2024/2025

MAGARENG MUNICIPALITY

ANNUAL REPORT
2024/25

COMPREHENSIVE REPORT ON THE ACTIVITIES AND FINANCIAL PERFORMANCE OF THE MAGARENG LOCAL MUNICIPALITY

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CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD

MAYOR'S FOREWORD

Magareng Local Municipality's Annual Report for the 2024/2025 financial year gives one an account of work that was undertaken during the past financial year, as required by the Local Government: Municipal Systems Act, 32 of 2000 (Section 46) and Local Government: Municipal Finance Management Act, 56 of 2003 Section 121 & 127(2). This document helps us to evaluate our performance identify short comings and opportunities that will enhance our institutional capacity to deliver on our key strategic thrust of Local Government.

It is an honour to present the 2024/2025 Annual Report for Magareng Local Municipality. Reflecting on the past year, there has been work done on the ground to address the needs of our people as stipulated in our IDP. This reflection must strengthen our purpose as we continue to work with our stakeholders towards fulfilment of our Strategic Objectives.

We present these annual report in our efforts to implement our Service Delivery Budget & Implementation Plan (SDBIP) 2024/2025, the year under review. This report serves as a record of accounting mechanisms to our communities on the institution's achievements, challenges, mitigation and remedial measures implemented to address the latter. While it reflects progress that has been achieved in service delivery, there are still undeniable challenges confronting us as a municipality.

During the year under review our main focus of Council was on the Five (5) Developmental Local Government Key Performance Areas: **Municipal Transformation and Organizational Development, Basic Service delivery and Infrastructure Development, Local Economic Development, Municipal Financial Viability and Administration, Good Governance and Public Participations**

For the year under review the municipality has remained stagnant on the Qualified Audit. This outcome has been stagnant for the last four years. It is very critical for the municipality to improve and move to a better opinion. However, the municipality has developed Audit Action Plans in past to address issues raised by the AG during the Audit process, but we seem to be stagnant on the outcome. This time around as the municipality we will need to employ other mechanisms and come up with the new approach on how we tackle the issues raised by AG in order to attain a better opinion going forward. Management will have to go back to the drawing board and develop a new strategy to address issues raised by AG.

We will accelerate the institutionalisation of performance management to ensure that all Council Resolutions towards service delivery are implemented, monitored, evaluated and improved. It is through this approach that we will ensure the accountability of the municipality to local communities; the administration to Council; and the line functions to executive management. We will work tirelessly to support an efficient, effective and highly skilled administration that delivers better services.

All our efforts during this period were made possible by working together as a team, from the Exco, Speaker of Council, Chief Whip Chairpersons of committees, fellow Councillors, entire management team, staff members and our stakeholders. Your constructive criticisms remain a pillar of our public participation and solid foundation for good governance and service delivery.

Cllr N. Mase
Executive Mayor
Magareng Local Municipality

T1.0.1

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW

The Magareng Local Municipality prepared its Annual Report for the year under review in line with Section 121 of the Local Government Municipal Finance Management Act, No. 56 of 2003 as well as accompanying circulars, templates and guidelines. This report provides the overview on the performance and progress made by the Local Municipality in fulfilling its strategic objectives and priorities as aligned in the Integrated Development Plan (IDP), Budget as well as Provincial and National strategic directives.

As part of this report, highlights of all the programmes and projects that were embarked on during this period to enhance service delivery within our area of jurisdiction are also presented here. We also do acknowledge our limitation which requires our concerted efforts in our quest to deliver quality services to our community. The outbreak of Covid-19 has put a strain on everyone globally including the local municipality and it has significantly impacted on our programmes.

The past few years has proven to be particularly difficult for our local municipality due to a range of issues that transpired. Economic conditions confronting us as the country continued to impact negatively on the collection rate of the revenue in the municipality. The local also experienced financial challenges which have compromised the municipality's ability to perform certain of its deliverables.

Our dysfunctional billing system coupled with the prevalent culture of non-payment for municipal services by some residents served as a major contributing factor to our financial situation. While water and sanitation services provision remains our main priority as the local, during this period, the service was faced with a myriad challenges related to aging infrastructure and backlogs.

We are however making all strides towards mitigating both our strategic and operational risks focused on improved billing systems for enhanced municipal revenue collection, water and sanitation services infrastructure and improved audit outcomes. As the local municipality, we are also hard at work employing all possible measures to move from the qualified opinion we have obtained to an improved audit outcome that we will all pride ourselves of. We still need more officials with the expertise; this will enable us to be confident that the ground has been levelled to achieve this goalpost.

We extend our deepest gratitude to the political leadership for their corporation and oversight role on the work that we have done. The manner in which our staff members execute their responsibilities must add more energy in future to contribute meaningfully to the lives of those we serve. Our existence as the local municipality mostly depends on the community and we would like to take this opportunity to express our sincere appreciation on the constructive criticism from our community which serves as a steppingstone to realize our objectives.

Mr T Thage
Acting Municipal Manager

T1.1.1

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

The Magareng Local Municipality was established on 5 December 2000 after the amalgamation of Warrenton TLC with portions of Hartswater TLC and Vaal River TRC (NC093 Magareng IDP). The area of jurisdiction is approximately 1 542 km² in extent and accommodates approximately 26816 people (Census 2022).

