mayor and Treasury by 15 July 2023.	Operational	4 reports	4 reports	4 report	Fully Effective	N/A	N/A
KPI 23 Compliance with Submission of Section 72 report to council and Treasury by 31 January 2023.	Operational	100%	100%	100%	Fully Effective	N/A	N/A
KPI 24 Compliance with Submission of Annual financial statements to Auditor General SA and Treasury by 31 August 2022.	Operational	100%	100%	100%	Fully Effective	N/A	N/A
KPI.25 Percentage billing on operating revenue budget by 30 June 2023.	R142,504 333.00 (Million)	80%	80%	90%	Unacceptable	Report is not reliable as it does not reflect calculations of percentages provided. Also, the report itself is contradictory. The amount collected from debtors is not a true reflection of the cash on hand. Collection compared in the report was also compared to the quarterly budget reports and both the two report do not match.	To ensure that there is a System that has a report that indicate the amount collected for arrears and current amounts.
KPI.26 Percentage Collection on Billing by 30 June 2023.	R 61,095,235,00 (Million)	50%	50%	116%	Unacceptable	Report is not reliable as it does not reflect calculations of percentages provided. Also, the report itself is contradictory. The amount collected from debtors is not a true reflection of the cash on hand. Collection compared in the report was also compared to the	To ensure that there is a System that has a report that indicate the amount collected for arrears and current amounts.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance 2021/2022	Actual against Target		Performance Ratings	Reason for Variance	Remedial Action
			Target 2022/23	Actual 2022/23			
						quarterly budget reports and both the two report do not match.	

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance 2021/2022	Actual against Target		Performance Ratings	Reason for Variance	Remedial Action
			Target 2022/23	Actual 2022/23			
<b>National KPA 4: Municipal Financial Stability</b>							
KPI.27 Percentage of Capital grant funding received as per DORA allocation by 30 June 2023.	R 95,694,287,00 (Million)	100%	100%	100%	Fully Effective	N/A	N/A
KPI.28 Percentage collection of conditional grants by 30 June 2023.	R 1,945,808,00 (Million)	100%	100%	100%	Fully Effective	N/A	N/A
KPI.29 Number of indigents registered by 30 June 2023.	R 1,945,808,00 (Million)	1611	1725	1430	Not Fully Effective	Community members don't renew their application in new financial year. Most households' owners qualify for indigent but don't have the documentation required on hand.	Ensure that the Indigents committee is functional and every financial year community members are reminded to register on the indigent register.
KPI 30. Number of Indigents provided with Free basic water in terms of equitable share requirements (06KL per indigent household) by June 2023.	R 537 470 ,00 (Thousand)	1725	1725	1430	Not Fully Effective	Community members don't renew their application in new financial year. Most households' owners qualify for indigent but don't have the documentation required on hand.	Ensure that the Indigents committee is functional and every financial year community members are reminded to register on the indigent register.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance 2021/2022	Performance Actual against Target		Ratings	Reason for Variance	Remedial Action
			Target 2022/23	Actual 2022/23			
KPI 31. Number of Indigents provided with Free basic electricity in terms of the equitable share requirements (Free 50kw basic electricity per indigent household) by June 2023.	R 253 269 ,00 (Thousand )	1725	1725	1430	Not Fully Effective	Community members don't renew their application in new financial year. Most households' owners qualify for indigent but don't have the documentation required on hand.	Ensure that the Indigents committee is functional and every financial year community members are reminded to register on the indigent register.
KPI 32. Number of Indigents provided with Free basic sanitation services per indigent household by June 2023.	R 617 600,00 (Thousand)	1725	1725	1430	Not Fully Effective	Community members don't renew their application in new financial year. Most households' owners qualify for indigent but don't have the documentation required on hand.	Ensure that the Indigents committee is functional and every financial year community members are reminded to register on the indigent register.
KPI 33. Number of Indigents provided with Free weekly solid waste removal services in Danielskuil and Lime Acres per indigent household by 30 June 2023.	R 537 469,00 (Thousand )	1725	1725	1430	Not Fully Effective	Community members don't renew their application in new financial year. Most households' owners qualify for indigent but don't have the documentation required on hand.	Ensure that the Indigents committee is functional and every financial year community members are reminded to register on the indigent register.
KPI.34 Percentage of capital budget expenditure by 30 June 2023.	R 95,833,287,00 (Million)	75%	75%	52 %	Not Fully Effective	Funds were not spent as budgeted	Spend budgeted funds
KPI.35 Percentage operating budget expenditure spent by 30 June 2023.	R118,687,483,00 (Million)	75%	75%	0	Unacceptable	BTO unit could not access the system to extract C-schedule.	BTO unit to submit calculations.
KPI.36 Number of updated asset register by 30 June 2023.	Operational	4	4	4	Fully Effective	N/A	N/A
KPI.37 Number of Inventory undertaken in stores by 30 June 2023.	Operational	4	4	4	Fully Effective	N/A	N/A
KPI.38 Number of Asset disposal list by 30 January 2023.	Operational	1	1	0	Unacceptable	No assets were disposed in the financial year under review.	N/A

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance 2021/2022	Performance against Target		Ratings	Reason for Variance	Remedial Action
			Target 2022/23	Actual 2022/23			
KPI.39 Percentage progress of developing procurement plan by 30 June 2023	Operational	100%	100%	100%	Fully Effective	N/A	N/A
KPI.40 Percentage compliance with procurement plan by 30 June 2023.	Operational	100%	100%	100%	Fully Effective	N/A	N/A

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance 2021/2022	Performance against Target		Ratings	Reason for Variance	Remedial Action
			Target 2022/23	Actual 2022/23			
<b>National KPA 5: Municipal Institutional Transformation and development</b>							
KPI 41 Number of Training committee held by 30 June 2023.	Operational	4	4	2	Not Fully Effective	Meeting did not sit in Quarter 1 and 4 as no POE was received from KPI owner.	Senior management to intervene by ensuring that the KPI owners submit POE requested.
KPI 42 Number of LLF Committee held by 30 June 2023.		4	4	3	Not Fully Effective	Meeting did not sit in Quarter 1 no POE was received from KPI owner.	Senior management to intervene by ensuring that the KPI owners submit POE requested.
KPI 43 Percentage resolution of Labour dispute by 30 June 2023.		80%	80%	0	Unacceptable	POE not submitted by KPI owner	Senior management to intervene by ensuring that the KPI owners submit POE requested
KPI.44 Number of quarterly Health and Safety inspection report on Municipal Main Building and Technical Workshop facilities by 30 June 2023.		4	4	0	Unacceptable	No inspections were conducted as committee member are waiting for training which will enable them to conduct inspection.	Member to be provided with OHS training to enable them to implement OHS procedures.
KPI.45 Number of quarterly health and safety meetings by 30 June 2023.		4	4	2	Unacceptable	No meetings sat in Quarter 2 and Quarter 4	Schedule meeting as per SDBIP

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

KEY INDICATORS (KPI's)	PERFORMANCE	Budget Projections	Performance	Actual against Target	Performance	Ratings	Reason for Variance	Remedial Action
		2022/2023	2021/2022	Target 2022/23	Actual 2022/23			
KPI.46 Number of staff meetings held by 30 June 2023.			4	4	3	Not Fully Effective	Meeting did not sit in quarter 1	Schedule meeting as per SDBIP
KPI.47 Number of extended management meeting held by 30 June 2023.			4	4	2	Not Fully Effective	Meetings were not scheduled by KPI owner.	Schedule meeting as per SDBIP
KPI.48 Number of Sec 57 Managers Performance plans created by 31 July 2023.			3	3	3	Fully Effective	N/A	N/A

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections	Performance	Actual against Target	Performance	Ratings	Reason for Variance	Remedial Action	
		2022/2023	2021/2022	Target 2022/23				Actual 2022/23
<b>National KPA 5: Municipal Institutional Transformation and development</b>								
KPI.49 Number of sec 72 report per annum by 25 January 2023.	Operational		1	1	1	Fully Effective	N/A	N/A
KPI.50 Compiled sec 66 performance plans and agreements and signed by 30 June 2023.			100	100	33	Unacceptable	Lack of capacity and shortage of staff.	Increase capacity in PMS unit
KPI.51 Number of Individual employees Performance evaluation by 31 July 2023.			100	100	0	Unacceptable	Lack of capacity and implementation of performance management system in the municipality	Regular and continuous training is undertaken to enable capacity building.
KPI.52 Number of Quarterly Institutional Performance Evaluation done by 31 July 2023.			4	4	4	Fully Effective	N/A	N/A

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance 2021/2022	Actual against Target		Performance Ratings	Reason for Variance	Remedial Action
			Target 2022/23	Actual 2022/23			
KPI.53 Percentage progress with the Development of SDBIP 2023/2024 by 30 June 2023.		1	100%	100%	Fully Effective	N/A	N/A
KPI.54 Percentage compliance with submission of annual report by 31 March 2023.		100%	100%	100%	Fully Effective	N/A	N/A
KPI.55 Number of ICT committee held by 30 June 2023.		4	4	4	Fully Effective	N/A	N/A

## Kgatelopele Local Municipality (Registration number NC086)

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2022/2023	Performance 2021/2022	Actual against Target 2022/23	Performance Actual 2022/23	Ratings	Reason for Variance	Remedial Action
<b>National KPA 6: Good Governance and Public Participation</b>							
KPI.56 Number of Normal Council meetings held by 30 June 2023	Operational	4	4	4	Fully Effective	N/A	N/A
KPI.57 Number of Special Council meetings held by 30 June 2023.		6	6	6	Fully Effective	N/A	N/A
KPI.58 Number of MPAC Committee held by 30 June 2023.		4	4	3	Not Fully Effective	Recess of the Committee	New Committee members elections
KPI.59 Number of Finance Committee held by 30 June 2023.		4	4	3	Not Fully Effective	For Quarter 2 no minutes and attendance register were submitted.	KPI owner to submit POE requested
KPI.60 Number of Audit Committee meeting held by 30 June 2023.		4	4	4	Fully Effective	N/A	N/A
KPI.61 Number of Quarterly reports on status of implementation of recommendations made by Internal Audit /Audit Committee by 30 June 2023.		4	4	4	Fully Effective	N/A	N/A
KPI.62 Number of Quarterly reports on status of implementation of recommendations made by AGSA by 30 June 2023.		4	4	4	Fully Effective	N/A	N/A
KPI.64 Number of Risk Assessments conducted by 30 June 2023.		4	4	4	Fully Effective	N/A	N/A
KPI.65 Number of monthly reports on implementation of risk mitigating actions by 30 June 2023.		8	8	8	Fully Effective	N/A	N/A

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

KEY INDICATORS (KPI's)	PERFORMANCE	Budget Projections	Performance	Actual against Target	Performance	Ratings	Reason for Variance	Remedial Action
		2022/2023	2021/2022	Target 2022/23	Actual 2022/23			
KPI.66 Number of quarterly reports on implementation of risk mitigating actions by 30 June 2023.	Operational		4	4	4	Fully Effective	N/A	N/A
KPI.67 Percentage progress of an Approval of IDP Process Plan by Council by 31 August 2023.			100%	100%	100%	Fully Effective	N/A	N/A
KPI.68 Percentage progress with the review of the Kgatelopele LM 2022/2023 Draft IDP by 31 March 2023.			100%	100%	100%	Fully Effective	N/A	N/A
KPI.69 Percentage progress with the review of the Kgatelopele LM 2021/2022 Final IDP by 31 May 2023.			100%	100%	100%	Fully Effective	N/A	N/A
KPI.70 Number of IDP/Budget consultative meetings by 30 June 2023.			4	8	8	Fully Effective	N/A	N/A
KPI.71 Number of IDP Rep Forum meetings held by 30 June 2023.			4	4	0	Unacceptable	No invitations were received from District office for forum meetings in 2022/2023 FY.	Communicate with district office to confirm if they have updated contact details of IDP/LED unit.
KPI.72 Number of IDP steering committee meetings held by 30 June 2023.			0	4	3	Not fully Effective	Meeting for quarter 4 did not sit as scheduled.	Ensure that meetings sit as per schedule
KPI.73 Number of monthly Ward committee meetings held by 30 June 2023.			35	48	22	Not Fully Effective	Minutes and attendance registers were not all submitted.	Councillors and Ward Committee members to submit requested reported.
KPI.74 Number of monthly Ward meetings held by 30 June 2023.		1	48	4	Unacceptable	Minutes and attendance registers were not all submitted	Councillors and Ward Committee members to submit requested reported.	

# Kgatelopele Local Municipality (Registration number NC086)

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## 8. BUDGET IMPLEMENTATION FOR 2022-2023 FY

In respect of the budget implementation component of the SDBIP, circular 13 requires a breakdown by monthly projections of revenue to be collected for each source and monthly projections of operational and capital expenditure and revenue for each vote.

Monthly projections: Capital expenditure by vote

**NC086 Kgatelopele - Supporting Table SA25 Budgeted monthly revenue and expenditure**

Description	Ref	Budget Year 2022/23												Medium Term Revenue and Expenditure Framework						
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25				
<b>Revenue By Source</b>	-																			
Property rates		1 908	1 908	1 908	1 908	908	1	908	1	1 908	908	1	1 908	1 908	1 908	1 908	894	22	24 130	25 458
Service charges - electricity revenue		3 381	3 381	3 381	3 381	381	3	381	3	3 381	381	3	3 381	3 381	3 381	3 381	570	40	42 761	45 113
Service charges - water revenue		1 548	1 548	1 548	1 548	548	1	548	1	1 548	548	1	1 548	1 548	1 548	1 548	576	18	19 579	20 656
Service charges - sanitation revenue		578	578	578	578	578		578		578	578		578	578	578	578	940	6	7 315	7 718
Service charges - refuse revenue		668	668	668	668	668		668		668	668		668	668	668	668	015	8	8 448	8 912
		-	-	-	-	-		-		-	-		-	-	-	-				
Rental of facilities and equipment		27	27	27	27	27		27		27	27		27	27	27	27	320		336	353
Interest earned - external investments		47	47	47	47	47		47		47	47		47	47	47	47	568		599	632
Interest earned - outstanding debtors		289	289	289	289	289		289		289	289		289	289	289	289	473	3	3 660	3 861
Dividends received		-	-	-	-	-		-		-	-		-	-	-	-			-	-
Fines, penalties and forfeits		62	62	62	62	62		62		62	62		62	62	62	62	740		780	822
Licences and permits		82	82	82	82	82		82		82	82		82	82	82	82	988		1 031	1 078
Agency services		10	10	10	10	10		10		10	10		10	10	10	10	120		125	131
Transfers and subsidies		2 972	2 972	2 972	2 972	972	2	972	2	2 972	972	2	2 972	2 972	2 972	2 972	663	35	37 181	39 928
Other revenue		63	63	63	63	63		63		63	63		63	63	63	63	756		1 606	1 694

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>11 635</b>	<b>11 635</b>	<b>11 635</b>	<b>11 635</b>	<b>635</b>	<b>11 635</b>	<b>635</b>	<b>11 635</b>	<b>635</b>	<b>11 635</b>	<b>11 635</b>	<b>11 635</b>	<b>11 635</b>	<b>624</b>	<b>139</b>	<b>147 552</b>	<b>156 355</b>
<b>Expenditure By Type</b>																	
Employee related costs	3 445	3 445	3 445	3 445	445	3	445	3	3 445	445	3	3 445	445	340	41	43 159	45 101
Remuneration of councillors	324	324	324	324	324	324	324	324	324	324	324	324	324	883	3	4 054	4 236
Debt impairment	391	391	391	391	391	391	391	391	391	391	391	391	391	687	4	4 897	5 118
Depreciation & asset impairment	1 183	1 183	1 183	1 183	183	1	183	1	1 183	183	1	1 183	183	193	14	14 817	15 484
Finance charges	49	49	49	49	49	2	49	2	49	49	2	49	49	592	25	618	646
Bulk purchases - electricity	2 144	2 144	2 144	2 144	144	2	144	2	2 144	144	2	2 144	144	731	1	26 863	28 072
Inventory consumed	125	125	125	125	125	1	125	1	125	125	1	125	125	503	16	791	827
Contracted services	1 340	1 340	1 340	1 340	340	1	340	1	1 340	340	1	1 340	340	079	16	16 744	17 346
Transfers and subsidies	-	-	-	-	-	1	-	1	-	-	1	-	-	-	13	-	-
Other expenditure	1 141	1 141	1 141	1 141	141	1	141	1	1 141	141	1	1 141	141	696	13	14 274	14 892
Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>10 142</b>	<b>10 142</b>	<b>10 142</b>	<b>10 142</b>	<b>142</b>	<b>10</b>	<b>142</b>	<b>10</b>	<b>10 142</b>	<b>142</b>	<b>10</b>	<b>10 142</b>	<b>10 142</b>	<b>703</b>	<b>121</b>	<b>126 218</b>	<b>131 722</b>
<b>Surplus/(Deficit)</b>	<b>1 493</b>	<b>1 493</b>	<b>1 493</b>	<b>1 493</b>	<b>493</b>	<b>1</b>	<b>493</b>	<b>1</b>	<b>1 493</b>	<b>493</b>	<b>1</b>	<b>1 493</b>	<b>1 493</b>	<b>921</b>	<b>17</b>	<b>21 334</b>	<b>24 634</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	1 709	1 709	1 709	1 709	709	1	709	1	1 709	709	1	1 709	709	510	20	24 653	25 552
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		3 203	3 203	3 203	3 203	203 3	203 3	3 203	203 3	3 203	3 203	3 203	3 203	431 38	45 987	50 186
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	3 203	3 203	3 203	3 203	203 3	203 3	3 203	203 3	3 203	3 203	3 203	3 203	431 38	45 987	50 186

## 9. RECOMMENDATIONS

- Credible quarterly performance reporting, deepened monitoring and adequate corrective measures and explanation of performance acted upon by senior management will assist in management accurately tracking progress thereby identifying early warnings and activities that are lagging behind
- Constant investigation of poor performance and implementation of consequence management will improve culture of performance and accountability thorough view of Internal Audit findings and recommendations will increase accountability and improve performance.
- The basic disciplines of standard monthly controls and reporting built in on a foundation of performance management system, effective and efficient leadership and stability in key positions will enable a vigorous performance management system

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

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### **10. CONCLUSION**

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of SDBIP outcomes. This report provides strategic achievement of the municipality, in terms of the pre-determined objectives and basic service delivery mandate. Basic service delivery and Infrastructure development is the major focus of the reported information, thus 56% was fully effective, 33% not fully effective and 11% unacceptable. The municipality is determined to improve its performance to ensure the fully implementation of the performance management cycle.

**ANNEXTURE: B**  
**AUDIT COMMITTEE REPORT**

**Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

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**KGATELOPELE LOCAL MUNICIPALITY**

**AUDIT, PERFORMANCE AND RISK COMMITTEE**

**ANNUAL REPORT 2022-2023**

**KGATELOPELE LOCAL MUNICIPALITY AUDIT, PERFORMANCE AND RISK COMMITTEE ANNUAL REPORT**

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## PURPOSE

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The Audit, Performance and Risk Committee (APRC) is honoured to present its report for the Financial Period ending 30 June 2023. The committee was functional throughout the year and had several engagements with management on matters related to Financial Management, Internal Control, Risk Management, Performance Management, Governance, Information Technology, Corporate Services and Technical Services. The committee would like to acknowledge the attendance of the Honourable Mayor, Honourable Speaker and chairperson of MPAC, the Accounting Officer, Chief Financial Officer and Technical and Community Services Manager in committee meetings.

## LEGISLATIVE REQUIREMENTS

We are required to present Council with an Annual Report for the primary purpose of advising the Municipal Council, Political Office Bearers and the Accounting Officer on matters relating to Section 166 (2) – (3) of the Municipal Finance Management Act and other applicable laws and regulations

The committee has in terms of circular 65 of MFMA adopted appropriate formal terms of reference clearly setting out the establishment, purpose, authority, composition and the relationship with Council, Management, Internal and External Auditors as its charter.