Magareng Local Municipality is situated in the Northern Cape Province and lies within the boundaries of the Frances Baard District Municipality. Warrenton, the administrative centre of Magareng Local Municipality, is situated approximately 75 km north of Kimberley on the banks of the Vaal River.
. It is one of the four municipalities that make up the district, accounting for 12% of its geographical area. Magareng is a Setswana name meaning 'in the middle'. The name reflects the geographic location of the municipality in relation to other areas.

According to Census 2022, Magareng Local Municipality has a total population of 26 816 people, of whom 74, 3% are black African, 14, 2% are coloured, 10, 4% are white and 1, 1% are Indian/Asian. The other population groups make up the remaining 0, 0%. In this municipality. 41, 7% of households are headed by females.

Of those aged 20 years and older, 5,0% have completed primary school, 32,6% have some secondary education, 24,0% have completed matric, and 3,5% have some form of higher education, while 16,6% of those aged 20 years and older have no form of schooling.

POWERS AND FUNCTIONS OF THE IDP

Section 156 of the Constitution assigns executive authority to municipalities in respect of, and the right to administer the local government matter listed in Part B of Schedule 4 and Part B of Schedule 5 and any other matter assigned to it by national or provincial government.

The following functions and powers of the District Municipality have been authorized to Magareng Local Municipality by the MEC for Local Government and Housing in terms of Provincial Notice 27 of 10 July 2003 to execute from 1 August 2003. In terms of the latter notice, the following Local Municipality functions will be performed by the District Municipality on behalf of the local municipality.

In addition to the above, the following exclusive Local Municipality functions will be performed by the local municipality. However, due to limited capacity, some of these functions may be performed by another service provider on behalf of the local municipality. The municipality is therefore obliged to enter into service level agreements (except for those functions authorized in terms of the above notices) with these service agents in order to ensure that these functions are performed on their behalf.

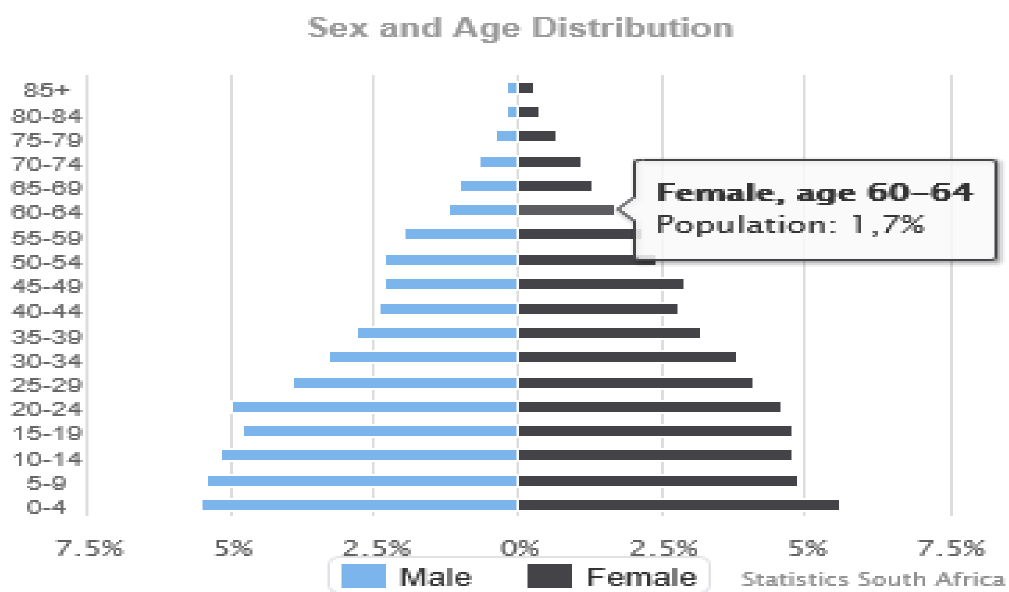
POPULATION DETAILS

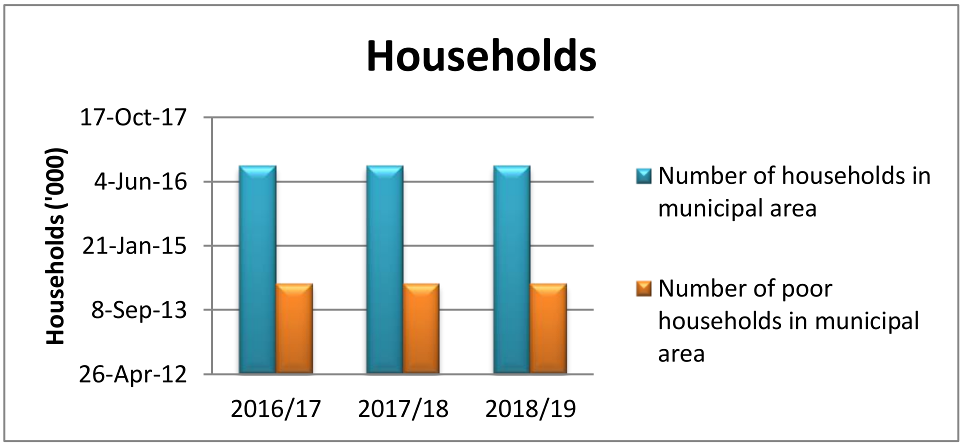
T1.2.1

Age group	Male	Male (%)	Female	Female (%
85+	20	0,1%	97	0,4%
80-84	58	0,2%	144	0,5%
75-79	119	0,4%	180	0,7%
70-74	179	0,7%	315	1,2%
65-69	399	1,5%	539	2,0%
60-64	532	2,0%	604	2,3%
55-59	550	2,1%	756	2,8%
50-54	627	2,3%	814	3,0%
45-49	664	2,5%	832	3,1%
40-44	777	2,9%	860	3,2%
35-39	876	3,3%	896	3,3%
30-34	1 054	3,9%	964	3,6%
25-29	968	3,6%	963	3,6%
20-24	1 072	4,0%	1 168	4,4%
15-19	1 251	4,7%	1 216	4,5%
10-14	1 262	4,7%	1 213	4,5%
5-9	1 075	4,0%	1 170	4,4%
0-4	1 331	5,0%	1 268	4,7%

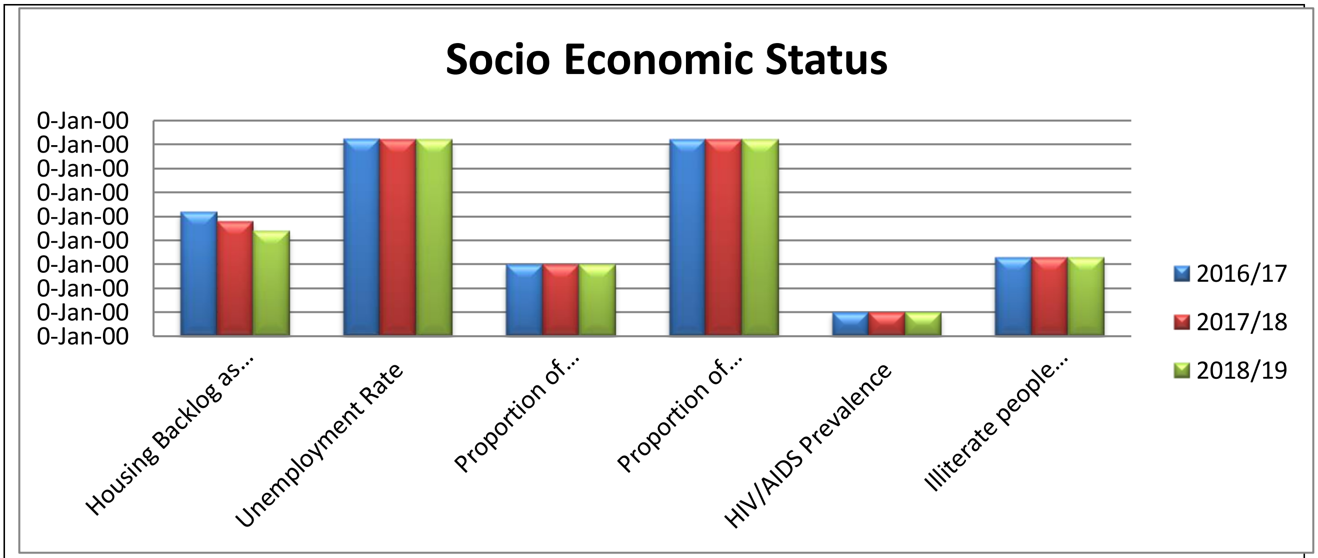
Stats SA Census 2022

Socio Economic Status						
Year	Housing Backlog (Informal Units %)	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate People Older than 19 Years
2018/19	19%	49.8%	10%	12%	14%	27%
2019/20	20%	49.8%	10%	12%	14%	27%
2020/21	21%	52%	20%	2%	14%	27%
					T 1.2.4	




Households
Households ('000)
17-Oct-17
4-Jun-16
21-Jan-15
8-Sep-13
26-Apr-12
2016/17
2017/18
2018/19
Number of households in municipal area
Number of poor households in municipal area

T1.2.3


Socio Economic Status
0-Jan-00
0-Jan-00
0-Jan-00
0-Jan-00
0-Jan-00
0-Jan-00
0-Jan-00
0-Jan-00
0-Jan-00
0-Jan-00
Housing Backlog as...
Unemployment Rate
Proportion of...
Proportion of...
HIV/AIDS Prevalence
Illiterate people...
2016/17
2017/18
2018/19

T1.2.5

Natural Resources	
Major Natural Resource	**Relevance to Community**
Land	• Access to land • Security of Tenure • High Agriculture Potential • Food Production
Water	• Access to water • Food Production
Mineral Resources - Diamonds	• Job Creation Remittances • Economic Development • Environmental Sustainability
	T 1.2.7

COMMENT ON BACKGROUND DATA:

Warrenton, the administrative centre of Magareng Municipality, is situated approximately 75 km north of Kimberley on the banks of the Vaal River. The N12 national road between Kimberley and Christiana as well as the N18 route to Vryburg passes through the centre of Warrenton.