## AUDIT COMMITTEE MEMBERS AND MEETING DETAILS

Committee Structure and Assessment

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

The Committee consists of four independent external members listed below:

Initials and Surname	Date of Appointment	Comments
Mrs. T. Kati	01 July 2020	Appointed as Chairperson of the Committee as per Council Resolution SC 13/08/2020
Mr. M. Jarvis	30 August 2022	Appointed as Member of the Committee.
Mr. B. Mkhwanazi	06 June 2022	Appointed as Member of the Committee as per Council Resolution Number SC 92/05/2022
Mr. K. Nkoe	06 June 2022	Appointed as Member of the Committee as per Council Resolution Number SC 92/05/2022.

Mrs. Kati's term as Chairperson came into an end on 30 June 2023. Mr. Nkoe resigned from the committee on the 18<sup>th</sup> April 2023. This resulted in two vacancies in the committee as at 30 June 2023.

The Chairperson of the Committee should assess the performance of individual committee members, and the Council should evaluate the committee's chairperson, based on several factors. These include;

- Expertise;
- Inquiring attitude;
- Objectivity and Independence;

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

- Judgement;
- Understanding of the public Sector Business;

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prepare for and participate in committee deliberations;  Timely Responses; and

- Attendance of meetings.

- Willingness to devote the time needed to

Overall, the chairperson is satisfied that the members have displayed sufficiently thorough behavior and attitude that the expectations set in the Audit Committee Charter have been adhered to.

### Meeting Details

The committee is required as per the MFMA Section 166(4)(b) to meet at at-least four times during a financial year. The Committee has met on the dates set out below in the table to execute its mandate in accordance with the agenda of the day. The details of the meeting are as follows:

Meeting Date	Apologies	Nature of meeting (Normal/Special)
03 August 2022	None	Normal
23 August 2022	None	Special
27 October 2022	Mr. Jarvis	Normal
29 November 2022	Mr. Jarvis	Special
09 February 2023	None	Normal
21 April 2023	None	Special
25 May 2023	None	Special

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

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## INTERNAL AUDIT

### Internal Audit Staff

#### 4.1.1 Staff

The committee took note that the internal audit unit is staffed by a Senior Internal Auditor who executes the role of Chief Audit Executive supported by 1 Audit Officer and 1 Intern. As at the 30 June 2023 these staff members were as follows:

Mr. K. Thebeyagae	-	Senior Internal Auditor
Ms. K. Kgwarai	-	Audit Officer
Ms. F. Mereekopane	-	Internal Audit Intern (01 July 2022 – 30 October 2022)
Mrs. G. Motswakgole	-	Internal Audit Intern

Miss Mereekopane was appointed as Project Administrator on 01 November 2022 and Mrs. Motswakgole was appointed as Internal Audit Intern from 01 January 2023. As per the approved organogram, there is 1 vacancy within the unit being that of Audit Officer.

#### Performance

The Committee is satisfied that the Internal Audit Unit performed its activities in accordance with the approved internal audit charter and internal audit operational plan for the financial year and Section 165 as per the MFMA. Quarterly internal audit reports reflecting the progress were adopted at the Normal Meetings held during the year and the Committee is satisfied with the performance of the internal audit.

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

### EXTERNAL AUDIT

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The committee has the External Audit as standing invitee to the committee meetings and special liaison meetings with the office of the Auditor General South Africa. The committee discussed the 2021/2022 Auditor General Report and took note of the Disclaimer of audit opinion.

The committee took note of the material misstatements as identified by the Auditor General for the 2021-2022 audit and emphasized the importance of audit readiness to ensure no limitation of scope will occur.

The Audit Strategy and Engagement Letter were presented to the committee during a meeting held 23 August 2022 before the submission of the annual financial statements.

### EFFECTIVENESS OF INTERNAL CONTROL

The committee is of the view that the systems of internal controls are not adequate and effective. At Senior Management level there was only one Vacant Positions being that of Corporate Services Director as at 30 June 2023. There were officials appointed in these in the positions, however weak control environment was noted by the committee. Several instances of breach of controls at various departments were reported to the committee.

### RISK MANAGEMENT

The committee reviewed the appropriateness of the risk management policy, strategy, methodology and implementation plan and made recommendations pertaining to the current methodology for management's consideration. The annual risk assessment was presented to the committee and recommend for approval by Council. The committee is concerned with the effectiveness of the risk management processes and systems due to lack of senior management to implement and institutionalise it. The committee took note of the reports presented on the strategic risk register as well as the operational risk register of the business units and identified certain weaknesses from the register.

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

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The committee further took note of the fraud risk register submitted to the committee and made its recommendations pertaining to the municipality to be zero tolerant to fraud and corruption.

### PERFORMANCE MANAGEMENT

The Performance Management System and Processes were reviewed and quarterly performance information assessed. Unfortunately, these systems were not adequate and the achievement of the annual targets were low. The committee endorses the priority implementation of all recommendations by the internal and external auditors. Increased capacity is required to implement the recommendations suggested by the committee. This will ensure that the performance management system may continue to mature. The manner in which performance reviews is conducted have improved considerably, but there are still challenges in this regard. The performance reviews of the Section 57 employees were not conducted for the financial year 2022-2023.

### INFORMATION AND COMMUNICATION TECHNOLOGY

Information and Communication Technology (ICT) Governance, the committee has reviewed the ICT governance framework of the Municipality as well as reports on ICT operations. Significant improvements are required particularly in the area of Internet (Network Coverage). The slow or no internet network coverage on the Municipality's Internet Network experienced subsequent to the reporting period are evidence of the continued rise of this risk. The Municipality also needs to continue with investments in system integration as there remains a number of non-integrated systems across municipal departments. The committee has also recommended that all IT Governance Policies be reviewed.

### TECHNICAL AND COMMUNITY SERVICES

Technical and Community Services were reviewed quarterly and unfortunately there were a huge number of concerns with regards to Service Delivery matters. Supply of water to the different communities of the Kgatelopele Region especially when loadshedding is prolonged was a growing concern. Projects are slow moving causing the municipality to under spend on capital projects which subsequently results in the municipality having to apply for

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

Roll-overs. Management and Council should ensure that the Top Layer SDBIP is aligned to the IDP to be able monitor the Service Delivery and implementation of Projects.

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### ANNUAL FINANCIAL STATEMENTS

The financial information will be reviewed. The 2022/2023 financial statements will be compiled by contracted consultants. The draft Annual Financial Statements will be submitted to the committee prior in order for the committee to properly review them.

The committee advises that the Annual Financial Statements should be submitted to the Auditor General South Africa latest 31 August each year to be in compliance with the MFMA legislated deadline.

### REPORTING

The committee submitted reports on a quarterly basis to Council and requested to discuss the reports with Council.

### CONCLUSION

While the committee strives to add value to strengthen the governance of the municipality, the benefit thereof can only be derived through concerted efforts of both management and Council to implement the resolutions and recommendations provided from the committee sittings. The committee would like to urge management and Council to work as a collective towards achieving better audit outcomes.

**Bafana E Mkhwanazi**



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Mr. Bafana Mkhwanazi Interim Chairperson of Audit, Performance and Risk Committee

**ANNEXTURE: C**  
**AUDIT REPORT**

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Report of the auditor-general to the Northern Cape Provincial

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### Legislature and the council on Kgatelopele Local Municipality

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

##### Qualified opinion

1 . I have audited the financial statements of the Kgatelopele Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Kgatelopele Local Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

##### Basis for qualified opinion

##### Revenue from exchange transaction

3. The municipality did not recognise revenue from service charges in accordance with GRAP 9, Revenue from exchange transactions, as the municipality did not charge some customers service charges for all months. I was unable to determine the full extent of the understatement on service charges and receivables from exchange transactions for the current year, as it was impracticable to do so.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

4. I was unable to obtain sufficient appropriate audit evidence of whether sale of water and sale of electricity were recorded due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and events and  

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could not reconcile the transactions and events to the financial statements. I could not confirm whether all revenue from the sale of water and sale of electricity was recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to revenue from services charges stated at R35 638 865 in the financial statements.
5. The municipality did not recognise interest earned-outstanding debtors correctly in accordance with GRAP 9, Revenue from exchange transactions and GRAP 23 as the municipality incorrectly billed themselves as debtors and calculated the interest charged to its long outstanding debt. I was unable to determine the full extent of the overstatement of interest earned outstanding debtors and service receivables included in trade receivables from  
  
exchange transactions for the current year, as it was impractical to do so. Consequently, this has an impact on to the interest earned-outstanding debtors stated at R3 427 285 in note 21.
6. During 2022, I was unable to obtain sufficient appropriate audit evidence for revenue from service charges and interest on cash and cash equivalents, due to the poor status of the accounting records. I was unable to confirm the revenue from service charges and interest received - investment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges and interest on cash and cash equivalents stated at R43 364 516 and R1 380 977 in note 18 and note 21 to the financial statements. Since the service charges and interest on cash and cash equivalents are included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R1 03 593 463 in the financial statements.
7. The municipality did not recognise service charges in accordance with GRAP 9, Revenue from exchange transactions, as the municipality did not collect all revenue from indigent customers that were incorrectly classified as indigents. I was unable to determine the full extent of the understatement on service charges and receivables from exchange transactions for the current and previous year, as it was impracticable to do so.

### Receivables from exchange transactions

8. The municipality did not have adequate systems to maintain records of accounts for receivables from exchange transaction as the municipality recognised own billing accounts as receivables and also differences were noted between the debtors age analysis and amounts disclosed in the annual financial statements. Additionally, there was an impact in revenue from exchange transaction and impairment of debtors. This resulted in receivables from exchange transactions being overstated by R6 528 291. In addition, I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as receivables from exchange transactions. I could not confirm receivables from exchange transactions by

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to receivables from exchange transaction stated in note 6 at R69 868 102 in the financial statements.

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9. During 2022, I was unable to obtain sufficient appropriate audit evidence for receivables from exchange-transactions — consumer debtors, as the age analysis did not reconcile to the amounts presented in the annual financial statements and the municipality did not have adequate accounting systems to maintain records for the allowance for impairment. In addition, adequate systems of internal control to keep record of journals were not in place. As a result, I was unable to determine the impact of some journals on other components reported in the financial statements and I was unable to confirm the consumer debtors balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange transactions — consumer debtors of R57 039 428 as disclosed in note 6 to the financial statements. Since the receivables from exchange transactions balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at RI 03 593 463 in the financial statements.

### Receivables from non-exchange transactions

10. The municipality did not have adequate systems to maintain records of accounts for receivables from non-exchange transaction as the municipality recognised own billing accounts as receivables. This resulted in receivables from non-exchange transactions being overstated by R2 498 324. Additionally, there was an impact in revenue from non-exchange transaction and allowance for impairment of debtors thereof.
11. During 2022, I was unable to obtain sufficient appropriate audit evidence for consumer debtors - rates, as the age analysis did not reconcile to the amounts presented in the annual financial statements and the municipality did not have adequate accounting systems to maintain records for the allowance for impairment. In addition, adequate systems of internal control to keep record of journals were not in place. As a result, I was unable to determine the impact of some journals on other components reported in the financial statements and I was unable to confirm the consumer debtors - rates balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to consumer debtors - rates of RI 7 957 154 as disclosed in note 4 to the financial statements. Since the consumer debtors - rates balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at RI 03 593 463 in the financial statements.

### Vat receivable

12. I was unable to obtain sufficient appropriate audit evidence for vat receivable as the municipality did not have adequate systems to maintain records of VAT. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to vat receivables stated at R 14 457 945 (2022: R 13 898 875) as disclosed in note 5 to the financial statements. Since the Vat receivables are included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

to determine whether any adjustments were necessary in the cash flows from operating activities stated at R65 714 227 (2022:R103 593 463) in the financial statements.

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### **Debt impairment**

13. I was unable to obtain sufficient appropriate audit evidence for debt impairment as the municipality did not have adequate systems for maintaining records of accounts for receivables from exchange & non-exchange transactions. Consequently, I was unable to determine whether adjustments are necessary to the debt impairment, reported at R5 603 699 in the financial statements.

### **Inventories**

14. The municipality did not recognise inventory correctly in accordance with GRAP 12, Inventories as the municipality recognised land held longer than 12 months as inventory and also poor stock control management processes. Consequently inventory was overstated by R4 559 233. Consequently, I was unable to determine whether any adjustments were necessary to inventories of R4 617 511 as disclosed in note 3 to the financial statements. Since the

inventories are included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R65 714 227 in the financial statements.

### **Net cash flow from operating activities**

15. During 2022, I was unable to obtain sufficient appropriate audit evidence for the calculation of the net cash flows from operating activities in the cash flow statement, as the municipality did not appropriately account for cash and non-cash items. I was unable to confirm these items by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the net cash flows from operating activities in the cash flow statement and the note thereto.

### **Payables from exchange transactions**

16. I was unable to obtain sufficient appropriate audit evidence for salary control account due to the poor status of the accounting records. Consequently, I was unable to determine whether any adjustments were necessary to the salary control account of R2 317 931 as disclosed in note 12 to the financial statements. Since the salary control account is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R65 714 227 in the financial statements.

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

17. During 2022, I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to the poor status of the accounting records. Consequently, I was unable to determine whether any adjustments were necessary to payables from exchange transactions of R44 824 952 as disclosed in note 12 to the financial statements. Since the payables from exchange transactions is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at RI 03 593 463 in the financial statements.

### **Employee related costs**

18. During 2022, I was unable to obtain sufficient appropriate audit evidence for basic and pension contributions as the payroll report did not reconcile to the amounts presented in the annual financial statements. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to employee related costs of R40 027 893 as disclosed in note 28 to the financial statements. Since the employee related costs are included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at RI 03 593 463 in the financial statements.

### **Bad debts written off**

19. The municipality did not correctly account for bad debt written off in accordance with the Standards of GRAP 1, Presentation of financial statements. The municipality did not maintain adequate records for the bad debts written off. Additionally, there was an impact in receivables from exchange and non-exchange transactions disclosed in the financial statements.
20. During 2022, I was unable to obtain sufficient appropriate audit evidence for bad debts written off as the schedule provided did not reconcile to the amounts presented in the annual financial statements. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to bad debts written off of R3 763 892 as disclosed in the financial statements.

### **General expenses**

21. During 2022, I was unable to obtain sufficient appropriate audit evidence for general expenses due to the poor status of the accounting records and the municipality did not have an adequate system of internal control to keep record of journals. As a result, I was unable to determine the impact of some journals on other components reported in the financial statements and I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments was necessary to general expenses of R 12 035 505 as disclosed in note 35 to the financial statements. Since the general expenses are included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at RI 03 593 463 in the financial statements.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Total expenditure

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22. Total expenditure was materially misstated by R2 110 351 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Employee costs stated at R41 440 040 was overstated by R467 416.
- General expenditure stated at R 14 582 831 was overstated by RI 076 529.
- Contracted services stated at R 18 456 073 was overstated by R503 920.
- Remuneration of councillors stated at R4 718 363 was overstated by R62 486.

### Non-current assets

23. In addition to the individually material uncorrected misstatement on account balance as disclosed in the notes, non-current assets was materially misstated by RI 504 535 due to the cumulative effect of individually immaterial uncorrected misstatements in non-current assets:

- Property, plant and equipment stated at R423 159 351 was understated by RI 006 342.
- Investment property stated at R28 727 247 was understated by R498 193.

### Contracted services — Maintenance of vehicle, plant and machinery

24. During 2022, I was unable to obtain sufficient appropriate audit evidence for maintenance of vehicle, plant and machinery due to the poor status of the accounting records. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether

any adjustments were necessary to maintenance of vehicle, plant and machinery of R2 294 433 as disclosed in note 34 to the financial statements. Since the maintenance of vehicle, plant and machinery are included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R 103 593 463 in the financial statements.

### Commitments

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

25. I was unable to obtain sufficient appropriate audit evidence for commitments, as the commitments register provided did not reconcile to the amounts presented in the annual financial statements. I was unable to confirm the commitments by alternative means.

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Consequently, I was unable to determine whether any adjustments relating to commitments of R 166 633 184 (2022: R91 806 013) as disclosed in note 39 to the financial statements were necessary.

### **Prior period error**

26. I was unable to obtain sufficient appropriate audit evidence that management has properly disclosed some adjustments made to correct prior period errors, due to the status of the accounting records of these adjustments. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to confirm whether any adjustments to prior period errors were necessary in note 41 to the financial statements.

### **Irregular expenditure**

27. I was unable to obtain sufficient appropriate audit evidence for the irregular expenditure relating opening balance for the current year and that reported in the prior year, due to the poor status of the accounting records. I could not confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure in note 45 to the financial.

28. The municipality did not disclose all the irregular expenditure in the notes to the financial statements, as required by section 125(2) (d)(i) of the MFMA. The municipality incurred expenditure in contravention of the supply chain management (SCM) requirements resulting in irregular expenditure being understated in the current year. I was unable to determine the full extent of the understatement as it was impracticable to do so.

### **Unauthorised expenditure**

29. I was unable to obtain sufficient appropriate audit evidence for the unauthorised expenditure incurred during the year under review, as well as the opening balance of unauthorised expenditure reported in the prior year, due to the poor status of the accounting records. I could not confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to unauthorised expenditure in note 43 to the financial statements.

### **Fruitless and wasteful expenditure**

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

30. I was unable to obtain sufficient appropriate audit evidence for the fruitless and wasteful expenditure relating opening balance for the current year and that reported in the prior year, due to the poor status of the accounting records. I could not confirm the balance by alternative means. Consequently,

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I was unable to determine whether any further adjustments were necessary to fruitless and wasteful expenditure in note 44 to the financial statement.

### **Contingent liabilities**

31. The municipality did not have adequate systems in place to account for contingent liabilities in accordance with GRAP 3, Provisions, contingent liabilities and contingent assets, as the contingent liabilities were not disclosed in the financial statements. I was unable to determine the full extent of the understatement as it was impracticable to do so.

### **Material losses**

32. The municipality did not recognise water and electricity losses in accordance with section 125(2) (d) of the MFMA, due to the municipality not maintaining adequate records of the number of water and electricity units distributed, I was unable to determine the full extent of the misstatement of water and electricity losses for the current and previous year as it was impracticable to do so.

### **Statement of comparison of budget and actual amounts**

33. The municipality did not have adequate systems in place to properly account for budgeted amounts disclosed in the statement of comparison of budget and actual amounts in accordance with GRAP 24, Presentation of budget information in financial statements as the budgeted amounts included in the disclosure did not agree to the approved budget of the municipality for the current and also differences with regards to comparable amounts. The impact on the financial statements is that the variances analysis will not be correct.

### **Segment reporting**

34. The municipality did not have adequate systems in place to properly account for segment reporting in accordance with GRAP 18, Segment reporting. The municipality did not report information about each segment identified in accordance with GRAP 18 correctly; the municipality did not disclose the revenue and expenditure per segment reported and did not report a measure of surplus or deficit for the period and the basis of measurement per segment.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Context for opinion

35. 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.

36. 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.

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

### Material uncertainty relating to going concern

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

39. I draw attention to note 42 to the financial statements, which indicates that the municipality cannot settle its debt when it becomes due as at 30 June 2023 and, as of that date the current liabilities exceeded its current assets by R10 214 200. As stated in note 42, these events or conditions, along with other matters as set forth in note 42, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

### Emphasis of matters

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

#### Underspending of conditional grants

41. As disclosed in note 15 of the financial statements, the municipality materially underspent the municipality infrastructure grant and the regional bulk infrastructure grant by R31 957 717 and R46 372 372 respectively.

#### Restatement of corresponding figures

42. As disclosed in note 41 to the financial statements, the corresponding figures for previous financial statements were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 31 June 2023.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Other matter

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

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### Unaudited disclosure notes

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

### Responsibilities of the accounting officer for the financial statements

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

46. 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

47. 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.

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

### Report on the annual performance report

49. 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.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

50. I selected the following material performance indicators related to Basic service delivery:

service delivery and infrastructure development presented in the annual performance report for the year ended 30 June 2023. 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 households provided with clean piped water by 30 June 2023
- Number of Water Quality Assurance reports for the provision of clean piped water by 30 June 2023
- Number of households provided with electricity prepaid and credit by 30 June 2023
- Number of households provided with access to Basic sanitation service by 30 June 2023
- Number of households provided with weekly solid waste removal services in Danielskuil and Lime Acres by 30 June 2023
- Pipe line installed to connect new households to existing sewer network Phase 2
- Construction of new landfill site by 30 June 2023.
- Upgrading of water oxidation ponds by 30 June 2023

51. I was engaged to evaluate the reported performance information for the selected material performance indicators relating to Basic service delivery: service delivery and infrastructure development against the criteria developed from the performance management and reporting framework, as defined in the general notice. An annual performance report prepared using these criteria provides useful and reliable information and insights to users of the report on the municipality's planning and delivery on its mandate and planned objectives. My objective was to perform procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

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

Number of households provided with clean piped water by 30 June 2023

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

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

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54. Adequate processes had not been established to consistently measure and reliably report on this indicator. Consequently, I could not confirm the reliability of the reported achievement of 3053 against the target of 3050.

### **Number of Water Quality Assurance reports for the provision of clean piped water by 30 June 2023**

55. Adequate supporting evidence was not provided to clearly explain how the indicator and target of 12 monthly reports would contribute to achieving planned objectives and strategic goals. The indicator and target measured the number of reports prepared instead of the delivery of quality water services. It would thus be difficult to track the municipality's achievement of service delivery goals.

56. There was no link between the indicator and target of 12 monthly reports and the achievement of planned objectives and strategic goals, as it did not measure actual service delivery. The indicator and target measured the number of reports prepared instead of the delivery of quality water services. It would thus be difficult to track the municipality's achievement of service delivery goals.

### **Number of households provided with electricity prepaid and credit by 30 June 2023**

57. An achievement of 3509 was reported against a target of 3574. I could not determine if the reported achievement was correct, as the processes established to consistently measure and report achievements were inadequate. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

58. In addition, evidence was not provided to support the reasons for the underachievement between the planned target of 3574 and the households provided with basic electricity prepaid and the reported achievement of 3509 households provided with basic electricity prepaid. This would make it difficult to assess whether commitments had been achieved and for oversight structures and the public to hold the municipality accountable if not.

### **Number of households provided with access to Basic sanitation service by 30 June 2023**

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

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

60. Adequate processes had not been established to consistently measure and reliably report on this indicator. Consequently, I could not confirm the reliability of the reported achievement of 3207 against the target of 3137.
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### **Number of households provided with weekly solid waste removal services in Danielskuil and Lime Acres by 30 June 2023**

61. An achievement of 3148 was reported against a target of 4050. I could not determine if the reported achievement was correct, as the processes established to consistently measure and report achievements were inadequate. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved.
62. In addition, evidence was not provided to support the reasons for the underachievement between the planned target of 4050 and the households provided with basic sanitation services and the reported achievement of 3148 households provided with basic sanitation. This would make it difficult to assess whether commitments had been achieved and for oversight structures and the public to hold the municipality accountable if not

### **KM Pipe line installed to connect new households to existing sewer network Phase 2**

63. A measure of technical manager to request annual report from contractors that is signed was reported to improve the performance against the target of 9km. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.
64. Adequate processes had not been established to consistently measure and reliably report on this indicator. Consequently, I could not confirm the reliability of the reported achievement of 0 against the target of 9km.

### **Construction of new landfill site by 30 June 2023**

65. An achievement of 2 waste cells was reported against a target of 2 waste cells. However, the audit evidence showed the actual achievement to be 0. Consequently, the target was not achieved.
66. Adequate processes had not been established to consistently measure and reliably report on this indicator. Consequently, I could not confirm the reliability of the reported achievement of 2 waste cells against the target of 0.

### **Upgrading of water oxidation ponds by 30 June**

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

67. A measure of the project will be completed in the new financial year 2023 -2024 was reported to improve the performance against the target of feasibility study and construction of concrete. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

68. An achievement of 0 was reported in the annual performance report. However, the indicator and target in the approved service delivery and budget implementation plan and integrated development plan was feasibility study and constriction of concrete.

69. The planned target for this indicator was feasibility study, appointment of contractor, construction of concrete. However, the target was not specific in that it was not indicated how it would be measured or when it should be delivered. Consequently, the information might be less useful for measuring performance.

### Other matter

70. I draw attention to the matter below.

#### Achievement of planned targets

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

#### Report on compliance with legislation

72. 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.

73. 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.

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

74. 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.

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

### **Annual financial statement, performance report and annual report**

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

### **Procurement and contract management**

77. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(l)(a) and (c). Similar non-compliance was also reported in the prior year.

78. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). Similar non-compliance was also reported in the prior year.

79. The preference point system was not applied to some of the procurement of goods and services as required by section of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.

80. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2017 Preferential Procurement Regulations 1 1 and/or 2022 Preferential Procurement Regulation 4(4) and 5(4).

### **Expenditure management**

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

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

82. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with the applicable procurement and contract management legislation and standards.
83. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1) (d) of the MFMA. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by interest incurred on late payments to suppliers.
84. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1) (d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending on a vote.

### **Utilisation of conditional grants**

85. Performance in respect of programmes funded by the Municipal Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 5 of 2022).
86. Performance in respect of programmes funded by the Regional Bulk Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 5 of 2022).
87. Performance in respect of programmes funded by the Water Services Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 5 of 2022).

### **Consequence management**

88. 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.
89. 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.

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

90. 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.
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### **Strategic planning**

91. Performance targets were not set for each of the KPIs for the financial year, as required by section 41 (l)(b) of the MSA and municipal planning and performance management regulation 1 2(1).
92. The performance management system and related controls were not maintained or were inadequate as it did not describe how the performance planning/ monitoring/ measurement/ review/ reporting/ improvement processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).
93. No KPIs were set in respect of the provision of basic conventional electricity services, as required by section 43(2) of the MSA and municipal planning and performance management regulation 10(a).

### **Revenue management**

94. An effective system of internal control for revenue was not in place, as required by section 64(2) (f) of the MFMA.
95. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2) (b) of the MFMA.

### **Human resource management**

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

### **Other information in the annual report**

97. 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 development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

98. 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.
99. 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 development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
100. 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

101. 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.
102. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
103. There was inadequate or no proper review of the financial statements submitted for audit as at 30 June 2023.
104. Management did not review policies to ensure that the department has a sound system of internal control to mitigate any emerging misstatements within the annual financial statements, annual performance report and non-compliance with laws and regulations
105. Preparation of regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information was not performed.
106. The municipality did not implement controls over daily and monthly processing and reconciling of transactions.
107. Leadership did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

*itor*General

Auditor-General

Kimberley

30 November 2023



AUDIRALSC)UTHAFRICA

T O R - G E N E

Auditing to build public confidence

## Annexure to the auditor's report

The annexure includes the following:

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

### Auditor-general's responsibility for the audit

#### Professional judgement and professional scepticism

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

#### Financial statements

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

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

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

### Communication with those charged with governance

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

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

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Compliance with legislation — selected legislative requirements

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	<p>Section 1 - Paragraph (a), (b) &amp; (d) of the definition: irregular expenditure,                      Section 1 - Definition: service delivery and budget implementation plan,                      Sections 1 1(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1),                      Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b),                      Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i),                      Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(c), 64(2)(b),                      Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e),                      Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1),                      Sections 122(2), 127(2),                      Sections 129(1), 129(3),                      133(1)(c)(ii), 170,                      Sections 171 171</p>
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71 (2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(3), 6, 7, 12(2), 12(3)

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

<p>MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014</p>	<p>Regulations 5(4), 5(a), 6(8)(b), 10(1)</p>
<p>MFMA: Municipal Supply Chain Management Regulations, 2017</p>	<p>Regulations 5, 16(a), 12(3), 13(b), 13(c),                  Regulations 22(1), 17(1)(c), 19(a), 21 (b),                  22(2), 22(a),                  Regulations 29(1), 28(1)(a)(i), 28(1                  Regulations 36(1                  38(1) ii), 29(5)(b)(ii), 32, 36(1),                  Regulations                  38(1) 38(1)(e), 38(1)(g)(i),                  Regulations 44, 43,                  2)(f)</p>
<p>Municipal Systems Act 32 of 2000</p>	<p>Sections 25(1), 26(6), 26(c), 26(h), 26(i), 29(1                  34(6), 34(b),                  Sections 38(a), 39(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 41 (1                  42, 57(2)(a),                  43(2), 44(B), 57(6)(a), 66(1)(a), 66(1)(b),                  56(6),                  Sections 57(4B),                  74(1), 93J(1), 96(b)</p>
<p>MSA: Municipal Planning and performance Management Regulations, 2001</p>	<p>Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a),                  9(1)(a), 10(a),                  Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)                  Regulations                  7(1), 8,                  Regulations 12(1),</p>

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Legislation	Sections or regulations
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(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2),
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 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)

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

# ANNEXTURE D: ANNUAL FINANCIAL STATEMENTS

**Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

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# **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

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## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial statements for the year ended 30 June 2023

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## General Information

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### Country of incorporation and domicile

South Africa

### Legal form of entity

Municipality

### Relevant Legislation

Constitution of the Republic of South Africa (Act No. 108 of 1996)

Municipal Finance Management Act (Act 56 of 2003)

Division of Revenue Act

The Income Tax Act (Act No. 58 of 1962)

Value Added Tax Act (Act No. 117 of 1998)

Municipal Structures Act (Act No. 32 of 2000)

Water Service Act (Act No.108 of 1997)

Housing Act (Act No. 107 of 1997)

Municipal Property Rates Act (Act No. 6 of 2004)

Electricity Act (Act No. 41 of 1987)

Skills Development Levies Act (Act No. 9 of 1999)

Employment Equity Act (Act No. 55 of 1998)

Unemployment Insurance Act (Act No. 30 of 1966)

Basic Conditions of Employment Act (Act No. 75 of 1997)

Municipal System Amendment Act (Act No. 7 of 2011)

Municipal Planning and Performance Management Regulations

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

Municipal Supply Chain Management Regulations

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Municipal Collective Agreements

Municipal Budget and Reporting Regulations

MFMA Circulars and Regulations

### **Mayoral committee**

Executive Mayor

Nona Irene Williams

Councillors

Mosala George Leutlwetse (Speaker)

Gabanthate Dorcas Burger

Silvia Gloria Edwards

Ronel Victoria Haai

Patience Leburu

Francois Maritz

Denys Reginald Pienaar

Frikkie Sebelego

Jan Slinger

Anna Christina Van Zyl

**Chief Finance Officer (CFO)**

Marishe Swart (Acting from 1 August 2022- 31 December 2022)

Beauty Rooibaadjie (Acting from 1 July 2022- 31 July 2022 and 1

January 2023-30 April 2023)

Keanan Scholtz (Appointed 1 May 2023)

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

**Accounting officer**

Willie Blunden (Appointed on 1

August 2022)

A. Tietes (Acting from 1 July 2021 to 31 July 2022

**Registered office**

222 Barker Street

Danielskuil

8405

**Business address**

222 Barker Street

## General Information

Danielskuil

8405

**Bankers**

First National Bank

**Auditors**

Auditor General South

Africa

**Attorneys**

Van De Wall Inc.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Index

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

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Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 14
Accounting Policies	15 - 46
Notes to the Annual Financial Statements	47 - 96

### Abbreviations

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

### Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

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

Although the Accounting Officer is primarily responsible for the financial affairs of the Municipality, they are supported by the Municipality's external auditors.

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

The annual financial statements set out from page 7 which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed on its behalf by:

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**Willie Blunden**  
**Accounting Officer**

### Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022
			Restated*
<b>Assets</b>			
Current Assets			
Inventories	3	4 617 511	3 579 328
Receivables from non-exchange transactions	4	14 157 784	17 957 154
VAT receivable	5	14 457 945	13 898 875
Receivables from exchange transactions	6	29 354 522	20 234 001

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Cash and cash equivalents	7	79 756 099	75	803
			344	
		<b>142</b>	<b>343 131</b>	<b>472</b>
Non-Current Assets		<b>861</b>	<b>702</b>	
Investment property	8		29	159
		28 727 247	184	
Property, plant and equipment	9	423 159 351	373	598
			831	
Intangible assets	10	1 353 669	1 779 634	
Heritage assets	11	1 151 058	1 151 058	
		<b>454</b>	<b>391 405</b>	<b>688</b>
<b>Total Assets</b>		<b>325</b>	<b>707</b>	
		<b>596</b>	<b>735 537</b>	<b>161</b>
<b>Liabilities</b>		<b>186</b>	<b>409</b>	
Current Liabilities				
Payables from exchange transactions	12		44	824
		72 250 260	952	
Consumer deposits	13	1 509 472	1 399 288	
Employee benefit obligation	14	425 000	192 000	
Unspent conditional grants and receipts	15	78 403 329	75	666
			063	
		<b>152</b>	<b>588 122</b>	<b>082</b>
Non-Current Liabilities		<b>061</b>	<b>303</b>	
Employee benefit obligation	14			
		1 825 000	2 028 000	
	16	4 061 024	6 672 044	

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Provisions	<b>5 886 024</b>	<b>8 700 044</b>	
	<b>158 085</b>	<b>474 130 347</b>	<b>782</b>
<b>Total Liabilities</b>			
<b>Net Assets</b>	<b>438 101</b>	<b>261 406 062</b>	<b>379</b>
Accumulated surplus	438 261 101	406 062	379
<b>Total Net Assets</b>	<b>438 101</b>	<b>261 406 062</b>	<b>379</b>

The accounting policies on pages 15 to 46 and the notes on pages 47 to 96 form an integral part of the annual financial statements.

### Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	47 722 484	43 364 516
Rental of facilities and equipment	19	149 053	180 864
Licences and permits	22	427 941	293 781
Other income	20	201 802	304 986
Interest on Debtors and Investment	21	9 032 116	4 064 177
<b>Total revenue from exchange transactions</b>		<b>57 533 396</b>	<b>48 208 324</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	23	14 765 729	15 034 710

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Interest on outstanding receivables	24	1 086 379	706 290
<b>Transfer revenue</b>			
Government grants & subsidies	25	93 435 734	88 784 874
Public contributions and donations	26	-	1 822 678
Fines, Penalties and Forfeits	27	4 836	34 452
<b>Total revenue from non-exchange transactions</b>		<b>109 292 678 106</b>	<b>383</b>
<b>Total revenue</b>	17		<b>004</b>
		<b>166 826 074 154</b>	<b>591</b>
<b>Expenditure</b>			<b>328</b>
Employee related costs	28		
		41 440 040	40 027 893
Remuneration of councillors	29	4 718 363	3 735 567
Depreciation, amortisation and impairment	30	16 198 337	40 987 227
Finance costs	31	3 226 095	1 882 638
Bad debts written off	32	3 745 433	3 763 892
Debt impairment		5 603 699	435 138
Bulk purchases	33	24 351 857	24 636 879
Contracted services	34	18 456 073	19 134 725
General Expenses	35	14 582 831	12 035 505
<b>Total expenditure</b>		<b>132 322 728 146</b>	<b>639</b>
<b>Operating surplus</b>	37		<b>464</b>
		<b>34 503 346 7 951 864</b>	
Loss on disposal of assets and liabilities		(1 535 427)	(845 240)
Fair value adjustments		(290 580)	(8 750)
	14	283 846	(27 121)

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Actuarial gains/losses

(1 542 161)(881 111)

32 961 185 7 070 753

**Surplus for the year**

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
		399 308
Opening balance as previously reported	399 308 308	308
Adjustments		
Correction of errors	1	1
<b>Balance at 01 July 2021 as restated*</b>	<b>399 308 309 399</b>	<b>308 309</b>
Changes in net assets		
Surplus for the year	7 070 753	7 070 753
Total changes	7 070 753	7 070 753
Opening balance as previously reported	409 764 325	409 764 325
Adjustments		(4 464)
Prior year adjustments	(4 464 409)	409
<b>Restated* Balance at 01 July 2022 as restated*</b>	<b>405 299 916 405</b>	<b>299 916</b>
Changes in net assets		
Surplus for the year	32 961 185	32 961 185
Total changes	32 961 185	32 961 185
<b>Balance at 30 June 2023</b>	<b>438 261 101 438</b>	<b>261 101</b>

Note(s)

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		49 265 572	43 527 822
Grants		96 173 000	145 826 791
Interest income		10 118 495	4 770 467
		155 557 067	194 125 080
<b>Payments</b>			
Employee costs			(41 606 (45 291 086) 986)
Suppliers		(41 944 460)	(48 143 085)
Finance costs		(2 607 294)	(781 546)
		(89 842 840)	(90 531 617)
<b>Net cash flows from operating activities</b>		<b>65 714 227 103</b>	<b>593</b>
<b>Cash flows from investing activities</b>	38	<b>463</b>	
Purchase of property, plant and equipment			(47 782)
	9	(61 761 472)	631)
	10	-	(66 364)

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Purchase of other intangible assets

(61	761 (47	848
472)	995)	

**Net cash flows from investing activities**

	55	744
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3 952 755</b>	<b>468</b>

Cash and cash equivalents at the beginning of the year

75 803 344	20 058 876
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**Cash and cash equivalents at the end of the year**

7

<b>79 756 099</b>	<b>75 803</b>
	<b>344</b>

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final	Budget	Actual	amounts	Reference
					Difference	on	
Figures in Rand					comparable	between final	
					basis	budget and	
						actual	

### Statement of Financial Performance

#### Revenue

#### Revenue from exchange transactions

Service charges	71 250 533	(11 587 533)	<b>59 663 000</b>	47 722 484	<b>(11 940 516)</b>	1
Rental of facilities and equipment	320 278	(10 278)	<b>310 000</b>	149 053	<b>(160 947)</b>	2
Licences and permits	988 000	-	<b>988 000</b>	427 941	<b>(560 059)</b>	3
Other income	1 330 276	19 426 724	<b>20 757 000</b>	201 802	<b>(20 555 198)</b>	4
Interest on outstanding receivables	3 372 746	295 254	<b>3 668 000</b>	9 032 116	<b>5 364 116</b>	5

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved Adjustments Final Budget Actual

amounts Difference Reference budget on comparable between final  
basis budget and

Figures in Rand actual

<b>77 261 833</b>	<b>8</b>	<b>124</b>	<b>85</b>	<b>386</b>	<b>57</b>	<b>533</b>	<b>(27 852 604)</b>	
	<b>167</b>		<b>000</b>		<b>396</b>			
		(5 905	<b>16</b>	<b>706</b>				
22 611 133	133)		<b>000</b>		14 765 729		<b>(1 940 271)</b>	6
-	-				-	1 086 379	<b>1 086 379</b>	7
		115 184	<b>171</b>	<b>357</b>				
56 173 000	000		<b>000</b>		93 435 734		<b>(77 921 266)</b>	8
909 656	(748		<b>161 000</b>		4 836		<b>(156 164)</b>	9
	656)							
<b>79 693 789</b>	<b>108</b>	<b>530</b>	<b>188</b>	<b>224 109</b>	<b>292</b>	<b>(78 931 322)</b>		
	<b>211</b>		<b>000</b>	<b>678</b>				
<b>156 955</b>	<b>116</b>	<b>654</b>	<b>273</b>	<b>610 166</b>	<b>826</b>	<b>(106 783 926)</b>		
<b>622</b>	<b>378</b>		<b>000</b>	<b>074</b>				
			<b>(44</b>	<b>854</b>	(41 440			
(47 115 435)	2 261 435		<b>000)</b>		040)		<b>3 413 960</b>	10
(3 766 354)	(118		<b>(3</b>	<b>885</b>	(4 718		<b>(833 363)</b>	11
	646)		<b>000)</b>		363)			
(9 720 187)	695 187		<b>(9</b>	<b>025</b>	(16 198		<b>(7 173 337)</b>	12
			<b>000)</b>		337)			
(601	(598		<b>(1</b>	<b>200</b>	(3 226		<b>(2 026 095)</b>	13
813)	187)		<b>000)</b>		095)			
(4 687 000)	-		<b>(4</b>	<b>687</b>	(3 745		<b>941 567</b>	14
			<b>000)</b>		433)			