The Railway line, that connects Gauteng with the Northern and Western Cape Province, runs through Magareng Municipality with a railway station at Warrenton and Windsorton station. The railway line also connects the Northern Cape and North West Province. The municipal area comprises an urban node, villages and farms. The urban node consists of Warrenton, Warrenvale and Ikhutseng while small agricultural villages have been established throughout the municipal area of which Bullhill, Fourteen Streams, Sydney's Hope, Windsorton Station, Moleko's Farm, Nazareth and Hartsvallei Farms are the most prominent.

The rest of the area comprises mainly mixed farming. The area of jurisdiction is approximately 1542 km² in extent and accommodates approximately 26,816 people (Stats SA – 2022). 74, 3% of the total population is Black, with 14, 2% Coloured while the White population represents only 10, 4% of the total population. The Indian and Asian population at (1, 1%) is insignificantly small to impact on the proportional representation. The municipal area is divided into 6 wards. Wards 1, 2, 3 and 6 are situated in Ikhutseng, a predominantly Black area, while Warrenvale is a predomintly Coloured area, constituting Ward 4. Ward 5 is made up of Warrenton town, which was previously a White area, and the surrounding rural and farming areas.

T1.2.8

1.3. SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

The South African constitution state that municipalities have the responsibility to ensure that all citizen residing within municipal area of jurisdiction are provided with service to satisfy their basic needs. These services have a direct and immediate effect on the quality of the lives of the people in that community.
The Department Technical Services is devoted to improve the quality of life of its community by providing efficient, sustainable and affordable infrastructure specifically in terms of:

- Water and Sanitation
- Roads and Storm water
- Electricity, and
- Housing
- Effectively utilizing the available resources, and
- Identifying the best option that would maximize the output.

Expanded & accelerated economic investment and availability of reliable economic infrastructure. Section 229 of the Constitution allows municipalities to impose property rates and service charges. This obligation requires strict financial management and accountability to the public.
The provision of basic services is one of the Key Performance Areas as contemplated in Sect 152(1) of the Constitution. The National Minister in conjunction with the MEC for local government take their marching orders from the State of the Nation Address to continuously improve service delivery and assist local municipalities in meeting community needs.
Council conducted an audit of its indigent register to migrate as many deserving beneficiaries as possible. This will enhance our capacity to control and monitor our age analysis and ensure proper credit control and revenue collection.

T 1.3.1

T 1.3.2

COMMENT ON ACCESS TO BASIC SERVICES:

Access to Electricity

The Basic Services Policy adopted by government in 2001 addresses the right of all households, particularly those living in poor areas, to access a minimum amount of free basic electricity. This implies that distribution networks must be extended to ensure that all households are able to access the electricity grid.

According to the information gathered from different sources there is a decline in the accessibility to basic services. This decline is a mathematical reflection of Stats SA data set also relevant to the explanation that was given with regard to the change in the data set as well as what is considered to be acceptable access. The sharp drop in sanitation and waste services is because of the interpretation of the data sets. Many households do have pit-latrines without ventilation improvement pipes (VIP) that is now considered not be an acceptable standard of sanitation access.

Access to Sanitation
The Basic Service Policy of 2001 also guarantees access to a minimum level of sanitation, which is defined as households having access to, at minimum, a ventilated pit latrine also known as a VIP toilet. This standard of service delivery seemed necessary to ensure human dignity and prevent the spread of disease.

T1.3.3

1.4. FINANCIAL HEALTH OVERVIEW

NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (RATIOS)

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These KPI is linked to National Key Performance Area: Municipal Financial Viability and Management.

National Key Performance Indicator	2024/25	2025/26
Debt Coverage (Total operating revenue- operating grant received) debt service payment due within the year. (R158 973 106 - R73 680 884)346 474 539*100	25%	13%
Service Debtors to Revenue – (Total outstanding service debtors: revenue received for services) R19 531 888 /R26 604 081*100	73%	212%
Cost Coverage (Available cash + Investment): Monthly fixed operating expenditure (1 413 857+21 079 462)/ (142 364 247) *100	16%	2%

Financial OverView : 2024/25			
R '000			
Details	**Original Budget**	**Adjustment Budget**	**Actual**
Income	R 203 713 421.00	R 244 150 657.00	R 232 897 318.00
Grants	R 115 200 000.00	R 155 482 489.00	R 149 765 378.00
Taxes,Levies and Tarrifs	R 55 316 488.00	R 54 848 996.00	R 51 721 085.00
Other	R 33 196 933.00	R 33 819 172.00	R 31 410 855.00
Sub-Total	**R 203 713 421.00**	**R 244 150 657.00**	**R 232 897 318.00**
Less: Expenditure(excl. grants)	-R 49 129 357.00	-R 30 421 178.00	-R 121 590 594.00
Expenditure (grants)	-R 115 200 000.00	-R 155 482 489.00	-R 147 605 096.00
Net Totals*	**R 39 384 064.00**	**R 58 246 990.00**	**-R 36 298 372.00**

Operating Ratios		
Details	**Calculation**	**%**
Employee Costs	R54 559 497/ R185 903 667 x 100	29%
Repairs & Maintenance	R6 239 732/ R185 903 667 x 100	3%
Finance Charges & Impairement	R55 822 862 / R 185 903 667 x100	30%
		1.4.3

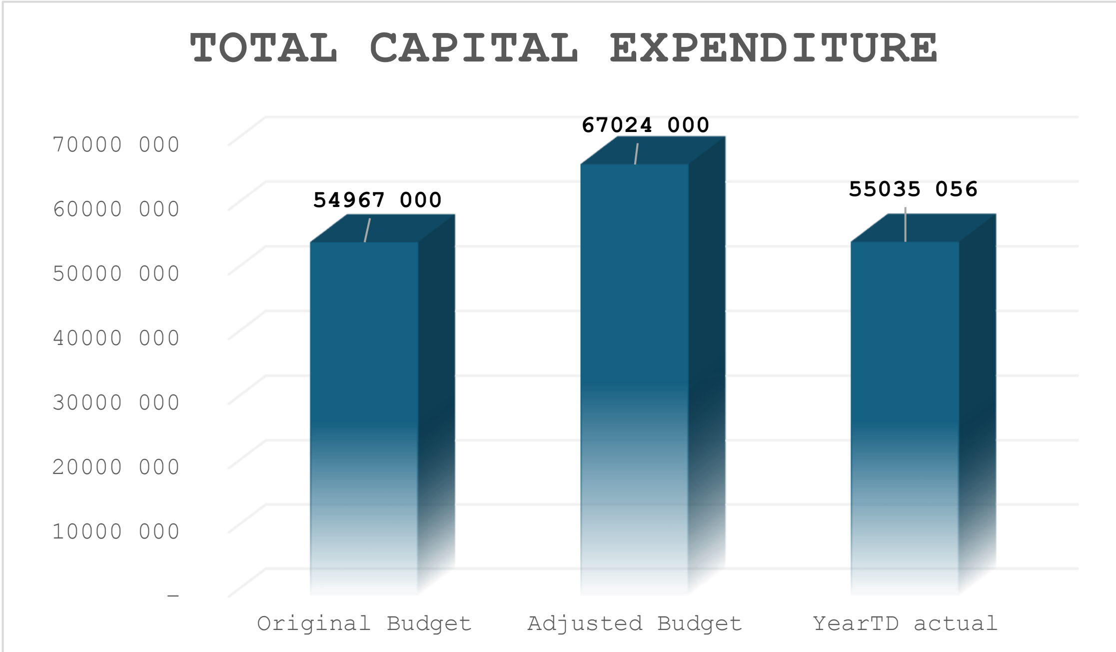
COMMENT ON OPERATING RATIOS:

Employee Cost- The major portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employees cost by the total operating expenditure. The ratio of personnel expenditure to operating expenditure is widely used as an indicator of the sustainability of municipal budget and expenditures. It should be noted that the Impairment loss amounts to **R896 179** and it's a non-cash item. According to MFMA budget circular No. 59 there is no prescribed or recommended benchmark for the ratio personnel expenditure to operating expenditure. Currently among municipalities with electricity function, this ratio is tending to move downward despite large increases in personnel spending due to annual increase as per bargaining council gazette. This is because spending on bulk electricity purchases is increasing at a very fast rate, driving the relative share of all expenditure categories down

Repairs and Maintenance – this represent the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance with the operating expenditure. National Treasury has recommended that repairs and maintenance expenditure budget should be 8 percent of the total value of assets.

T1.4.3

Total Capital Expenditure: 202324 to 202526			
Detail	**2023/2024**	**2024/2025**	**2025/2026**
Original Budget	R 54 967 000	R 42 258 000	R 36 361 000
Adjustment Budget	R 67 024 999	R 82 092 809	R -
Actual	R 55 035 046	R 73 924 212	R 18 359 737
			T 1.4.4



T1.4.5

COMMENT ON CAPITAL EXPENDITURE:

Comments as per financial performance on the AFS for 30 June 2025.
The capital budget for 2024/25 was **R42 258 000** with an adjustment budget of **R82 482 009** with a total expenditure of **R73 924 212** which is 90% of the total adjustment budget. There was an unspent of R **1 450 713.**

T 1.4.5.1

1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

The Municipal Systems Act, MSA 2000 S67, requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998. In order to comply with the prescripts of the Municipal Systems Act No. 32 of 2000 the following strategic interventions, amongst others, have been invoked to ensure fair; efficient; effective; and transparent personnel administration.

Establishment of the Local Labour Forum (where Management and Organized Labour engage vigorously on matters relating to Conditions of Employment for employees), which is fully functional irrespective of the teething challenges, experienced.

A number of workforce policies that forms part of the Human Resources Strategy were compiled and reviewed during the period under review and have to been approved and adopted by Council after the Council members are work shopped on the policies. The policies will provide Management with strategic decision making and meeting the organization's strategic objectives.

The effective and efficient Human Resource Management and Development allowed us to identify and report on all HR matters, which could have an effect on financials, performance management and compliance with rules and regulations. Magareng Local Municipality has managed to become a Learning Organization with skills and capacity due to our dedication and commitment to Human Resource Management and Human Resource Development.

The position of the Municipal Manager (MM) is vacant and the position of Head Technical Department is filled. Site visits on Occupational health and Safety was done to educate and make employees aware about Health and Safety measures in the workplace. The OHS Committee monitors all instances of injuries on duty and makes follow up on all Occupational Health and Safety incidents within the Municipality and submits reports on progress.