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved Adjustments Final Budget Actual

amounts Difference Reference budget on comparable between final  
basis budget and

Figures in Rand actual

<b>Total revenue from</b>	(4 472 464)	3 305 151	<b>(1 167 313)</b>	(5 603 699)	<b>(4 436 386)</b>	15	<b>exchange transactions</b>
<b>Revenue from non-</b>	(25 731 035)	(87 965)	<b>(25 819 000)</b>	(24 351 857)	<b>1 467 143</b>	16	<b>exchange transactions</b>
<b>Taxation revenue</b>							
Property rates	(19 759 963)	3 707 963	<b>(16 052 000)</b>	(18 456 073)	<b>(2 404 073)</b>	17	
Interest on outstanding							debtors
<b>Transfer revenue</b>		(2 102 790)	<b>(14 812 000)</b>	(14 582 831)	<b>229 169</b>	18	
Government grants &	(12 709 210)						subsidies Fines, Penalties and Forfeits
<b>Total revenue from</b>	<b>(128 563 461)</b>	<b>7 148 062</b>	<b>(121 501 313)</b>	<b>(132 322 831)</b>	<b>(10 821 415)</b>		<b>nonexchange transactions</b>
<b>Total revenue</b>	<b>28 392 161</b>	<b>123 716 152</b>	<b>108 687 34</b>	<b>503 346</b>	<b>(117 605 341)</b>		
<b>Expenditure</b>		<b>526</b>					
Employee related costs	-	-		(1 535 427)	<b>(1 535 427)</b>		
Remuneration of councillors	-	-		(290 580)	<b>(290 580)</b>		
Depreciation and	-	-		283 846	<b>283 846</b>		amortisation
Finance costs	-	-		(1 542 161)	<b>(1 542 161)</b>		
Debt Impairment	<b>28 392 161</b>	<b>123 716 152</b>	<b>108 687 32</b>	<b>961 185</b>	<b>(119 147 502)</b>		
Bad debts written off		<b>526</b>					
Bulk purchases							
Contracted Services							
General Expenses							
<b>Total expenditure</b>							
<b>Operating surplus</b>							
Loss on disposal of assets and							

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved Adjustments Final Budget Actual

amounts Difference Reference budget on comparable between final  
basis budget and

Figures in Rand actual

liabilities  
Fair value adjustment  
Actuarial gains/losses

### Surplus for the year

<b>Actual Amount on Comparable</b>	<b>28 392 161</b>	<b>123 716 526</b>	<b>152 108 687</b>	<b>32 961 185</b>	<b>(119 147 502)</b>	<b>Basis as Presented in the Budget and Actual Comparative Statement</b>
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Budget on Accrual Basis

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

Figures in Rand

### Statement of Financial Position

#### Assets

#### Current Assets

		(2 929)				
Inventories	5 671 436	436)	<b>2 742 000</b>	4 617 511	<b>1 875 511</b>	19
Receivables from non-exchange transactions	35 581 928 -		<b>35 581 928</b>	14 157 784	<b>(21 424 144)</b>	20

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved Adjustments Final Budget Actual

amounts Difference Reference budget on comparable between final  
basis budget and

Figures in Rand actual

VAT receivable	14 630 282	15 181 069			<b>29 811</b>	14 457 945					
					<b>351</b>		<b>(15 353</b>	<b>406)</b>			21
Receivables from exchange	15 962 594	7 054 714			<b>23 017</b>	29 354 522	<b>6 337 214</b>				22
					<b>308</b>						
Cash and cash equivalents	53 766 953	22 420 047			<b>76 187</b>	79 756 099	<b>3 569 099</b>				23
					<b>000</b>						
<b>Non-Current Assets</b>	<b>125 613</b>	<b>41 726</b>	<b>167 339</b>	<b>142 343</b>	<b>(24 995</b>		<b>726)</b>				
Investment property					<b>193 394</b>		<b>587 861</b>	<b>(23 313</b>			
					<b>000</b>			<b>753)</b>			24
	51 845 373	195 627			<b>000</b>	28 727 247					
Property, plant and equipment	294 823	229 229			<b>524 053</b>	423 159	<b>(100 893</b>				25
	882	118			<b>000</b>	351	<b>649)</b>				
Intangible assets	191 254	3 631 746			<b>3 823 000</b>	1 353 669	<b>(2 469 331)</b>				26
Heritage assets	1 151 000	-			<b>1 151 000</b>	1 151 058	<b>58</b>				27
					<b>000</b>						
<b>Total Assets</b>	<b>348 011</b>	<b>233 056</b>	<b>581 068</b>	<b>454 391</b>	<b>(126 676</b>		<b>675)</b>				
	<b>509</b>	<b>491</b>			<b>000</b>	<b>325</b>	<b>675)</b>				
<b>Liabilities</b>	<b>473 624</b>	<b>274 782</b>	<b>748 407</b>	<b>596 735</b>	<b>(151 672</b>		<b>401)</b>				
	<b>702</b>	<b>885</b>	<b>587</b>	<b>186</b>	<b>401)</b>						
<b>Current Liabilities</b>											
Payables from exchange transactions					<b>78 328</b>						
					<b>000</b>						
	13 179 128	65 148 872			<b>000</b>	72 250 260	<b>(6 077 740)</b>				28
Consumer deposits	1 524 162	(108 162)			<b>1 416 000</b>	1 509 472	<b>93 472</b>				29
Employee benefit obligation	-	-				-	425 000	<b>425 000</b>			30

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved Adjustments Final Budget Actual

amounts Difference Reference budget on comparable between final  
basis budget and

Figures in Rand actual

Unspent conditional grants - and receipts	75	184	287	<b>75</b>	<b>184</b>	78 403 329	<b>3 219 042</b>	31
--	----	-----	-----	-----------	------------	------------	------------------	----

<b>14</b>	<b>703</b>	<b>140</b>	<b>224</b>	<b>154</b>	<b>928</b>	<b>152</b>	<b>588</b>	<b>(2 340 226)</b>
<b>290</b>	<b>997</b>	<b>287</b>	<b>061</b>					

### Non-Current Liabilities

Employee benefit obligation

-	-	-	-	-	1 825 000	<b>1 825 000</b>	30
---	---	---	---	---	-----------	------------------	----

Provisions

-	-	-	-	-	4 061 024	<b>4 061 024</b>	32
---	---	---	---	---	-----------	------------------	----

-	-	-	-	-	<b>5 886</b>	<b>5 886 024</b>	
---	---	---	---	---	--------------	------------------	--

### Total Liabilities

**024**

### Net Assets

<b>14</b>	<b>703</b>	<b>140</b>	<b>224</b>	<b>154</b>	<b>928</b>	<b>158</b>	<b>474</b>
-----------	------------	------------	------------	------------	------------	------------	------------

<b>290</b>	<b>997</b>	<b>287</b>	<b>085</b>				
------------	------------	------------	------------	--	--	--	--

### Net Assets

<b>458</b>	<b>921</b>	<b>134</b>	<b>557</b>	<b>593</b>	<b>479</b>	<b>438</b>	<b>261</b>	<u>3 545 798</u>
------------	------------	------------	------------	------------	------------	------------	------------	------------------

### Reserves

<b>412</b>	<b>888</b>	<b>300</b>	<b>101</b>					<u>(155 218 199)</u>
------------	------------	------------	------------	--	--	--	--	----------------------

Accumulated surplus

458	921	134	557	<b>593</b>	<b>479</b>	438	261	<b>(155 218</b>	<b>218</b>
-----	-----	-----	-----	------------	------------	-----	-----	-----------------	------------

412	888	<b>300</b>	<b>101</b>					<b>199)</b>
-----	-----	------------	------------	--	--	--	--	-------------

1. Service charges

The correction percentage was not collected according to SA25

2. Rental of facilities

Most of the municipality's buildings are not in a good condition that is why we didn't collect

3. Licence and permits

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved Adjustments Final Budget Actual

amounts Difference Reference budget on comparable between final  
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Figures in Rand actual

There was a time when Department of Safety and liason ask the municipality we must give them space so that they can run the function of post office at the municipal building so the percentage went u

5. Interest recieved

There was a seven days account opened so the munucipality is receiving interest every seven day that is why the interest is more

6.Property rates

Government and Mines are not paying the Property Rates so that is also causing low collection, most of the households are unemployed is indigent

8.Government grants & subsidies

On capital grants there was Additional funding of MIG and Roll-over of RBIG that wasn't spent.

10. Employee related cost

There was vacate positions of Section 57 and Section 56 that is why we didn't the full budgeted amount 11.Remuneration of councillors

The upper limits wasn't paid out cause there was no council item tabled to council for the upper limits of council back pay 12. Depreciation and amortisation

The budget for depreciated was low than the actuals we will correct it with next financial year, will check on the AFS's from now on.

13. Finance cost

The budget was lower but the cause of interest charged by supplier is due to cash flow problem at the municipality 14. Bad Debts written off

The bad debts item was tabled to council on the 30 June check with Accountant Revenue if the Journal was done, we need to have actuals on this expenditure item.

15. Bulk purchases

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved Adjustments Final Budget Actual

amounts Difference Reference budget on comparable between final  
basis budget and

Figures in Rand actual

There was cash flow problems in other months that is why we have a difference

16. Contracted services

Due to cash flow problems

19. Inventories

Due to cash flow that is why the actuals are lower

20. Receivables from non-exchange

Budgeted amounts only included Gross amount and not the net amount after debt impairment.

21. VAT receivables

The municipality over budgeted on revenue from exchange and non-exchange relating to services and this had direct link to the amount budgeted for Vat receivables.

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

Approved Adjustments Final Budget Actual amounts Difference Reference budget on comparable between final

basis  
budget and  
actual

Figures in Rand

22.      Receivables      from      exchange

transactions

Variance is due to the improvement on collections from property rates annual billings.

#### 23. Cash and cash equivalents

The municipality received an additional MIG grant allocation towards the end of financial period under review

Variance is due to a reclassification of municipal property from investment property to Property, plant and equipment.

#### 25. Property, plant and equipment

Variance is due to the MIG Grant addition allocation which was the allocated to the water infrastructure project came at the end of the financial period with limited work being done and disclosed in the current period under review.

#### 26. Intangible assets

Variance is due to the ERP system contract coming to an end at the end on the financial period and a budget set aside for a new contract to be procured.

#### 27. Heritage assets

Budgeted amount disclosed was rounded to the nearest 1000 which resulted in a difference of R58.00.

#### 28. Payables from exchange transactions.

Variance is due to the take-on balance on salary control account that was incorrectly mapped to the payable on take-on and was approved for write-off by council.

#### 29. Consumer deposits

Variance is due the municipal having more consumers opening accounts than anticipated.

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved Adjustments Final Budget Actual amounts Difference Reference budget on comparable between final

basis                      budget and  
actual

Figures in Rand

30.            Employee benefit obligation

Municipality did not budget for the employee benefit obligation

31. Unspent conditional grants and receipts.

Variance is due to the receipt of additional MIG grant received closed to the end of the financial year which was not fully spent.

32. Provison.

Municipality did not budget for the provision.

### Cash Flow Statement

#### Cash flows from operating activities

#### Receipts

Sale of goods and services 84 278 243 (36 547 243) **47 731 000** 49 265 572 **1 534 572** 33 Grants 120 944 000 14 750 000 **135 694 000** 96 173 000 **(39 521 000)** 34

Interest income                      367 780    21 823 220    **22 191 000**    10 118 495    **(12 072 505)**    35

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

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

Figures in Rand

	<b>205</b>	<b>590</b>	<b>25</b>	<b>205</b>	<b>616</b>	<b>155</b>	<b>557</b>	<b>(50 058 933)</b>							
Employee costs	<b>023</b>		<b>977</b>	<b>000</b>	<b>067</b>										
Suppliers				<b>(104</b>	<b>072</b>	(45	291								
Finance costs	(107 699 545)		3 627 545	<b>000)</b>		086)		<b>58 780 914</b>	36						
Capital assets		-	-		-	(41	944	<b>(41 944 460)</b>	37						
						460)									
<b>Net cash flows from</b>		(592 000)	(608	<b>(1</b>	<b>200</b>	(2 607 294)		<b>(1 407 294)</b>	38	<b>operating</b>	<b>3 734 039</b>	<b>(39</b>	<b>084</b>		
<b>039)</b>			000)	<b>000)</b>						<b>(35 350 000)</b>	<b>65</b>	<b>714</b>	<b>227</b>		
<b>activities</b>	<b>101 064 227</b>	(93 564 439)	(42	129	<b>(135</b>	<b>694</b>		<b>- 135 694 000</b>	39						
			561)	<b>000)</b>											
	<b>(201</b>	<b>855</b>	<b>(39</b>	<b>110</b>	<b>(240</b>	<b>966</b>	<b>(89</b>	<b>842 151 123 160</b>							
	<b>984)</b>		<b>016)</b>	<b>000)</b>		<b>840)</b>									
<b>Cash flows from investing activities</b>															
Purchase of property, plant and	5 663 417		13 752 786		<b>19 416 203</b>	(61 761 472)		<b>(81 177 675)</b>	40	equipment					
<b>Cash flows from financing activities</b>															
Net cash from (used) financing		-	-		-	-		-							
Net increase/(decrease) in cash	9 397 456		(25 331 253)		<b>(15 933 797)</b>	3 952 755		<b>19 886 552</b>		and cash equivalents					
Cash and cash equivalents at	20 058 000		55 745 000		<b>75 803 000</b>	75 803 344		<b>344</b>	41	the beginning of the year					
<b>Cash and cash</b>	<b>29 455 456</b>	<b>30 413 747</b>	<b>59 869 203</b>	<b>79 756 099</b>	<b>19 886 896</b>					<b>equivalents at the end of</b>					
<b>the year</b>															

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

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

Figures in Rand

33. Sale of goods and services

The variance is due to the municipality generating higher revenue than anticipated.

34. Grants

On capital grants there was Additional funding of MIG and Roll-over of RBIG that wasn't spent.

35. Finance costs

The variance is due to the municipality not being able to pay its creditors with 30 days, thus incurring additional interests costs than anticipated

36. Employee costs

The budget of employee costs included suppliers budget.

37. Suppliers

The variance was due to the municipality disclosing the budget for suppliers in the same line as employee costs.

38. Finance Costs

Cash flow from finance costs

39. Capital assets

No capital assets expense incurred by the municipality during the year under review.

40. Purchases of property, plant and equipment

Variance is due to infrusture projects that were completed and transfered from working in progress to infrustructure asset register.

41. Cash and cash equivalents at the beginning of the year.

## **Statement of Comparison of Budget and Actual Amounts**

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Budget on Accrual Basis

Approved Adjustments Final Budget Actual amounts Difference Reference budget on comparable between final

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Figures in Rand

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Variance is due to the budgeted amount

being rounded off to the nearest 1000'.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Accounting Policies

Figures in Rand	Note(s)	2023	2022
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#### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. **1.1 Presentation currency**

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

#### 1.2 Going concern assumption

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

#### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of

## Accounting Policies

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government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

### **1.4 Significant judgements and sources of estimation uncertainty**

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

#### **Trade receivables**

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

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

#### **Allowance for slow moving, damaged and obsolete stock**

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

### **1.4 Significant judgements and sources of estimation uncertainty (continued)**

#### **Fair value estimation**

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting

## Accounting Policies

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period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [significant financial difficulties of the debtor and default or delinquency in payments or all debt outstanding for more than 360 days] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand together with economic factors such as exchange rates inflation & interest.

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

### Useful lives of waste and water network and other assets

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

## Accounting Policies

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The estimation of residual values of assets is based on management's judgment as to whether the assets will be sold or used at the end of their useful lives, and in what condition they will be at that time.

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

#### Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

#### Effective interest rate

Where interest rates are not specified in the transactions handled by the municipality, particularly with respect to finance leases the municipality used the prime interest rate to discount future cash flows..

#### Allowance for doubtful debts

#### Timing of Assessment

The municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

#### Evidence of Impairment

The following accounts are specifically excluded from impairment testing:

- Receivable accounts with a combined credit balance at reporting date;
- Receivable accounts where the combined balance at reporting date is zero;

## Accounting Policies

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• Receivable accounts where the Municipality is the owner; and receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due.

- Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.
- A receivables that have been placed under or applied for liquidation or sequestration;
- Where the last payment date by the customer was before 15th May of each year;
- Accounts handed over to debt collectors and/or power of attorney;
- All accounts indicated as in-active accounts on the system;
- When a formal arrangement is made on arrears debt;
- When accounts have been formally presented to Council for write off; and all accounts with balances outstanding 31 days and longer as these accounts are considered to be past due.

### 1.5 Investment property

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

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

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

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

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

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

### 1.5 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

### Fair value

## Accounting Policies

Subsequent to initial measurement

investment property is measured at fair value.

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

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

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

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

### **1.6 Property, plant and equipment**

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

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

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

## Accounting Policies

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Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

## Accounting Policies

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Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for investment property which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

## Accounting Policies

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 100 years
Plant and machinery	Straight-line	5- 15 years
Furniture and fixtures	Straight-line	7- 10 years
Motor vehicles	Straight-line	5- 20 years
Office equipment	Straight-line	3-5 years
IT equipment	Straight-line	3-5 years
Solid waste infrastructure	Straight-line	10- 50 years
Sport facilities	Straight-line	15- 30 years
Stormwater infrastructure	Straight-line	20- 50 years
Wastewater network	Straight-line	20- 100 years
Water network	Straight-line	15- 80 years
Service concession assets	Straight-line	Indefinite
Housing	Straight-line	15- 100 years
Road Infrastructure	Straight-line	7- 100 years

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

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

## Accounting Policies

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

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### **1.7 Site restoration and dismantling cost**

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

### **1.7 Site restoration and dismantling cost (continued)**

If the related asset is measured using the cost model:

## Accounting Policies

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- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that: - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.8 Intangible assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

## Accounting Policies

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The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when: • it is technically feasible to complete the asset so that it will be available for use or sale.

- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

### **1.8 Intangible assets (continued)**

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

## Accounting Policies

Computer software

<u>Item</u>	<u>Depreciation method</u>	<u>Average useful life</u>
	Straight-line	5 years

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

### 1.9 Heritage assets

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

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

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

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

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

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

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

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

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

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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

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

## Accounting Policies

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Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

### 1.9 Heritage assets (continued)

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

#### Recognition

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

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

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

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

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

#### Derecognition

## Accounting Policies

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The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

### 1.10 Financial instruments

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

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

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

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

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

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

(continued)

### 1.10 Financial instruments

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

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

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

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

A financial asset is:

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

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

**(continued)**

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

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

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

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

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

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

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

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

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

### **1.10 Financial instruments**

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

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

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

**(continued)**

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### **1.11 Statutory receivables**

#### **Identification**

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

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

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

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

**(continued)**

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

The municipality recognises statutory receivables as follows:

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

### **1.11 Statutory receivables**

#### **Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

#### **Subsequent measurement**

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and • amounts derecognised.

#### **Accrued interest**

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

#### **Other charges**

## Accounting Policies

**(continued)**

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

### **Impairment losses**

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

**(continued)**

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

### **Derecognition**

#### **1.11 Statutory receivables**

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

#### **1.12 Tax**

##### **VAT**

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

#### **1.13 Leases**

**(continued)**

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

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

**Finance leases - lessor**

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

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

**Finance leases - lessee**

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

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

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

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

### 1.13 Leases (continued)

#### Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.14 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

### **1.15 Tax (continued)**

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.15 Impairment of cash-generating assets**

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

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

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

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

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

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

### 1.15 Tax (continued)

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cashgenerating assets, are as follows:

#### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cashgenerating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Noncash-generating assets, rather than this accounting policy.