A proper record is kept for all types of leave instances and an amount of time taken each year is recorded as per Human Resources Dashboard. The Workplace Skill Plan (WSP) for the year under review has been submitted after proper consultation all stakeholders within the Municipality. The WSP was populated based on the individual Personal Development Plans (PDP) of employees and training/development will be carried out on the basis of these. Some of the HODs and middle managers are currently attending the Competency Requirements course as determined by the Municipal Finance Management Act (MFMA).

Challenges faced by the Municipality on Capacity Development are to some extent the unavailability or insufficient funds to finance developmental training and capacity building for career-pathing of employees within
Municipality.

T 1.5.1

1.6. AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT: 2024/2025(CURRENT YEAR)

As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), the responsibility of the Auditor General is to express an opinion on the municipality's financial statements based on conducting an audit in accordance with International Standards on

Auditing.

A report from the Auditor General for the financial year under review **will be** contained in chapter 6 of this report.

T 1.6.1

1.7. STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	May
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft 2024/2025 Annual Report to Internal Audit	
5	Audit/Performance committee considers draft Annual Report of municipality	August
6	Mayor tables the unaudited draft Annual Report	
7	Municipality submits Draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
8	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
9	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – November
10	Municipalities receive and start to address the Auditor General's comments	December
11	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	January
12	Audited Annual Report is made public and representation is invited	
13	Oversight Committee assesses Annual Report	February – March
14	Council adopts Oversight report	
15	Oversight report is made public	
16	Oversight report is submitted to relevant provincial councils	March
17	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	
		T1.7.1

COMMENTSON THE ANNUAL REPORT PROCESS:

It is necessary that the municipality derive maximum benefit from its efforts in submitting reports. Such benefits are typically obtained in the form of being able to compare and benchmark against other municipalities and to learn from the feedback mechanisms.

The annual report process flow provides a framework for the municipality to follow in completing various reports within each financial year cycle. It is recommended that municipal manager study this process flow and ensure that reports are submitted timeously. If the process flow is followed, the municipality should be able to provide an unaudited annual report in August of each year, which is consistent with the MFMA.

The annual report of a municipality and every municipal entity must be tabled in the municipal council on or before 31 January each year (MFMA S127). In order to enhance oversight functions of the council, this must be interpreted as an outer deadline; hence the municipality must submit the annual report as soon as possible after year end.

The annual report must be aligned with the planning documents and municipal budget for the year reported on. This means that the IDP, budget, SDBIP, in-year reports, annual performance report and annual report should have similar and consistent information to facilitate understanding and to enable the linkage between plans and actual performance.

The above can only occur if the municipality set appropriate key performance indicators and performance targets with regards to the development of priorities and objectives in its IDP and outcomes (MSA S41). This requires an approved budget together with a resolution of approving measurable performance objectives for revenue from each source and each vote in the budget (MFMA, S24).

The annual report content will assist municipal councillors, municipalities, residents, oversight institutions and other users of annual reports with information and progress made on service delivery. It must align with the Integrated Development Plan (IDP), Budget, Service Delivery and Budget Implementation Plan (SDBIP), and in year reports.

The contents will also assist with the annual audits. Another key aspect of the reform in combining the relevant information into the new annual report format will assist the municipality to streamline operations and processes through combined committees, reduce costs, time and effort. There will be a limited need for the municipality to have different committees to deal with financial and non-financial related matters.

T1.7.1.1

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

Good governance has eight major characteristics. It is participatory; consensus oriented; accountable and transparent; responsive; effective and efficient; equitable; inclusive; and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

To govern is to exercise political, economic and administrative authority to manage the nation's affairs. Governance is the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights and obligations, and mediate their differences.

The political and administrative components of Council maintain a sound working relationship by ensuring respect of procedures and protocols. The Magareng Local Municipality (MLM) as Legal entity relate to the other spheres of Government and Organized Local Government Bodies through the Intergovernmental Policy Framework. Communities as an Interest Group in Municipal Affairs participates through Public Participation Mechanisms and processes in the Decision-Making Systems of Council
This includes interaction with the stakeholders in shaping the performance of the municipality in order to enhance a healthy relationship and minimizing conflict.

T2.0.1

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Executive Committee of Magareng Local Municipality is the political governance structure that is established in terms of Section 45of Local Government: Municipal Structures Act 117 of 1998. Cllr Neo Mase is the Executive Mayor of Magareng Local Municipality and the face of the municipality. The Executive Mayor should be used in all public meetings, municipal stakeholders' forums and all media platforms.

The Speaker of council is elected in terms of section 36 of Local Government: Municipal Structures Act 117 of 1998 and he is responsible to carry out the duties of Chairperson of the Municipal Council under the Municipal Structures and Section 59 of the Systems Act No 32 of 2000. The Speaker enforces the Code of Conduct and exercises delegated authority in terms of the Municipal Systems Act.

Political governance ensures regular communication with the community at large by means of Imbizo's, IDP and budget consultations. This ensures that the community participates in identifying needs and make inputs on the performance of the municipality. This process ensures healthy relations with the community and minimizes conflict. Administrative governance ensures transparent administration, regular feedback to the community, compliance to the required rules, processes, and laws by which Council is operated, regulated, and controlled.