#### Identification

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

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

### 1.15 Tax (continued)

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

### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified. **Composition of estimates of future cash flows**

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and • income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

### Discount rate

### **1.15 Tax (continued)**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

### **Recognition and measurement (individual asset)**

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **Reversal of impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

### 1.15 Tax (continued)

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

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

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

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

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

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

### **1.15 Tax (continued)**

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

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

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

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

### 1.16 Impairment of non-cash-generating assets (continued)

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

#### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

#### Identification

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

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

## Accounting Policies

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

### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.16 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

## Accounting Policies

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

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.17 Employee benefits

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

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

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

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

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

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

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

### Post-employment benefits

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

## Accounting Policies

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

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

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

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

### 1.17 Employee benefits (continued)

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

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by a municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

### 1.17 Employee benefits (continued)

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;

### 1.17 Employee benefits (continued)

- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and • any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

### **1.17 Employee benefits (continued)**

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

#### **Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### **Other post retirement obligations**

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of

### 1.17 Employee benefits (continued)

these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;

- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately; • past service cost, which shall all be recognised immediately; and • the effect of any curtailments or settlements.

### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or • provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes as a minimum:

- the location, function, and approximate number of employees whose services are to be terminated; • the termination benefits for each job classification or function; and • the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

### **1.17 Employee benefits (continued)**

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### **1.18 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

### 1.18 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both: • necessarily entailed by the restructuring; and

- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

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

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

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

## Accounting Policies

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

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

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

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

### 1.18 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.

## Accounting Policies

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that: - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.19 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.20 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

### 1.20 Revenue from exchange transactions (continued)

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

## Accounting Policies

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

### Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

## Accounting Policies

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### **1.21 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

## Accounting Policies

### 1.21 Revenue from non-exchange transactions

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. **(continued)**

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

### **1.21 Revenue from non-exchange transactions**

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

### **Transfers**

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

### **Debt forgiveness and assumption of liabilities**

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

**(continued)**

### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

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

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

### **1.21 Revenue from non-exchange transactions**

#### **Bequests**

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

#### **Services in-kind**

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

### **1.22 Investment income**

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

### **1.23 Borrowing costs**

### **1.24 Accounting by principals and agents**

#### **Identification**

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

### **1.21 Revenue from non-exchange transactions**

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### **Recognition**

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant

Standards of GRAP. **1.25 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. **1.26 Unauthorised**

**expenditure** Unauthorised expenditure means:

## Accounting Policies

### 1.26 Unauthorised expenditure

(continued)

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

### 1.27 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

### 1.28 Irregular expenditure

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

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

### 1.29 Budget information

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

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

### **Notes to the Annual Financial Statements**

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

#### **1.30 Related parties**

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

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

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

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

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

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

#### **1.30 Related parties (continued)**

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

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

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

### **Notes to the Annual Financial Statements**

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

#### **1.31 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### **1.32 Segment information**

A segment is an activity of an entity:

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

#### **Measurement**

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

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Figures in Rand

2023

2022

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### 2. New standards and interpretations

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2020 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 25 (amended) : Employee Benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact
• GRAP 103: (amended): Heritage Assets	date to be determined by the Minister of Finance	Unlikely there will be a material impact

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

- Amendments to GRAP 1: going concern issued date to be determined by the Minister of Finance  
December 2022  
Unlikely there will be a material impact
- IGRAP 21 on The Effect of Past Decisions on Materiality  
01 April 2023  
Unlikely there will be a material impact
- Guideline on Accounting for Landfill Sites  
01 April 2023  
Unlikely there will be a material impact
- Improvements to Standards of GRAP (2021)  
01 April 2023  
Unlikely there will be a material impact

### 3. Inventories

Land	1 006 342	1 006 342
Consumable stores	1 042 496	1 226 512
Maintenance materials	2 507 098	1 287 749
Water for distribution	61 575	58 725

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements Inventory pledged as security

4 617 511	3 579
	328

There was no Inventory pledged as security .

#### 4. Receivables from non-exchange transactions

##### Gross balances

Consumer debtors - Rates

21 045 789	22 949 613
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##### Less: Allowance for impairment

Consumer debtors - Rates

	(4 992
(6 888 005)	459)

##### Net balance

Consumer debtors - Rates

14 157 784	17 957 154
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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4.Receivables from non-exchange transactions (continued)</b>		
<b>Rates</b>		4 993
Current (0 -30 days)	963 055	805
31 - 60 days	1 032 701	1 029
		305
61 - 90 days	1 500 470	948 064
91 - 120 days	609 317	924 774
121 - 150 days	639 383	1 989
		289
151 - 180 days	570 087	681 807
> 181 days	15 730 776	12 382
		570
	<b>21 045 789</b>	<b>22 949 614</b>

#### Statutory receivables general information

#### Statutory receivables past due but not impaired

At 30 June 2023,1 851 951 - (2022: 2 581 664 -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	786 331	742 103
2 months past due	676 400	663 639

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

### **Notes to the Annual Financial Statements**

3 months past due 389 220 1 175 922

#### **Statutory receivables impaired**

As of 30 June 2023, Statutory receivables of R10 442 873 - (2022:R6 946 662 -) were impaired and provided for.

The amount of the provision was - 1 895 546 as of 30 June 2023 (2022: 682 742).

The ageing of these loans is as follows:

3 to 6 months	751 876	805 135
Over 6 months	9 690 997	6 141 526

#### **Reconciliation of provision for impairment for statutory receivables**

		(4 309
Opening balance	(4 992 459)	717)
Provision for impairment	(1 895 546)	(682 742)

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

#### 5. VAT receivable

VAT

VAT receivable is a statutory debtor as it arises from legislation (Value-added Tax Act) and requires settlement by another entity in cash. This receivable arises whenever the municipality enters into vat-able transactions and is recognised at 15% on the transaction amount.

Pledged as security

The statutory receivables have not been pledged as security.

Figures in Rand	2023	2022
<b>6.Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	11 551 550	6 703 202
Water	30 013 899	24 836 898
Sewerage	12 795 617	11 524 105
Refuse	13 557 726	12 153 759
Rental	58 157	54 689
Sundry receivables	1 891 153	1 766 775
	<b>69 868 102</b>	<b>57 039 428</b>
<b>Less: Allowance for impairment</b>		
Electricity		(2 486)
	(2 665 705)	220)
Water	(19 305 722)	(18 440 396)

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Sewerage	(9 942 269)	(9 008 506)
Refuse	(8 599 884)	(6 870 305)
<b>Net balance</b>	<b>(40 513 580)</b>	<b>(36 805 427)</b>
Electricity		
	8 885 845	4 216 982
Water	10 708 177	6 396 502
Sewerage	2 853 348	2 515 599
Refuse	4 957 842	5 283 454
Housing rental	58 157	54 689
Sundry Receivables	1 891 153	1 766 775
	<b>29 354 522</b>	<b>20 234 001</b>
<b>Electricity</b>		
Current (0 -30 days)	2 446 608	1 692 248
31 - 60 days	929 818	244 585
61 - 90 days	249 735	363 743
91 - 120 days	179 742	149 865
121 - 150 days	180 935	273 989
151 - 180 days	1 411 766	157 917
	6 152 947	3 820 853
	<b>11 551 551</b>	<b>6 703 200</b>

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

> 181 days

#### Water

Current (0 -30 days)	763 943	3 233 900
31 - 60 days	2 608 385	608 702
61 - 90 days	622 775	1 117 379
91 - 120 days	634 320	837 637
121 - 150 days	619 416	801 399
151 - 180 days	789 689	597 770
> 181 days	23 975 372	17 640 111
	<b>30 013 900</b>	<b>24 836 898</b>

#### Sewerage

Current (0 -30 days)	439 382	935 959
31 - 60 days	341 929	225 650
61 - 90 days	295 648	202 562
91 - 120 days	290 937	196 926
121 - 150 days	286 074	555 093
151 - 180 days	289 744	177 522
> 181 days	10 851 903	9 230 393
	<b>12 795 617</b>	<b>11 524 105</b>

Figures in Rand

2023      2022

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

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#### 6.Receivables from exchange transactions (continued)

##### Refuse

Current (0 -30 days)	765 737	1 156 964
31 - 60 days	683 985	577 709
61 - 90 days	657 640	558 159
91 - 120 days	624 910	497 919
121 - 150 days	362 151	657 412
151 - 180 days	363 151	248 722
> 181 days	10 100 152	8 456 874
	<b>13 557 726</b>	<b>12 153 759</b>

##### Housing rental

Current (0 -30 days)	4 907	-
31 - 60 days	4 164	10 946
61 - 90 days	2 399	10 445
91 - 120 days	1 917	4 777
121 - 365 days	1 897	9 224
151 - 180 days	1 914	4 792
> 181 days	40 958	14 505
	<b>58 156</b>	<b>54 689</b>

##### Reconciliation of allowance for impairment

Balance at beginning of the year	(36 805 427)	(37 923)
Contributions to allowance	(3 708 153)	1 117 880

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

2023	2022
(40 513 580)	(36 805 427)

#### Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2023 : R2 579 929, - (2022: R3 600 717 ) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 221 815	2 204 084
2 months past due	743 950	730 155
3 months past due	614 164	666 478

#### 7.Cash and cash equivalents

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Municipality do not have a bank overdraft facility

Cash on hand	180	-
Bank balances	1 143 683	113 280
Short-term deposits	78 612 236	75 690 064
	<b>79 756 099</b>	<b>75 803 344</b>

#### 7.Cash and cash equivalents (continued)

The entity had the following bank accounts

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
First National Bank - BusinessCheque Account 52003878794	1 143 729	113 335	362 993	1 143 683	113 279	362 993
First National Bank MIGCallaccount 62021476313	27 068 087	12 590 746	11 478 864	27 068 087	12 590 746	11 478 864
First National Bank - WSIGCallaccount 62714846500	19 732	392 217	7 165 935	19 732	392 217	7 165 935
First National Bank - EQSCallaccount 62627395347	5 000	2 000	1 019 862	5 000	2 000	1 019 862
First National Bank - FMGCallaccount 62627396155	-	5 000	5 004	-	5 000	5 004
First National Bank - EPWPCallaccount 62627396915	-	5 000	5 000	-	5 000	5 000
First National Bank LibraryCallaccount 62627394498	-	5 000	5 000	-	5 000	5 000
First National Bank DisasterManagement account 62822654530	1 453	1 466	10 841	1 453	1 466	10 841

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

First National Bank - INEP Call account 6228923 3547	5 000	317 417	18	5 000	317 417	18	
First National Bank - Traffic account 62798890630	3 031	4 219	5 359	3 031	4 219	5 359	
First National Bank - TOA 76200036773	51 230 360	62 367 000	-	51 230 360	62 367 000	-	
First National Bank - Retention account 76203316875	279 573	-	-	279 573	-	-	
<b>Total</b>	<b>79 755 965</b>	<b>75 803 400</b>	<b>20 058 876</b>	<b>79 755 919</b>	<b>75 803 344</b>	<b>20 058 876</b>	

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

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#### 8. Investment property

	2023		2022	
	Cost Valuation	/Accumulated depreciation and accumulated impairment	Cost Valuation	/Accumulated depreciation and accumulated impairment
Investment property				
<b>Reconciliation of investment property - 2023</b>				
	28 727 247 -		28 727 247 29 159 184	- 29 159 184

	Opening balance	Fair value adjustment	Other	Derecognition	Total
Investment property	29 159 184	(290 580)	(40 173)	(101 184)	28 727 247

#### Reconciliation of investment property - 2022

	Opening balance	Reclassification Disposals on	Fair value adjustments	Total
Investment property	52 466 705	(374 835)	(22 923 936)	29 159 184

#### Pledged as security

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

No Investment property was pledged as security

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Figures in Rand

#### 9. Property, plant and equipment

	2023			2022		
	Cost Valuation	/Accumulated depreciation and accumulated impairment	Carrying Amount	Cost Valuation	/Accumulated depreciation and accumulated impairment	Carrying Amount
Land	35 993 898	(22 923 936)	13 069 962	35 993 898	(22 923 936)	13 069 962
Plant and machinery	2 404 830	(1 922 861)	481 969	2 401 040	(1 591 655)	809 385
Furniture and fixtures	1 909 159	(1 425 233)	483 926	1 629 466	(1 224 143)	405 323
Transport Assets	8 949 228	(6 809 728)	2 139 500	7 590 793	(6 102 818)	1 487 975
IT equipment	2 635 441	(1 988 859)	646 582	2 587 089	(1 640 629)	946 460
Electrical Infrastructure	114 212 928	(70 393 575)	43 819 353	113 935 717	(67 159 085)	46 776 632
Community facilities	11 529 936	(10 295 351)	1 234 585	11 529 936	(10 125 282)	1 404 654
Roads Infrastructure	175 080 178	(99 337 159)	75 743 019	166 435 188	(99 215 264)	67 219 924
Solid Waste Infrastructure	5 570 722	(4 846 297)	724 425	6 732 944	(3 518 471)	3 214 473
Storm water Infrastructure	22 403 106	(9 369 052)	13 034 054	20 879 171	(8 874 109)	12 005 062
Sanitation Infrastructure	137 050 642	(36 446 591)	100 604 051	117 066 137	(32 850 900)	84 215 237

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

Water supply infrastructure	77 252 057	(31 972 036)	45 280 021	76 931 740	(30 471 440)	46 460 300
Work in progress	118 528 893	-	118 528 893	87 686 704	-	87 686 704
Buildings	17 087 280		7 369 011	17 160 448		7 896 740
<b>Total</b>	<b>730 608</b>	<b>(9 718 269)</b>	<b>423 159 351 668</b>	<b>560</b>	<b>(9 263 708)</b>	<b>373 598 298</b>
		<b>(307 448 947)</b>	<b>271</b>	<b>(294 961 440)</b>	<b>831</b>	

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

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

	Opening Additions	balance	Reclassification	Disposals	Retention	Transfers	Other	Provision	Depreciation	Impairment loss	Total
Land	13 069 962	-	- -	-	-	-	-	-	-	-	13 069 962
Plant and machinery	809 385	-	- -	-	-	-	3 790	-	(331 206)	-	481 969
Furniture and fixtures	405 323	297 550	- -	-	-	-	(15 536)	-	(203 411)	-	483 926
Transport assets	1 487 975	1 362 022	- -	-	-	-	(3 587)	-	(706 910)	-	2 139 500
Computer equipment	946 460	24 020	- -	-	-	-	29 791	-	(353 689)	-	646 582
Electrical Infrastructure	46 776 632	277 211	- -	-	-	-	-	-	(3 246 103)	11 613	43 819 353
Community facilities	1 404 654	-	- -	-	-	-	-	-	(119 222)	(50 847)	1 234 585
Roads Infrastructure	67 219 924	12 540 613	-	(1 092 462)	-	-	-	-	(2 925 056)	-	75 743 019
Solid Waste Infrastructure	3 214 473	-	- -	-	-	-	-(1 162 222)	(1 327 826)	-	-	724 425

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

	7 896 740	-								663	
	373 598 831	96 933 838	(1 526 936)	6 162 515	(35 172 366)	98 066	(1 162 222)	98 368			
Storm water Infrastructure	12 005 062	1 780 978	-	(160 230)	-	-	-	(591 756)	-	13	034
Sanitation Infrastructure	84 215 237	20 323 376	157	(247 691)	-	-	(7 335)	(3 601 803)	(77 890)	100	604
Water supply infrastructure	46 460 300	527 399	(157)	(17 703)	-	-	39 572	(1 944 219)	214 829	45	280
Work in progress	87 686 704	59 800 669	-	-	6 162 515	(35 172 366)	51 371	--	-	118	528
Buildings			-	(8 850)	-	-	(519 542)	7 369 011	(15 870 743)	893	
				<b>423 159 351</b>							

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

Opening balance	Additions	Disposals	Work-in progress transfers	Reclassification on	Other	Depreciation	Impairment loss	Total
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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Land	13 351 397	-	(281 435)	-	22 923 936	-	-	(22 923 936)	13 069 962	
Plant and machinery	719 564	382 484	-	-	-	(1 359)	(291 304)	-	809 385	
Furniture and fixtures	237 329	340 666	(28 527)	-	-	(24 066)	(120 079)	-	405 323	
Transport assets	2 066 271	-	(87 366)	-	-	-	(490 930)	-	1 487 975	
Computer equipment	1 030 877	265 130	-	-	-	(7 306)	(342 241)	-	946 460	
Electrical Infrastructure	50 546 602	-	-	-	-	-	(3 769 970)	-	46 776 632	
Community facilities	1 582 178	-	-	-	-	-	(168 767)	(8 757)	1 404 654	
Road Infrastructure	71 239 235	-	(10 478)	-	-	-	(3 477 365)	(531 468)	67 219 924	
Solid Waste Infrastructure	1 307 952	2 168 810	-	-	-	(2 085)	(260 204)	-	3 214 473	
Storm Water Infrastructure	12 640 415	-	-	-	-	-	(635 353)	-	12 005 062	
Sanitation Infrastructure	88 415 042	-	-	-	-	-	(4 199 805)	-	84 215 237	
Water supply infrastructure	49 175 328	-	(51 361)	-	-	-	(2 395 912)	(267 755)	46 460 300	
Work in progress	39 814 617	49 455 854	-	(1 583 767)	-	-	-	-	87 686 704	
Buildings	8 584 992	-	(11 238)	-	-	-	(672 488)	(4 526)	7 896 740	
	<b>340 711 799</b>	<b>52 612 944</b>	<b>(470 405)</b>	<b>(1 767)</b>	<b>583</b>	<b>22 923 936</b>	<b>(34 816)</b>	<b>(16 418)</b>	<b>(23 442)</b>	<b>736373 598 831</b>
<b>Pledged as security</b>										

There was no assets pledged as security.

**Assets subject to finance lease (Net carrying amount)**

**Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

**Notes to the Annual Financial Statements**

Land

22 743 893    22 743 893

**Reconciliation of property, plant and equipment - 2022**

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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of Work-in-Progress 2023

	Buildings	Roads	Sanitation Infrastructure	Solid waste Infrastructure	Water infrastructure	Total
Opening balance	722 087	11 363	21 003 484	43 328 756	527 399	76 945
		415				141

##### Reconciliation of Work-in-Progress 2022

	Buildings	Electrical Infrastructure	Roads	Sanitation Infrastructure	Solid waste Infrastructure	Water infrastructure	Total
Opening balance	722 087	-	1 527	10 957 449	25 218 491	527 399	38 952
			510				936
Additions	-	-	9 835	10 046 035	18 110 265	-	37 992
<b>Total</b>	<b>722 087</b>	<b>-</b>	<b>11 363</b>	<b>21 003 484</b>	<b>43 328 756</b>	<b>527 399</b>	<b>76 945</b>
			<b>415</b>				<b>141</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services - 6 066 376

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Figures in Rand

#### 10. Intangible assets

	2023			2022		
	Cost Valuation	/Accumulated amortisation and accumulated impairment	Carrying value	Cost Valuation	/Accumulated amortisation and accumulated impairment	Carrying value
Computer software						
<b>Reconciliation of intangible assets - 2023</b>	2 989 550	(1 635 881)	1 353 669	2 989 550	(1 209 916)	1 779 634

	Opening balance	Amortisation	Total
Computer software	1 779 634	(425 965)	1 353 669
<b>Reconciliation of intangible assets - 2022</b>			

Opening balance	Additions	Amortisation	Total
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# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Computer software	2 139 637	66 364 (426 367)	1 779 634
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Figures in Rand

### 11. Heritage assets

	2023			2022		
	Cost Valuation	/Accumulated impairment losses	Carrying value	Cost Valuation	/Accumulated impairment losses	Carrying value
Historical buildings	1 151 058	-	1 151 058	1 151 058	-	1 151 058
<b>Reconciliation of heritage assets 2023</b>						

	<b>Opening balance</b>	<b>Total</b>
Historical buildings	1 151 058	1 151 058
<b>Reconciliation of heritage assets 2022</b>		

	<b>Opening balance</b>	<b>Total</b>
Historical buildings	1 151 058	1 151 058

### Impairment indications

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

### **Notes to the Annual Financial Statements**

There was no indication of impairment of Heritage assets as at year end.