T2.1.0

POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

Council performs legislative functions. It focuses on legislative, oversight and participatory roles. Its primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their function as policy makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

COUNCILLORS

Magareng local Municipality is an Executive Council type of Municipality. The Council elects the Executive Committee members and the Executive Mayor. Magareng local Municipality consists of 11 Councillors' and has 6 wards. The Municipality has been established in terms of the Constitution of the Republic of South Africa 1996 Chapter 7- Local Government 155 Establishment of Municipalities.

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Municipal Public Accounts Committee has been established in terms of section 79 of the Municipal Structures Act, No. 117 of 1998. The main purpose of the committee is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality and to consider annual report and submit oversight report on the annual report to council. The MPAC comprises of three (3) Councillors and one (1) support official. The Oversight Report will be published separately in accordance with MFMA guidance.

T 2.1.1

POLITICAL STRUCTURE	FUNCTIONS
Executive Mayor	Provide political guidance over the fiscal and financial affairs of the municipality To oversee the preparation of the annual budget Submit quarterly reports to Council on the implementation of the budget and the financial status of the municipality Coordinate the annual review of the IDP To ensure that the Mayoral Committee is perform its functions properly Promotion of intergovernmental relations Convene public hearings and meetings Identifies the needs of the community in terms of the IDP processes. Reviews those needs in order of priority Recommend to the municipal council strategies, programmes and services to address priority needs through the IDP, estimates revenues and expenditure, taking into account any applicable National and Provincial Plans Recommend and determine the best way, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community**.**
The Speaker	The Speaker presides over the council meetings and maintains order during council meetings. Ensure that the council meets at least quarterly. Ensure that the rules of order are complied with during the proceedings of council meetings. Execute any other duties as delegated to the speaker in terms of the council delegation systems. Maintains order during Council meetings Ensure that Councilors adhere to the Code of Conduct Support to Councilors Facilitate public participation coordinate the establishment and functionality of ward committees
Chief Whip:	The role of Chief Whip is to ensure that Councillors are accountable to the communities, that code of conduct is respected and adhered to by all Councillors. The Chief Whip ensures discipline during Council and Committee Meetings. He facilitates political debates, workshop for all Councillors.

COUNCILLORS

Councillors provide a vital link between communities they serve. They are responsible for representing the needs and interests of the people they represent, regardless of whether they voted for them. Although councillors are not usually full-time professionals, they are bound by a code of conduct.

A Ward Councillor has to balance the expectations of his/her ward and that of their political party. The Ward Councillor is the chairperson of the ward committee, responsible for convening the constituency meeting to elect ward committee members, calling ward committee meetings, ensuring that a schedule of meetings is prepared, handling queries and complaints in the ward, resolving disputes and making referrals of unresolved disputes to the municipality, ensuring that the ward committee does what the municipality expects about reporting procedures. See Appendix B which sets out committees and committee purposes.

T2.1.2

POLITICAL DECISION-TAKING

All council meetings are run according to the approved Standing Rules of Orders. These set out how the council meeting should be run, how you can propose motions or pass resolutions and how decisions will be made. The speaker or chairperson of the council decides whether anyone is breaking the Standing Orders and is responsible for keeping order.

The Political decision-making is done in the following manner:

1. The Corporate Services Department is responsible and ensures that the agendas are prepared in time before council and committee meetings. Any committee reports, petitions or motions have to appear on an agenda, before they can be discussed and must be received by all Councillors at least seven (7) days before the sitting of section 79 committee and Executive Council.

2. Often issues are discussed at committees before they can be brought to council.

3. The council will then resolve on the matter/s. Most council decisions are taken after a committee held its meeting and recommend to council. When council agrees by a majority resolution, the recommendation becomes a resolution of council.

SECTION 79 COMMITTEES

(a) The Audit Committee
The Audit Committee is a committee of the Council and performs the statutory responsibilities assigned to it by the Local Government: Municipal Finance MFMA (sections 165 and 166), and other relevant responsibilities delegated to it under its charter by the Council.

It is an independent advisory body that advises Council, the political office-bearers, the accounting officer and the management of the municipality on matters relating to:

- Internal financial control and internal audits;
- Risk management; Accounting policies;
- The adequacy, reliability and accuracy of financial reporting and information;
- Performance management;
- Effective governance and compliance with the prescribed laws and regulations.

T2.1.3

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Municipal Manager who is the head of administration and therefore the Accounting Officer is in terms of section 55 of the Municipal Systems Act, 32 of 2000 as amended the Municipal Manager as head of administration is subject to policy directives of the municipal council responsible for the formation and development of an efficient, economical, effective and accountable administration and must manage the municipality in accordance with all legislation and policies pertaining to Local Government. In terms of section 50 of the Municipal Systems Act 32 of 2000 as amended, the Council in consultation with the Municipal Manager must appoint managers who are directly responsible to the Municipal Manager who must have relevant and requisite skills and expertise to perform the duties associated with the posts they each occupy.

The Municipal Manager is also accountable for all the income and expenditure and all assets as well as the discharge of liabilities of the municipality including proper and diligent compliance with the Municipal Finance Management Act, 53 of 2003. Each senior manager or director who reports directly to the Municipal Manager are delegated the functions which the Municipal Manager may delegate to them and are responsible for all those matters delegated to them including financial management as well as discipline and capacitating of officials within their areas of responsibility and compliance to all legislation governing Local Government, it's policies and by-laws.