#### **Pledged as security**

There was no Heritage assets pledged as security.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>12. Payables from exchange transactions</b>		
		32 725
Trade payables	52 082 613	187
Other payable	1 689 790	1 689
		790
Accrued bonus	1 412 182	1 107
		900
Accrued expense	11 339	11 339
Unallocated deposits	418 317	193 513
Salary control account	2 317 931	1 556
		317
Retention	6 162 515	-
Leave pay	2 469 911	2 743
		336
Debtors with credit balance	5 085 324	4 431
		656
Cash-in-Transit	600 338	365 914
	<b>72 250 260</b>	<b>44 824</b>
		<b>952</b>
<b>13. Consumer deposits</b>		
Electricity		1 399
	1 509 472	288

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	2023	2022
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## Notes to the Annual Financial Statements

### 14. Employee benefit obligations (continued) Long service award

The Long Service Award are defined benefit plans. As at year end, 110 employees were eligible for Long Service Award (115 employees as at 2022).

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	2023	2022
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## Notes to the Annual Financial Statements

### 14. Employee benefit obligations (continued)

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

#### Carrying value

Opening Balance	(2 220 000)	(1 860 156)
Current-service cost	(273 000)	(194 157)
Interest cost	(239 000)	(159 719)
Benefits vesting	198 154	21 153
Actuarial gain/ (loss)	283 846	(27 121)

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	2023	2022	<b>Notes to the Annual Financial Statements</b>
<b>14. Employee benefit obligations (continued)</b>	<b>(2 250 000)</b>	<b>(2 220 000)</b>	
Non-current liabilities		(2 028 000)	
Current liabilities	(1 825 000)	(192 000)	
	(425 000)	(192 000)	
The municipality offers long service awards for every 5 years of completed services	<b>(2 250 000)</b>	<b>(2 220 000)</b>	from 10 years to 45 years.
<b>Net expense recognised in the statement of financial performance:</b>			
Net expense recognised in the statement of financial performance	30 000	359 844	
<b>Net expense recognised in the statement of financial performance</b>			
Current service cost	273 000	194 157	
Interest cost	239 000	159 719	
Actuarial (gains) losses	(283 846)	27 121	
Benefits vesting	(198 154)	(21 153)	
	<b>30 000</b>	<b>359 844</b>	

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	2023	2022	<b>Notes to the Annual Financial Statements</b>
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### 14. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.53 %	11.25 %
General earnings inflation	6.75 %	7.42 %
Net discount rate	4.48 %	3.56 %
Average retirement age	62	62
Pre-retirement mortality	SA85-90	SA85-90

The members of the long service award are made up as follows:

#### Long service award

There are 110 employees that are currently entitled to Long Service Awards. The liability is unfunded.

#### Movements in the present value of the defined benefit obligations were as follows:

Opening balance	(2 220 000)	(1 860 156)
Total annual expenditure	(313 846)	(332 723)
Actuarial (loss)/gains	283 846	(27 121)
	<b>(2 250 000)</b>	<b>(2 220 000)</b>

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 14. Employee benefit obligations (continued)

Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
Defined benefit obligation	2 250 000	2 220 000	1 860 000	1 353 000	1 418 000
Fair value of plan asset	0	0	0	0	0
Surplus/(Deficit)	(2 250 000)	(2 220 000)	(1 860 000)	(1 353 000)	(1 418 000)
Experience adjustments on liabilities	-	(33 879)	-	-	Experience on adjustmentsGain/(loss) 0
0	0	0			0

### Financial Assumptions

#### Discount rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 11.53% per annum has been used. The corresponding liability-weighted index-linked yield is 4.99%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2023.

These yields were obtained by calculating the duration of the total liability and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process (because the yields depend on the duration, which in turn depends on the liability). The duration of the total liability was estimated to be 9.5 years.

#### Earnings Inflation rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award. The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 14. Employee benefit obligations (continued)

#### General Earnings Inflation Rate

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation. The CPI inflation assumption of 5.75% was obtained from the differential between market yields on index-linked bonds (4.99%) consistent with the estimated terms of the liabilities and those of nominal bonds (11.53%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as  $((1+11.53\%-0.50\%)/(1+4.99\%))-1$ . Thus, a general earnings inflation rate of 6.75% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.48%. It was assumed that the next general earnings increase will take place on 1 July 2024.

#### Demographic Assumptions

##### Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.75% per annum for all employees.

##### Promotional earnings scale

Age Band	Additional Promotional Scale
20 – 24	5.0%
25 – 29	4.0%
30 – 34	3.0%
35 – 39	2.0%
40 – 44	1.0%
> 44	0.0%

##### Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. The assumed rates are set out below.

Age	Rate
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# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand	2023	2022
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### 14. Employee benefit obligations (continued)

20 – 24	9%
25 – 29	8%
30 – 34	6%
35 – 39	5%
40 – 44	5%
45 – 49	4%
50 – 54	3%
55+	0%

### Plan assets

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA liability.

### LSA Arrangement Assumptions

It was assumed that the employer's LSA arrangements would remain the same, and that the level of benefits in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 14. Employee benefit obligations (continued)

#### Sensitivity analysis

The assumptions which tend to have the greatest impact on the results are:

- (i) the general earnings inflation rate assumption;
- (ii) the discount rate assumption;
- (iii) the average retirement age of employees; and
- (iv) assumed rates of withdrawal of employees from service.

The liability at the Valuation Date was recalculated to show the effect of:

- (i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
- (ii) a one percentage point increase and decrease in the discount rate;
- (iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and (iv) a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

#### Sensitivity Analysis on the Unfunded Accrued Liability as at 30 June 2023

Assumption	Change	Liability	% Change	
<b>Central assumptions</b>		2,250,000		
<b>General earnings inflation rate</b>	+1%	2,384,000	6%	
	-1%	2,129,000	-5%	
<b>Discount rate</b>	+1%	2,129,000	-5%	-1%
2,386,000	6%			
<b>Average retirement age</b>	+2 yrs	2,320,000	3%	
	-2 yrs	2,021,000	-10%	
<b>Withdrawal rates</b>	x2	1,772,000	-21%	x0.5
2,587,000	15%			

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 14. Employee benefit obligations (continued)

#### Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2023

Assumption	Change	Current service Cost	Interest Cost	Total	% Change
<b>Central assumptions</b>		273,000	239,000	512,000	
<b>General earnings inflation rate</b>	+1%	296,000	255,000	551,000	8%
	-1%	253,000	225,000	478,000	-7%
<b>Discount rate</b>	+1%	255,000	245,000	500,000	-2%
294,000		233,000	527,000	3%	-1%
<b>Average retirement age</b>	+2 yrs	280,000	247,000	527,000	3%
	-2 yrs	249,000	210,000	459,000	-10%
<b>Withdrawal rates</b>	x2	189,000	182,000	371,000	-28%
339,000		280,000	619,000	21%	x0.5

#### Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2024

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
<b>Central assumptions</b>		252,000	236,000	488,000	
<b>General earnings inflation rate</b>	+1%	272,000	251,000	523,000	7%
	-1%	234,000	222,000	456,000	-7%
<b>Discount rate</b>	+1%	236,000	241,000	477,000	-2%
270,000		229,000	499,000	2%	-1%
<b>Average retirement age</b>	+2 yrs	258,000	244,000	502,000	3%

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand			2023	2022		
<b>14.Employee benefit obligations (continued)</b>						
	-2 yrs	232,000	209,000	441,000	-10%	
<b>Withdrawal rates</b>	x2	177,000	180,000	357,000	-27%	x0.5
309,000	274,000	583,000	19%			

#### Impact of COVID-19

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities above may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected general earnings inflation rate, or an increase in the discount rate, or an increase in the withdrawal rates.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

#### Other

The valuation of employee benefit obligation was done by Arch Actuarial Consulting.

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 14. Employee benefit obligations (continued)

#### Other assumptions

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

Amounts for the current and previous four years are as follows:

2023	2022	2021	2020	2019
Defined benefit obligation	- 2 220 000	1 860 000	1 353 000	1 418 000
Surplus (deficit)	- (2 220 000)	(1 860 000)	(1 353 000)	(1 418 000)
Experience adjustments on plan liabilities	- (33 879)	-	-	-

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

Heading	Change	Liability % Change
Central assumptions		2 220 000
General earnings inflation rate	+1%	2 362 000
-1%		6%
		2 092 000 -
Discount rate	+1%	6%
-1%		2 090 000 -
		6%
		2 367 000
		7%
Average retirement age	+2 yrs	2 293 000
		3%

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>14. Employee benefit obligations (continued)</b>		
-2 yrs		1 959 000 -
		12%
Withdrawal rates	x2	1 712 000 -
		23%
x0,5		2 586 000
		16%
		<b>19 681 000</b>

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2022

Assumption	Change	Current- cost	Interest cost	service	Total % Change
Central assumptions	-	194 157	159 719	353	876
General earningsinflation rate	+1%	210 832	171 292		-
Mortality	-1%	179 291	149 270		382 124
					8%
	-2 yrs	195 311	160 693		328 561
					-7%
					356 004
					1%
	<b>(2)</b>		<b>1 420 565</b>	<b>2</b>	
				<b>779 591</b>	<b>640 974</b>

Sensitivity Analysis on Current-Service and Interest Costs for year ending 30/06/2023

Assumption	Change	CurrentserviceInterest cost	cost Total	% Change
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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>14. Employee benefit obligations (continued)</b>			
Central assumptions	-	273 000	239 000
General earningsinflation rate	+1%	296 000	255 000
	-1%	253 000	225 000
Discount rate	+1%	255 000	245 000
	-1%	294 000	233 000
Average retirement age	+2 yrs	280 000	247 000
	-2 yrs	249 000	210 000
Withdrawal rates	x2	189 000	182 000
	x0.5	339 000	280 000
		-	-

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>15.Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
EPWP	(5) -	
Municipal Infrastructure Grant - MIG	31 957 717	12 486 317
Housing Grant	66 792	66 792
Regional bulk infrastructure grant - RBIG	46 372 372	62 367 000
Disaster Management Grant	1 436	1 436
Water Infrastructure Grant - WSIG	-	420 709
Energy Efficiency Grant	5 017	323 809
	<b>78 403 329</b>	<b>75 666 063</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	75 666 063	18 687 938
Additions during the year	96 173 000	145 763 000
Income recognition during the year	(93 435 734)	(88 784 875)
	<b>78 403 329</b>	<b>75 666 063</b>

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited; See note 25 for reconciliation of grants from National/Provincial Government.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

2023

2022

#### 16. Provisions

##### Reconciliation of provisions - 2023

	provision	Opening Balance	Change in landfill	Interest	Total
Environmental rehabilitation		6 672 044	(2 990 882)	379 801	4 061 024

##### Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	3 561 861	3 110 183	6 672 044

#### Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites of Kgatelopele Local Municipality.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

The valuation of the landfill site provision was done by Infatec (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 10,32%.

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material to settle the obligation.

Kgatelopele Local Municipality intends to close the existing landfill site and establish a new landfill site at Daniëlskuil for the disposal of General waste. The provision that has been recognised represents the estimated costs to rehabilitate and close existing waste landfill sites.

#### Key assumptions

Landfill site perimeter	920 m	
Landfill site Rehabilitation Area	38 200 m <sup>2</sup>	
Total landfill volume as at June 2023	76 160.00 m <sup>3</sup>	
Rehabilitation volume at June 2023	59 268.64 m <sup>3</sup>	
Remaining landfill volume as at June 2023	16 891.36 m <sup>3</sup>	
Remaining airspace as at June 2023	16 891.36 m <sup>3</sup>	
Site remaining life as at June 2023- RUL years	2 years	
Additional years lying fallow before restoration	1 years	
The applicable discount rate (Bond rate)	10,32%	
Inflation	5.40% Net effective discount rate	4.92%

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Figures in Rand	2023	2022
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#### 17. Revenue

Service charges	47 722 484	43 364 516
Rental of facilities and equipment	149 053	180 864

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Licences and permits	427 941	293 781
Other income	201 802	304 986
Interest on outstanding receivables exchange	9 032 116	4 064 177
Property rates	14 765 729	15 034 710
Interest on outstanding receivables (non exchange)	1 086 379	706 290
Government grants & subsidies	93 435 734	88 784 874
Public contributions and donations	-	1 822 678
Fines, Penalties and Forfeits	4 836	34 452
	<b>166 826 074</b>	<b>154 591 328</b>

### The amount included in revenue arising from exchanges of goods or services are as follows: Service charges

	47 722 484	43 364 516
Rental of facilities and equipment	149 053	180 864
Licences and permits	427 941	293 781
Other income	201 802	304 986
Interest received - investment	9 032 116	4 064 177
	<b>57 533 396</b>	<b>48 208 324</b>

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

#### Taxation revenue

Property rates	14 765 729	15 034 710
Interest on outstanding receivables	1 086 379	706 290

#### Transfer revenue

	93 435 734	88 784 874
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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Government grants & subsidies

Public contributions and donations

Fines, Penalties and Forfeits

-	1 822 678
4 836	34 452
<b>109 292 678 106</b>	<b>383 004</b>

#### 18. Service charges

Sale of electricity

24 650 733 25 504 526

Sale of water

10 988 132 8 517 725

Solid waste

7 617 470 6 332 696

Sewerage and sanitation charges

4 466 149 3 009 569

<b>47 722 484 43</b>	<b>364 516</b>
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#### 19. Rental of facilities and equipment

##### Premises

Premises

149 053	182 458
---------	---------

##### Facilities and equipment

Rental of equipment

-	(1 594)
<b>149 053</b>	<b>180 864</b>

Figures in Rand

2023	2022
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#### 20. Other income

Advertisements

9 686	(12 916)
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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Building plans	11 463	34 497
Consolidation and rezoning fees	230	9 357
Cemetries and Burials	15 865	24 459
Skills development refund	8 923	90 174
Clearance Fees	14 434	2 658
New Connections	-	120
Photocopies and Faxes	1 550	(292)
Reconnection fees	2 755	72 868
Sale of goods - Tender documents	36 652	1 739
Valuation services	615	1 038
Sundries	99 629	81 284
	<b>201 802</b>	<b>304 986</b>
<b>21. Interest received</b>		
<b>Interest revenue</b>		
Interest charged on receivables	3 427 285	2 683 200
Interest on cash and cash equivalents	5 604 831	1 380 977
	<b>9 032 116</b>	<b>4 064 177</b>
<b>22. Licences and permits (exchange)</b>		
	427 941	293 781

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Road and Transport

#### 23. Property rates

##### Rates received

Residential	8 327 378	8 212 672
Commercial	3 183 816	3 670 702
Government	717 309	718 515
Small holdings and farms	289 518	287 682
Property rates 2	2 210 930	2 110 433
Property rates - - PSI	36 778	34 706
	<b>14 765 729</b>	<b>15 034 710</b>

##### Valuations

Residential	1 072 492 720	1 072 492 720
Commercial	91 383 000	91 383 000
Government	170 911 900	170 911 900
Municipal	46 909 100	46 909 100
Business	76 795 700	76 795 700
Church	1 064 000	1 064 000

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Industrial	30 192 000	30 192 000
Mining	125 621 000	125 621 000
Agricultural	<u>1 060 961 019</u>	<u>1 060 961 019</u>
	<b><u>2 676 330 439</u></b>	<b><u>2 676 330 439</u></b>

#### 24. Interest from non-exchange receivables

Property rates	1 086 379	706 290
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Figures in Rand	2023	2022
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#### 25. Government grants and subsidies

##### Operating grants

Equitable share	30 490 000	25 503 000
Library Grant	1 100 000	1 000 000
Expanded Public Works Programme	1 073 005	1 075 000
Financial Management Grant	3 000 000	2 850 000
	<b><u>35 663 005</u></b>	<b><u>30 428 000</u></b>

##### Capital grants

Energy Efficiency Grant	318 792	2 676 208
Municipal Infrastructure Grant	29 038 600	43 715 468
Disaster management grant	-	1 837 564
Municipal Water Infrastructure Grant	12 420 709	10 127 634

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Regional bulk infrastructure grant

15 994 628 -		
<b>57 772 729</b>	<b>58</b>	<b>356</b>
	<b>874</b>	
<b>93 435 734</b>	<b>88</b>	<b>784</b>
	<b>874</b>	

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received

	164	384
133 956 129	129	

Unconditional grants received

	-	30 428 000
<b>133 956 129</b>	<b>194</b>	<b>812</b>
	<b>129</b>	

#### EPWP

Current-year receipts

1 073 005	1 075 000
-----------	-----------

Conditions met - transferred to revenue

(1 073 005)	(1 075 000)
-------------	-------------

-	-
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Conditions still to be met - remain liabilities (see note 15).

#### Financial Management Grant

Current-year receipts

3 000 000	2 850 000
-----------	-----------

Conditions met - transferred to revenue

(3 000 000)	(2 850 000)
-------------	-------------

-	-
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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Conditions still to be met - remain liabilities (see note 15).

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	12 486 317	12 072 786
Current-year receipts	48 510 000	44 129 000
Conditions met - transferred to revenue	(29 038 600)	(43 715 469)
	<b>31 957 717</b>	<b>12 486 317</b>

Conditions still to be met - remain liabilities (see note 15).

#### Housing Grant

Balance unspent at beginning of year	66 792	66 792
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Figures in Rand	2023	2022
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#### 25. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

#### Library Grant

Current-year receipts	1 100 000	1 000 000
Conditions met - transferred to revenue	(1 100 000)	(1 000 000)
	-	-

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Conditions still to be met - remain liabilities (see note 15).

#### Regional bulk infrastructure grant

Balance unspent at beginning of year	62 367 000	-
Current-year receipts	-	62 367 000
Conditions met - transferred to revenue	(15 994 628)	-
	<b>46 372 372</b>	<b>62 367 000</b>

Conditions still to be met - remain liabilities (see note 15).

#### Disaster Management Grant

Balance unspent at beginning of year	1 436	-
Current-year receipts	-	1 839 000
Conditions met - transferred to revenue	-	(1 837 564)
	<b>1 436</b>	<b>1 436</b>

Conditions still to be met - remain liabilities (see note 15).

#### Water infrastructure grant - WSIG

Balance unspent at beginning of year	420 709	6 548 343
Current-year receipts	27 994 628	4 000 000
	(28 415 337)	(10 127 634)

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Conditions met - transferred to revenue	-	<u>420 709</u>
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Conditions still to be met - remain liabilities (see note 15).

#### Energy efficiency grant

Balance unspent at beginning of year	323 809	17
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	(318 792)	(2 676 208)
	<u>5 017</u>	<u>323 809</u>

Conditions still to be met - remain liabilities (see note 15).

#### 26. Public contributions and donations

Private donations/assistance received	-	<u>1 822 678</u>
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Figures in Rand	<u>2023</u>	<u>2022</u>
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#### 27. Fines, Penalties and Forfeits

Municipal Traffic Fines	<u>4 836</u>	<u>34 452</u>
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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>28. Employee related costs</b>		
Basic	27 888 621	25 633 970
Bonus	2 450 303	1 910 696
Medical aid	1 979 861	2 045 139
UIF	238 549	232 822
SDL	336 905	322 376
Leave pay provision charge	(273 425)	(60 188)
Leave pay	275 562	430 488
Standby Allowance	245 458	238 934
Cellular and Telephone Allowance	19 600	15 100
Employee benefit obligation	-	173 004
Overtime payments	1 557 184	1 459 980
Long-service awards	56 641	43 527
Acting allowances, Danger and Backpay	2 046 587	2 885 533
Housing benefits and other allowances	110 889	174 132
Bargaining Council	13 823	22 708
Group Life Insurance	88 649	15 146
Pension Contributions	4 290 990	4 374 428
Scarcity allowance	113 843	110 098
	<b>41 440 040</b>	<b>40 027 893</b>

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

#### Remuneration of acting municipal manager: M January (1 July 2021-February 2022) Annual Remuneration

	-	442 753
Contributions to SDL	-	6 774
Scarcity allowance	-	50 733
Contributions to UIF	-	1 417
	-	<b>501 677</b>

#### Remuneration of chief financial officer: ON Sauli

Annual Remuneration	-	326 025
Housing allowance	-	159 308
Scarcity allowance	-	37 172
Contributions to UIF	-	1 417
Contributions to SDL	-	5 000
	-	<b>528 922</b>

#### Remuneration of the technical manager: T Barnett

Annual Remuneration	-	83 747
Scarcity allowance	-	9 509
Contributions to UIF	-	354
	-	1 309
	-	<b>94 919</b>

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Contributions to SDL

#### Remuneration of acting municipal manager: AK TIETIES (1 May 2022-31 July 2022) Annual Remuneration

Annual Remuneration	55 344	110 688
Scarcity allowance	6 342	12 683
Contributions to UIF	354	1 449
Back Pay	91 964	-
Contributions to SDL	1 858	5 214
	<b>155 862</b>	<b>130 034</b>

#### Remuneration of Municipal Manager (Adv W BLUNDIN)

Figures in Rand	2023	2022
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#### 28. Employee related costs (continued)

Annual Remuneration	959 035	-
Scarcity Allowance	63 699	-
Skills Development Levy	10 227	-
Unemployment Insurance Fund	1 948	-
	<b>1 034 909</b>	<b>-</b>

#### Remuneration of Chief Financial Officer (KS SCHOLTZ)

Annual Remuneration	143 167	-
Scarcity Allowance	10 022	-
Skills Development Levy	1 532	-
	354	-

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Unemployment Insurance Fund

<b>155 075</b>	-
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#### Remuneration of the technical manager: SB Sehole

Annual Remuneration

284 243	-
---------	---

Housing allowance

94 748	-
--------	---

Scarcity allowance

33 781	-
--------	---

Skills Development Levy

4 886	-
-------	---

Unemployment Insurance Fund

1 063	-
-------	---

<b>418 721</b>	-
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#### 29. Remuneration of councillors

Executive Mayor Basic salary

845 227	795	277
---------	-----	-----

Councillors and Speaker Basic salary

3 385 506	2	512
-----------	---	-----

998
-----

Skills Development Levy

42 796	33 603
--------	--------

Unemployment insurance fund

2 834	14 589
-------	--------

Executive Mayor Cellphone Allowance

40 800	43 118
--------	--------

Councillors & Speaker Cellphone Allowance

401 200	335
---------	-----

982
-----

<b>4 718 363</b>	<b>3</b>	<b>735</b>
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<b>567</b>
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#### In-kind benefits

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

#### Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

#### 30. Depreciation, Amortisation and Impairment

Property, plant and equipment	15 870 743	16	824
		418	
Intangible assets	425 962	426	367
Property, plant and equipment - Impairment loss	(98 368)	23	736
		442	
	<b>16 198 337</b>	<b>40 987</b>	<b>227</b>
Figures in Rand	2023	2022	

#### 31. Finance costs

Interest from provision of landfill sites	379 802	159	719
Trade and other payables	2 607 293	1	722
		919	
Long Service Awards	239 000	-	
	<b>3 226 095</b>	<b>1</b>	<b>882</b>
		<b>638</b>	

#### 32. Bad debt written-off

		3	763
	<b>3 745 433</b>	<b>892</b>	

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Bad debt written-off

#### 33. Bulk purchases

Electricity - Eskom

#### Electricity losses

	24	636
	24 351 857	879

	(4 077 120)	(4 215 184)
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Units purchased

Units sold

#### Total loss

#### Percentage Loss:

#### 34. Contracted services

##### Outsourced Services

Meter Management

	26 %	27 %
	(15 712 584)	(17 558 988)
	11 635 464	13 343 804

	432 724	378 072
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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Personnel and Labour	1 451 945	788 998	Non-technical losses
Professional Staff	7 101 716	6 945 375	
Refuse Removal	2 188 522	2 084 135	
Security Services	3 158 483	2 406 598	
<b>Contractors</b>			
Maintenance of Buildings and Facilities	239 354	692 654	
Maintenance of Vehicle, Plant and Machinery	2 264 913	2 294 433	
Maintenance of Infrastructure	1 618 416	3 158 916	
Prepaid Water Vendors	-	385 544	
	<b>18 456 073</b>	<b>19 134 725</b>	

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Figures in Rand	2023	2022
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### 35. General expenses

Advertising and communication	112 092	133 594
Auditors remuneration	4 280 936	2 899 488
Bank charges	251 913	255 192
Cleaning	1 000	-
Commission paid	1 919 639	706 008
Consumables	1 819 256	1 927 422
Catering Services	114 416	111 280
Insurance	531 830	439 910
Fleet	40 329	58 723
Medical expenses	400	2 940

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Motor vehicle expenses	116 528	101 444
Fuel and oil	1 549 919	1 222 959
Postage and courier	934	4 439
Printing and stationery	192 416	157 097
Protective clothing	358 759	304 721
Software expenses	1 344 347	259 496
Subscriptions and membership fees	32 089	566 347
Telephone and fax	647 047	627 723
Training	176 015	20 277
Travel - local	1 446 527	466 396
Ward committees	618 838	141 000
Water sample testing	296 480	362 647
Licences and permits	52 614	278 022
Sundry expenses	507 108	243 438
Movement in landfill sites provision	(1 828 601)	-
Secondment municipal expense	-	744 942
	<b>14 582 831</b>	<b>12 035 505</b>
<b>36. Auditors' remuneration</b>		
	<b>4 280 936</b>	<b>2 899 488</b>

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Fees

#### 37. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Loss on sale of property, plant and equipment	(1 535 427)	(845 240)
Amortisation on intangible assets	254 638	22 923 936
Depreciation on property, plant and equipment	15 943 699	18 063 291
Employee costs	46 158 403	43 763 460

Figures in Rand

2023

2022

#### 38. Cash generated from operations

Surplus	32 961 185	7 070 753
<b>Adjustments for:</b>		
Depreciation and amortisation	16 198 341	40 987 227
Addition non cash	(6 162 515)	845 240
Loss on disposal of assets	1 628 120	-
Fair value adjustment	290 580	8 750
Addition non cash-provision	1 162 222	(2 168 810)
Bad debts written off	3 745 433	3 763 892
Debt impairment	5 603 699	435 138
Movements in retirement benefit assets and liabilities	313 846	332 723
Movements in provisions	(2 611 020)	3 110 183

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Donation income	-	(1 077 736)
Actuarial gains/loss	(283 846)	27 121
Other non-cash items on PPE	(57 893)	34 816
Other non-cash items	(1 079 147)	-
<b>Changes in working capital:</b>		
Inventories	(1 038 183)	(779 774)
Receivables from exchange transactions	(16 574 107)	(10 053 634)
Receivables from non-exchange transactions	1 903 824	(2 567 750)
Payables from exchange transactions	27 425 308	14 473 558
VAT	(559 070)	(7 736 607)
Unspent conditional grants and receipts	2 737 266	57 041 917
Consumer deposits	110 184	(153 544)
	<b>65 714 227 103</b>	<b>593 463</b>

### 39. Commitments

#### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	166 633 184	91 806 013
<b>Total capital commitments</b>	<b>166 633 184</b>	<b>91 806 013</b>

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

2023

2022

Already contracted for but not provided for

#### Total commitments

#### Total commitments

Authorised capital expenditure

166 633 184    91 806 013

#### 40.Related parties

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

#### Relationships

Councillor. MG Ngesi

Bokamoso NS Trading, Monate Mpolaye  
CrewMPCPhatsimo 101

Councillor. R Losper

Rene's Maitenance Enterprises (Derigestered),  
LadyLosper Cleaning Services (Deregistering  
process)

Councillor. EM Sulliman

Ebrahim Sulliman Farming Enterprise,  
TaanilConstruction

N Prince (Party representative)

Yinhla Training and Business Consulting  
FirmDeregistering process), Grand Bridge  
Trading95

Councillor. SG Edwards

Seteisene Trading and Projects, Divine  
VisionGeneral TradiningIts Possible Trading

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Gabanthate Dorcas Burger

Rekathusa Cleaning Services

#### Related party balances

##### Loan accounts - Owing (to) by related parties

SG Edwards	-	2 291
T Barnett	-	306

##### Amounts included in Trade receivable (Trade Payable) regarding related parties

EM Sulliman	-	6 026
SG Edwards	-	3 039
F Maritz	1 463	1 487
GD BURGER	11 443	13 913
F SEBELEGO	11 397	16 359
J&S SLINGER	2 080	3 569

##### Commitments with related parties

Management of Landfill site	6 567 175	6 567 175
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The municipality incurred the following expenditure with the related parties:

##### Amounts included in expenses

Etona Events	-	27 152
Taanil Construction	16 466 296	23 507

## **Kgatelopele Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2023

### **Notes to the Annual Financial Statements**

The former CFO, ON Louw disclosed that she was the daughter of L.R Louw (Director of Etona Events and Projects) EM Sulliman disclosed that his son is a director for Taanil construction.

#### **Related party transactions**

**Remuneration of management (Refer to Employee costs note 28 for senior management remuneration)**

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 40.Related parties (continued)

Management class: Councillors

2023

Name	Basic salary	Unemployment Insurance fund	cellphone allowance	Skills Development Levy	Backpay	Total
Ms NI WILLIAMS (Mayor)	828 233	-	40 800	8 165	16 994	894 192
Mr MG LEUTLWETSE (Speaker)	662 587	177	40 800	6 966	13 642	724 172
Miss AC VAN ZYL	336 370	177	40 800	3 630	6 229	387 206
Miss P LEBURU	86 944	177	13 600	993	5 537	107 251
Miss TS HARMSE	105 555	177	13 600	1 192	6 841	127 365
Mr DR PIENAAR	268 129	177	40 800	2 689	18 690	330 485
Mr EM SULLIMAN	-	-	-	26	2 551	2 577
Mr F MARITZ	262 106	177	40 800	2 880	5 536	311 499
Mr F SEBELEGO	336 370	177	40 800	3 638	7 048	388 033

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Mr J SLINGER	262 106	177	40 800	2 625	5 536	311 244
Mr MG NGESI	-	-	-	26	2 551	2 577
Mr N PRINCE	-	-	-	26	2 551	2 577
Mr RC LESSING	-	-	-	26	2 551	2 577
Mr S VUKEYA	224 792	-	40 800	2 625	-	268 217
Mrs GD BURGER	262 106	177	27 200	2 411	5 537	297 431
Mrs RV HAAI	346 536	177	40 800	3 405	7 238	398 156
Ms R LOSPER	-	-	-	81	8 061	8 142
Ms SG EDWARDS	-	-	-	40	4 261	4 301
Mr GL TETEME	127 545	1 063	20 400	1 377	-	150 385
	<b>4 109 379</b>	<b>2 833</b>	<b>442 000</b>	<b>42 821</b>	<b>121 354</b>	<b>4 718 387</b>

**2022**

**Basic salary**  
**Unemployment**  
**cellphone**  
**Skills**  
**Total Insurance**  
**allowance**  
**Development fund**  
**Levy**

**Name**

81

Figures in Rand

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

#### 40. Related parties (continued) Ms NI WILLIAMS

(Mayor)	608 431	-	39 718	5 874	654 023
Mr MG LEUTLWETSE (Speaker)	400 993	1 417	26 118	4 141	432 669
Miss AC VAN ZYL	292 667	2 125	39 718	3 125	337 635
Miss P LEBURU	163 297	1 396	26 118	1 764	192 575
Mr DR PIENAAR	181 366	1 396	26 118	1 753	210 633
Mr EM SULLIMAN	85 030	-	13 600	918	99 548
Mr F MARITZ	163 297	1 408	26 118	1 775	192 598
Mr F SEBELEGO	207 637	1 417	26 118	2 207	237 379
Mr J SLINGER	163 297	1 396	26 118	1 657	192 468
Mr MG NGESI	85 030	-	13 600	918	99 548
Mr N PRINCE	85 030	-	13 600	918	99 548
Mr RC LESSING	85 030	-	13 600	918	99 548
Mrs GD BURGER	163 297	1 396	26 118	1 657	192 468
Mrs RV HAAI	213 146	1 417	26 118	2 133	242 814

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Ms R LOSPER

268 689      -      13 600      2 352      284

641

Ms SG EDWARDS

142 039      1 219      22 720      1 493      167

471

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**3 308 276      14 587      379 100      33 603      3 735**  
**566**

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## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

2023      2022

Figures in Rand

#### 41.Prior period errors

#### Statement of Financial Position

Figures in Rand		Note(s)	Previously classification	Adjustment	Re-	Restated	Re	reported
<b>Assets</b>								
Current Assets								
Inventories	3	2 339 460	1 239 868	-		3 579 328 [4]		
Other Debtors	4	-	-	-		-		
Receivables from non-exchange transactions	4	18 115 309	(158 155)	-		17 957 154 [2]		
VAT receivable	5	15 716 060	(1 817 185)	-		13 898 875 [2.2]		
Receivables from exchange transactions	6	25 805 932	(5 571 931)	-		20 234 001 [3]		
Cash and cash equivalents	7	75 803 344	-	-		75 803 344		

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	<b>Statement of Financial Performance</b>	
		<b>137 780 105 (6 307 403)</b>	-	<b>131 472</b>	<b>702</b>
				29	159
		52 041 248 (22 882 064)	-	184	
		373 938 139 (339 308)	-	373	598
				831	
		2 155 728 (376 094)	-	1 779 634	
		1 151 058 -	-	1 151 058	
		<b>429 286 173 (23 597 466)</b>	-	<b>405 688</b>	<b>707</b>
		<b>567 066 278 (29 904 869)</b>	-	<b>537 161</b>	<b>409</b>
		3 592 406 (849 070)	(2 743 336)	-	
		43 056 918 (975 302)	2 743 336	44	824
				952	
		1 415 378 (16 090)	-	1 399 288	
		192 000 -	-	192 000	
		75 666 063 -	-	75	666
				063	
		<b>123 922 765 (1 840 462)</b>	-	<b>122 082</b>	<b>303</b>

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand		Note(s)	2023	2022 Restated*	Statement of Financial Performance	
<b>Non-Current Assets</b>						
Investment property	8		2 028 000	-	-	2 028 000
Property, plant and equipment	9[5]		6 672 044	-	-	6 672 044
Intangible assets	10		<b>8 700 044</b>	-	-	<b>8 700 044</b>
Heritage assets	11		<b>132 622 809 (1 840 462)</b>	-	-	<b>130 782 347</b>
<b>Total Assets</b>			<b>434 443 469 (28 064 407)</b>	-	-	<b>406 379 062</b>
<b>Liabilities</b>						
Current Liabilities			434 443 464 (28 064 402)	-	-	406 379 062
<b>Short-term employee benefit[1]</b>						
Payables from exchange transactions				12[1.1]		
Consumer deposits				13[7]		
Employee benefit obligation	14					
Unspent conditional grants and receipts	15					
<b>Non-Current Liabilities</b>						
Employee benefit obligation	14					
Provisions	16					
<b>Total Liabilities</b>						
<b>Net Assets</b>						

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	Statement of Financial Performance		
Accumulated surplus <sup>[1.2]</sup>						
<b>41.Prior period errors (continued)</b>						
<b>Statement of Financial Performance</b>						
Figures in Rand	Note(s)	Previously classification	Adjustment	Re-	Restated	Re reported
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	18	41 663 453	1 701 063	-	43 364 516	[15]
Rental of facilities and equipment	19	180 864	-	-	180 864	
Agency services		-	-	-	-	
Licences and permits		-	(932 338)	1 226 119	293 781	[8]
Other income	20	427 077	(122 091)	-	304 986	[6]
Interest on outstanding receivables	21	4 027 263	36 914	-	4 064 177	[7.1]

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	<b>Statement of Financial Performance</b>
<b>46 298 657</b>	<b>683 548</b>	<b>1 226 119</b>	<b>48 208</b>	
			<b>324</b>	
14 657 516	377 194		-	15 034 710
1 226 119	-	(1 226 119)	-	
706 290	-		-	706 290
88 784 874	-		-	88 784 874
1 822 678	-		-	1 822 678
24 026	10 692		(266)	34 452
<b>107 221 503 387 886</b>		<b>(1 385)</b>	<b>226 106 004</b>	<b>383</b>
<b>153 520 160</b>	<b>1 071 434</b>		<b>(266)</b>	<b>154 591 328</b>
			(40 027)	
(40 973 274)	945 381		-	893)
(3 934 867)	199 300		-	(3 735 567)
-	-		-	-
(17 957 802)	(23 029 425)		-	(40 987 227)
(1 832 223)	(50 415)		-	(1 882 638)
-	(3 763 892)		-	(3 763 892)

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	<b>Statement of Financial Performance</b>
9 590 945	(10 026 083)		- (435 138)	
(24 636 879)	-		- (24 636 879)	
(18 749 785)	(384 940)		- (19 134 725)	
-	-		-	
(10 138 281)	(1 897 224)		- (12 035 505)	
<b>(108 166)</b>	<b>632 (38 007 298)</b>		<b>- (146 639 464)</b>	
<b>44 887 994</b>	<b>(36 935 864)</b>		<b>(266) 7 951 864</b>	
6 905	(852 145)		- (845 240)	
-	(8 750)		- (8 750)	
(27 121)	-		- (27 121)	
<b>(20 216)</b>	<b>(860 895)</b>		<b>- (881 111)</b>	
<b>44 867 778</b>	<b>(37 796 759)</b>		<b>- 7 070 753</b>	
			111 161	
99 722 594	11 438 528		- 122	
108 102 187	156 372 075		- 264 474 262	
-	-		-	

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	<b>Statement of Financial Performance</b>
<b>Total revenue from exchange transactions</b>		<b>207 824 781 167 810 603</b>	<b>- 375 635 384</b>	
<b>Revenue from non-exchange transactions</b>				
<b>Taxation revenue</b>				
Property rates		23[15.2]		
Licences and Permits (Non-exchange)[8]				
Interest on outstanding receivables				
<b>Transfer revenue</b>				
Government grants & subsidies 25 Public contributions and donations 26				
Fines, Penalties and Forfeits [10]				
<b>Total revenue from non-exchange transactions</b>				
<b>Total revenue</b>		<b>17</b>		
<b>Expenditure</b>				
Employee related costs 28[11] Remuneration of councillors 29[12]				
Administration				
Depreciation and amortisation		30[9]		
Finance costs		31[16]		
Bad debts written off		32[13]		
Debt Impairment[17]				
Bulk purchases		33		
Contracted services		34[18]		
Transfers and Subsidies				

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	<b>Statement of Financial Performance</b>
General Expenses		35[14]		
<b>Total expenditure</b>				
<b>Operating (deficit) surplus</b>		37		
Loss on disposal of assets and liabilities				
Loss on foreign exchange				
Actuarial losses		14		
<b>Surplus for the year</b>				
<b>Amounts included in disclosures</b>				
Irregular Expenditure				
Fruitless and wasteful expenditure				
Unauthorized expenditure				
<b>41.Prior period errors (continued)</b>				

[1] Short-term employee benefits (leave accrual) was reclassified to Trade and Other payables in line with GRAP 19 paragraph 18 which allows for amounts due to employees to be disclosed as part of accruals which are also part of Payables.

Short term employee benefit (bonus provision) was also adjusted for as it does not meet the definition of Provisions in line with GRAP 19 paragraph 17 which states that a provision is a liability of uncertain timing and amount. Liabilities are possible obligations arising from past events. The amount previously disclosed as Bonus provision did not result from past events as employees had not provided services to the municipality. The full amount was therefore reversed as it did not meet the definition of a provision.

[1.1] Payables from exchange transactions were restated due to corrections of differences between supplier statements and ageing analysis, licence and permits, employee lated cost and service charges.

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	Statement of Financial Performance
[1.2]		Accumulated surplus was restated due to all corrections done on statement of financial position and statement of financial performance.		
[2]		Receivables from non-exchange transactions was adjusted in accordance with GRAP 108 disclosure paragraph 32 which indicates that an entity shall provide sufficient information to permit reconciliation of information presented in the notes to the line items in the financial statements. The population was restated due to reversal of negative impairment and correction of errors and missallocations on receivables.		
[2.2]		VAT Receivable was restated due to corrections of errors on licence and permits, debtors from both exchange and non-exchange transactions and service charges.		
[3]		Receivables from exchange transactions was adjusted in accordance with GRAP 108 disclosure paragraph 32 which indicates that an entity shall provide sufficient information to permit reconciliation of information presented in the notes to the line items in the financial statements. The population was restated due to reversal of negative impairment and correction of errors and missallocations on receivables. .		
[4]		Inventory was adjusted due to journal JBR00445 affecting Consumables and Maintenance materials posted incorrectly in the prior year and to correct the error a reversing journal was posted. The correcting journal is recognising the inventory acquired in the prior year and issues.		
[5]		Property, plant and equipment adjustment is as a result of an error in opening balance for financial year 2022.		
[6]		Other income was restated as a result of VAT component related to other income and licence and permit transactions that were incorrectly recorded under Other income and licence and permits.		
[7]		Consumer deposit was adjusted due to transactions which were duplicated on opening balance		
[7.1]		There was an adjustment on interest due to corrections from receivables from both non-exchange and exchange transactions		
[8]		There was a classification error on Licences and permits as they were incorrectly classified as revenue from non-exchange transactions instead of revenue from exchange transactions. An amount of R1 226 119 was reclassified from Revenue from non-exchange transactions- licences and permits to Revenue from exchange transactions- licences and permits.		

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	<b>Statement of Financial Performance</b>
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Furthermore, the municipality had incorrectly accounted for funds that did not belong to the municipality as part of Licences and permits revenue. An adjustment of R897 905 was processed to ensure that the Licences and permits revenue recognised is relating to income that belongs to the municipality.

[9] Depreciation was adjusted as a result of recalculations done on fixed assets and also inventory transactions which wererecorded on depreciation.

[10] There was a classification error of R266.00 emanating from an incorrect mapping of the Vote.This resulted in adecrease of R266.00 in Telephone expense from general expenditure and increase of Fines and penalties with R266.00

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	Statement of Financial Performance
<b>41.Prior period errors (continued)</b>				
<p>[11] Employee related cost was adjusted due to incorrect classification of transactions within sub-votes of employee related cost which amounted R3 266 362.12, adjustment of R565 149.68 where general expenses transactions were recorded under employee cost, R90 359.16 main employees transactions recorded under councillors remuneration and R291 978.78 into Salary control account. The restatement was to ensure that payroll report reconciles to Annual financial statements/ Trial Balance.</p>				
<p>[12] Councillors remuneration was adjusted due to incorrect classification of transactions within sub-votes of Councillors remuneration which amounted R272 266.85, adjustment of R95 652.31 to general expenses, R90 359.16 to employee cost , R13 288.16 to PAYE and RR817.01 to salary control. The restatement was to ensure that payroll report reconciles to Annual financial statements/ Trial Balance.</p>				
<p>[13] Bad debts was adjusted due to the incorrect posting of the bad debts journal which affected revenue instead of expenditure, thus a reversal was done of the initial incorrect journal and the correct journal was thus processed to the correct bad debts expenditure account.</p>				
<p>[14] There was a reclassification of transactions within sub-votes of general expenses and adjustments of transactions from employee related cost and remuneration of councillors which resulted in a restatement.</p>				
<p>[15] Service charges adjustment was due to a debt written off journal which was incorrectly posted as rebates and misallocation of transactions therefore the correction of the error resulted in restatement of service charges.</p>				
<p>[15.2] Property rates adjustment was due to a debt written off journal which was incorrectly posted as rebates, property rate charges linked to incorrect tariffs and misallocation of transactions therefore the correction of the error resulted in restatement of property</p>				
<p>[16] Finance cost was adjusted due to recognition of interest charged in an overdue account that was not recorded in the prior year.</p>				
<p>[17] Debt impairment was restated due to a reversal of negative impairment which was recorded in the prior year and recognition of prior year impairment recalculation,</p>				
<p>[18] Contracted services was adjusted due to correction of classification errors noted in the prior year.</p>				

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Related party transactions</b>			
	<b>Previously audited</b>		<b>Adjustments Restated</b>
<b>Amounts included in Trade receivable</b>			
EM Sulliman	-	6 026	6 026
SG Edwards	2 291	748	3 039
F Maritz	-	1 478	1 478
GD BURGER	-	13 913	13 913
F SEBELEGO	-	16 359	16 359
J&S SLINGER	-	3 569	3 569
T Benet	306	-	306
<b>Commitments with related parties</b>			
Management of Landfill site	-	6 567 175	6 567 175
<b>Amounts relating to expenditure</b>			
Taanil Construction	23 144 659	(27 152)	23 117 507
Etona	-	27 152	27 152

Related parties were adjusted as a result of prior year transactions that were disclosed were not aligned to the supporting documentation.

### 42. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to 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 following indicators have a negative outlook on the going concern of the municipality:

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	<b>Statement of Financial Performance</b>
<p>The municipality's current liabilities are more than the current assets, resulting in the municipality not being able to pay its current liabilities using the current assets.</p> <p>Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account:</p> <p>Kgatelopele Local Municipality is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution</p> <p>The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.</p>				

	2023/24	2024/25	2025/26
Finance Management Grant (FMG)	3 100 000	3 100 000	3 238 000
Expanded Public Works Program (EPWP)	960 000	-	-
Municipal Infrastructure Grant (MIG)	8 677 000	8 856 000	9 042 000
Integrated National Electrification Grant	-	1 500 000	2 800 000
Water Services infrastructure (WSIG)	12 975 000	13 559 000	14 163 000

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	<b>Statement of Financial Performance</b>
Equitable Share	33	241 000	36 092 000	38 111 The below are the amounts that the
Library	1	1 000 000	-	000 government has committed to
		<b>60 053 000</b>	<b>63 107 000</b>	67 354 allocate to Kgatelopele in line with
			<b>000</b>	the DORA to ensure that the
				municipality continues with its
				operations.
<b>43.Unauthorised expenditure</b>				
Opening balance as previously reported		264 474 262	264 474 262	
<hr style="width: 50%; margin: 0 auto;"/>				
<p>Unauthorised expenditure opening balance was restated as a result of errors that were noted on the calculations for prior years. It was recalculated based on the correct budgets and actual expenditure.</p>				
<b>44.Fruitless and wasteful expenditure</b>				
Opening balance as previously reported		5 510 916	4 745 127	
<b>Opening balance as restated</b>		<b>5 510 916</b>	<b>4 745 127</b>	
Add: Expenditure identified - current			127	
<b>Closing balance</b>		3 572 271	765 789	
		<b>9 083 187</b>	<b>5 510 916</b>	
Figures in Rand	Note(s)	2023	2022 Restated*	

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*	Statement of Financial Performance
<b>45. Irregular expenditure</b>			99 722	
Opening balance as previously reported		112 305 686	594	
Correction of prior period error			- 11 438	
<b>Opening balance as restated</b>			528	
		<b>112 686</b>	<b>305 111 122</b>	<b>161</b>
Add: Irregular Expenditure - current		163 683	1 144 564	
<b>Closing balance</b>		<b>112 369</b>	<b>469 112 686</b>	<b>305</b>

### 46. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

2023	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001	Total
Emergency	59 446	42 426	-	-	101 872
Single provider	30 153	159 798	-	-	189 951
Impractical	-	1 183 815	1 246 944	-	2 430 759

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand		Note(s)		2023	2022 Restated*	Statement of Financial Performance	
<b>2022</b>	<b>89 599</b>	<b>1 039</b>	<b>386</b>	<b>1 246 944</b>	<b>-</b>	<b>2 722 582</b>	
Emergency Single provider Impractical		<b>Between R30,001 and R200,000</b>	<b>Between R200,001 and R2,000,000</b>	<b>More than R2,000,001</b>	<b>Total</b>		
<b>47. Accounting by principals and agents</b>		302	649 630	-	952		
The municipality is a party to a principal-agent arrangement(s).	31 350	40 925	-	-	72 275		
<b>Details of the arrangement(s) are as follows:</b>		899	1 389 769	-	2 289		
Kgatelopele Local Municipality as an Agent has and agreement with Department of Safety and Liaison which enables customers to pay for their licence ad permits services at the Municipality's point of sales. The municipality is thereafter entitled to 12% commission based on the collections made and pay over the balance to the Department	<b>31 350</b>	<b>1 039</b>	<b>243</b>	<b>2 039 399</b>	<b>-</b>	<b>3 313 868</b>	

The municipality is an agent to this agreement

	2023	2022 Restated*	Reconciliation of amounts payable to the department
Balance owing at the beginning of the year	7 914 204	7 880 064	
Revenue received on behalf of principal (includes commission)	630 906	988 829	
Revenue recognised by municipality as agency fee (includes VAT)	58 950	89 474	
Revenue paid over to the principal	-	(1 044 163)	
	<b>8 604 060</b>	<b>7 914 204</b>	

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand

Note(s)

2023

2022

Restated\*

### 48. Statutory Receivables

VAT Receivable

14 457 945

13 898

Receivables from non-exchange (property rates)

14 157 784

17 957

154

**28 615 729**

**31 856**

**029**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. The receivables within the scope of GRAP 108, effective for all periods started on or after 1 April 2019.

The above are regarded as statutory receivables.

### 49. Financial Instruments disclosure

Categories of financial instruments

2023

#### Financial assets

At fair value At amortised At cost Total

cost

Receivables from exchange transactions

- 29 354 522 - 29 354

522

Cash and cash equivalents

- - 79 756 099 79 756

099

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Statement of Financial Performance

-	29 354 522	79 756 099	109 110 621
At fair value	At amortised cost	At cost	Total
-	72 250 260	-	72 250 260
-	1 509 472	-	1 509 472
-	78 403 329	-	78 403 329
-	<b>152 163 061</b>	-	<b>152 163 061</b>

At fair value	At amortised cost	At cost	Total
-	20 234 001	-	20 234 001
-	-	75 803 344	75 803 344
-	<b>20 234 001</b>	<b>75 803 344</b>	<b>96 037 345</b>

At fair value	At amortised cost	At cost	Total
-	44 824 952	-	44 824 952
-	1 399 288	-	1 399 288

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

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### Statement of Financial Performance

<b>Financial liabilities</b>	-	75 666 063	-	75 666 063
Payables from exchange transactions				
Consumer deposits	-	<b>121 890 303</b>	-	<b>121 890 303</b>
Unspent conditional grants and receipts				

2022

#### Financial Assets

Receivables from exchange transactions  
Cash and cash equivalents

#### Financial liabilities

Payables from exchange transactions  
Consumer deposits  
Unspent conditional grants and receipts

Figures in Rand	Note(s)	2023	2022 Restated*
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### 50. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance		572 357	565 152
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\* See Note 41



# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

	10 311 084	7 038 927	
	6 015 364	5 192 817	
	(3 094 552)	(1 920 660)	
	<b>13 231 896</b>	<b>10 311 084</b>	
	1 098 004	367 917	
	5 174 379	5 311 468	
	(4 693 932)	(4 581 381)	
	<b>1 578 451</b>	<b>1 098 004</b>	
	1 032 425	990 529	
	440 422	493 835	
	(399 983)	(451 939)	
	<b>1 072 864</b>	<b>1 032 425</b>	

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Statement of Financial Performance

#### Audit fees

Opening balance	129 269	90 212
Current year subscription / fee Amount paid - current year	343 845	361 811
	(311 337)	(322 754)

#### PAYE

Opening balance	161 777	129 269
Current year subscription / fee Amount paid - current year		

#### UIF

Opening balance		
Current year subscription / fee		
Amount paid - current year		

#### SDL

Opening balance		
Current year subscription / fee		
Amount paid - current year		

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

### 51. Segment information General information

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand

Note(s)

2023

2022

Restated\*

### Identification of segments

#### 50. Additional disclosure in terms of Municipal Finance Management

##### Act (continued) VAT

VAT receivable

	13	898
	14 457 945	875

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by

mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

#### Types of goods and/or services by segment

Types of goods and/or services by segment

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

##### Reportable segment

Finance services

Community and Social Services

Energy Sources

Executive and Council

##### Goods and/or services

Provision of financial and administrative services to other segments of the municipality

Provision of public safety, an acceptable standard of Social Services, Emergency Services, Environmental and Health Services, Community Safety and Road Traffic Management

This segment consists of all services for energy supply to the community

This segment consist of all control and governance services of the municipality

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Health	Provision of public safety, an acceptable standard of Social Services, Emergency Services, Environmental and Health Services, Community Safety and Road Traffic Management.
Internal Audit	This segment consists of all financial management services of the municipality
Planning and Development	Provision of planning and development including policy and procedures. Co-ordination work relating to the preparation of the Annual Development Programme and its review
Road Transport	Construction and maintenance of roads and infrastructure owned by the municipality
Waste Management	This segment consists of all services for waste management to the community
Waste Water Management	This segment consists of all services for waste management to the community

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 51. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2023

	Executive and Office of the Council	Municipal Manager	Finance Services	Corporate Services	Technical and Community services	Total
<b>Revenue</b>						47 722
Service Charges	-	-	-	-	47 722 484	484
Interest on outstanding receivables	-	-	4 513 664	-	-	4 513 664
Government grants & subsidies	-	-	33 490 000	-	59 945 734	93 435 734
Fines, Penalties and Forfeits	-	-	-	-	4 836	4 836
Property rates	-	-	14 765 729	-	-	14 765 729
Rental of facilities and equipment	-	149 053	-	-	-	149 053
Interest received on Investment	-	-	5 604 831	-	-	5 604 831
Licences and permits	-	-	-	-	427 941	427 941
Other Income	-	-	141 755	-	60 047	201 802

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

<b>Total segment revenue</b>									
		- 149 053	58 515 979			- 108 161 042 166	826 074		
Actuarial gains/losses									
<b>Entity's revenue</b>									283 846
<b>Expenditure</b>									<b>167 109 920</b>
Employee related costs									
									41 440
	1 684 551	4 570 850	9 949 197	5 667 485	19 567 957	040			
Remuneration of councillors	4 718 363	-	-	-	-	-	4 718 363		
Depreciation and amortisation	-	-	-	-	16 198 337	16 337	198		
Finance costs	-	-	3 226 095	-	-	3 226 095			
Bad debts written off	-	-	3 745 433	-	-	3 745 433			
Debt impairment	-	-	-	-	5 603 699	5 603 699			
Bulk purchases	-	-	-	-	24 351 857	24 857	351		
Contracted services	1 557 681	273 397	9 424 144	3 419 350	3 781 501	18 073	456		
General Expenses	1 348 381	417 471	4 238 132	4 086 977	4 491 870	14 831	582		
<b>Total segment expenditure</b>									<b>831</b>
	<b>9 308 976</b>	<b>5 261 718</b>	<b>30 583 001</b>	<b>13 173 812</b>	<b>73 995 221</b>	<b>132 728</b>	<b>322</b>		

Figures in Rand

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

51. Segment information (continued) Total segmental surplus/(deficit)	Executive and Council	Office the Municipal Manager	of Finance Services	Corporate Services	Technical and Community services	Total
						34 787 192
Loss on disposal of assets and liabilities						1 535 427
Fair value adjustment						290 580
<b>Entity's surplus (deficit) for the period</b>	<b>-9 308 976</b>	<b>-5 112 665</b>	<b>27 483 894</b>	<b>-13 173 812</b>	<b>38 214 727</b>	<b>32 961 185</b>

2022

Revenue	Executive and Council	Office the Municipal Manager	of Finance Services	Corporate Services	Technical and Community services	Total
Interest on outstanding receivables	-	-	3 389 490	-	-	3 389 490
Government grants & subsidies	10 626 000	-	19 549 678	-	58 609 196	88 784 874
Property Rates	-	-	15 034 710	-	-	15 034 710
Fines, Penalties and Forfeits	-	-	-	-	34 452	34 452
Service charges	-	-	-	-	43 364 516	43 364 516
Rental of facilities and equipment	-	182 458	(1 594)	-	-	180 864
Public contributions and donations	-	-	-	-	1 822 678	1 822 678
Licences and permits	-	-	-	-	293 781	293 781
Other income	-	-	180 996	90 174	33 816	304 986

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Interest on investments	-	-	1 380 977	-	-	1 380 977
<b>Total segment revenue</b>	<b>10 626 000</b>	<b>182 458</b>	<b>39 534 257</b>	<b>90 174</b>	<b>104 158 439</b>	<b>154 591 328</b>
<b>Entity's revenue</b>						<b>154 591 328</b>

Figures in Rand

#### 51. Segment information (continued)

##### Expenditure

Employee related costs	534 237	6 337 568	9 521 126	6 321 825	17 313 137	40 027 893
Remuneration of councillors	3 648 238	-	-	-	87 329	3 735 567
Depreciation and amortisation	-	-	-	-	40 987 227	40 987 227
Finance costs	-	-	1 882 638	-	-	1 882 638
Bad debts written off	-	-	3 763 892	-	-	3 763 892
Debt impairment	-	-	-	-	435 138	435 138
Bulk purchases	-	-	-	-	24 636 879	24 636 879
Contracted services	867 130	126 374	9 209 391	3 710 020	5 221 810	19 134 725
General Expenses	1 233 288	1 146 967	5 560 241	3 661 001	434 008	12 035 505
<b>Total segment expenditure</b>	<b>6 282 893</b>	<b>7 610 909</b>	<b>29 937 288</b>	<b>13 692 846</b>	<b>89 115 528</b>	<b>146 639 464</b>
<b>Total segmental surplus/(deficit)</b>						<b>7 951 864</b>
Loss on disposal of assets and liabilities						845 240
Actuarial gains/losses						27 121

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Fair value adjustments

8 750

**Entity's surplus (deficit) for the period**

<b>4 343 107</b>	<b>-7 428 451</b>	<b>9 556 087</b>	<b>-13 602 672</b>	<b>17 965 872</b>	<b>7 070 753</b>
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### 52. Contingencies

#### Contingent assets

The municipality did not have any contingent assets as at year end.

#### Contingent liabilities

The municipality did not have any contingent liabilities as at year end.

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 53. Change in estimate

#### Property, plant and equipment

During the current financial year a physical verification and condition assessment was undertaken. This resulted in changes in the conditions of certain assets and the remaining useful life of these assets were adjusted. The effect of this revision is as follows -

#### Property, plant and equipment

Decrease in community facilities depreciation expense	-	(51 513)
Decrease in electrical infrastructure depreciation expense	-	(255 306)
Decrease in housing depreciation expense	-	(2 776)
Decrease in operational buildings depreciation expense	-	(37 796)
Increase in roads infrastructure depreciation expense	-	522 592
Increase in sanitation infrastructure depreciation expense	-	295 637
Increase in solid waste depreciation expense	-	82 707
Decrease in sport and recreation facilities depreciation expense - (63)	(11 555)	Decrease in storm water infrastructure depreciation expense -
Decrease in water supply infrastructure depreciation expense	-	(105 524) -
		<b>436 403</b>

### 54. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

\* See Note 41

## Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

	<b>152 163 061</b>	-	-	-
	<b>Less than 1 year</b>	<b>Between 1 and and 2 years</b>	<b>Between 2 5</b>	<b>Over 5 years</b>
	44 824 952	-	-	-
	1 399 288	-	-	-
	75 666 063	-	-	-
	<b>121 890 303</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2023</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Short- term employee benefits	-	-	-	-
Trade and other payables	72 250 260	-	-	-
Consumer deposits	1 509 472	-	-	-
Unspent conditional grants and receipts	78 403 329	-	-	-
<b>At 30 June 2022</b>				
Trade and other payables				
Consumer deposits				
Unspent conditional grants and receipts				

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

\* See Note 41

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### 54.Risk management (continued)

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customer, taking into account its financial position, past experience and other factors.

Credit risk arises from cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

<b>Financial instrument</b>	<b>2023</b>	<b>2022</b>
Receivables from exchange transactions	29 354 522	20 234 001
Cash and cash equivalents	79 755 965	75 803 344

#### Market risk

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

\* See Note 41

# Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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Figures in Rand

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The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

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