The Municipal Manager and Directors forms the senior management core and all directors are accountable to the Municipal Manager in terms of strategic management and oversight of their departments.

TOP ADMINISTRATIVE STRUCTURE	FUNCTIONS
Acting Municipal Manager Mr T Thage	Forming and developing an economic, efficient and accountable administration; Implementing and managing the MLM's performance management system; Coordinating and implementing the MLM's IDP; Implement departmental Service Delivery Budget Implementation Plan (SDBIP). Managing the Municipality's administration in accordance with the Constitution, the Local Government Structures Act, the Municipal Systems Act, the Municipal Finance; Management Act and all other national and provincial legislation applicable to MLM; Managing provision of services to the local community in a sustainable and equitable Manner; Developing and maintaining a system to access community satisfaction with Municipal Services; Appointing, managing, effectively utilizing and training staff and maintaining staff discipline; Advising political structures and political office bearers of the MLM, managing communications between them, administering, implementing council resolutions and carrying out their decisions; Being responsible for all income and expenditure of the MLM all assets, the discharge of all liabilities of the MLM and proper and diligent compliance with applicable Municipal Finance Management legislation.
CFO Ms K Khaziwa	Reporting directly to the Municipal Manager on key departmental activities. Develop and implement key strategic / business plans including Supply Chain Management, Revenue Management, Expenditure Management and Budget & Reporting. Prepare and implement municipal budget. Prepare Annual Financial Statements and other mandatory financial management reports. Manage Departmental budget, human resources & other resources in accordance with local government legislation; Establish, operate and maintain support structures, processes and systems; Management and monitoring of all income, expenditure, assets and Liabilities; Cash-flow management; Develop and implement Supply Chain Management Policy, specific procedures, systems and controls; Ensure timely preparation of Budget and Financial Statements; Implement all financial policies and ensure they comply with applicable legislation and National Treasury Regulations.

HOD: Corporate Service Mrs. Dibueng Corney Lentsoe	Managing and controlling various line functions within the Directorate which include general administration, Human Resources, Council Support, Corporate strategy; Leading, directing and managing staff within the Department so that they are able to meet their objectives; Rendering Support by advising and overseeing all matters of procedures relating to minutes and resolutions of the Council Committees; Managing and controlling the compilation and execution of the departmental capital and operating budget; Executing any function delegated by the municipal Manager in terms of powers and delegations in the relevant legislation and related to the functions of this post; Administering records/archives registry, skills development, legal matters and employment Equity; Developing, implementing Collective Agreements and managing strategic goals, policies, procedures and plans; Ensuring proper administration of Council delegation System;
HOD : Technical Services Mr Tumelo Thage	Management of the entire Technical Services department. Compile and manage the Directorate's annual Capital and Operational Budget. Management of Technical Services including Civil Engineering Services, electrical distribution and maintenance of roads and storm-water drainage. Planning and maintenance of water reticulation system and sewerage treatment infrastructure. Developmental strategic planning of infrastructure expansion and co-ordination. Ensure the sustainable provisioning of engineering services including infrastructure development and maintenance in line with the IDP. Management of civil engineering, projects and capital construction development
HOD: Community Service Vacant	Management of the entire Social Services department. Compile and manage the Directorate's annual Capital and Operational Budget. Strategically direct and manage services related to solid waste management. Provision of sports, recreation, cultural, arts and library information services. Responsible for setting standards for the maintenance of cemeteries, parks, halls and other community services. Management of refuse services of the entire Magareng area.

2.2.1

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Chapter (3) three of the Constitution of 1996 is an overarching legislative tool used to guide and provide detailed pieces of legislation like Municipal Systems Act, section 3, Municipal Structures Act, section 88 and the Intergovernmental Relations Framework Act, Act 13 of 2005.

The Magareng Local Municipality complied with the above legislative requirements during the annual report under review to ensure the continuous consultation with relevant stakeholders at the level of Co-operative Governance and Intergovernmental Relations (IGR) across the spheres of government to provide basic services to the community of the district. Sectors do present their developmental projects and programs to IGR meetings for inclusion in the Integrated Developmental Plan (IDP) of the district. We normally have outreach and service delivery blitz programs where all sectors would provide services to a particular ward in one of our local municipalities. This is a response to the clarion call of having a developmental local government in South Africa. However, there are some challenges in this process that need attention to be able to achieve the intended objective. There is a perception that Intergovernmental Relations and Co-operative governance is the responsibility of municipalities alone and not the other two spheres of government.

Inter-Governmental Relations is the organization of the relationships between the three spheres of government. The Constitution states that "the three spheres of government are distinctive, interdependent and interrelated". Local government is a sphere of government in its own right and is no longer a function or administrative implementing arm of national or provincial government. Although the three spheres of government are autonomous, they exist in a unitary South Africa meaning that they have to work together on decision-making, co-ordinate budgets, policies and activities, particularly for those functions that cut across the spheres.

Co-operative governance means that the three spheres of government should work together (co-operate) to provide citizens with a comprehensive package of services (governance). Local government is represented in the National Council of the Provinces and other important institutions like the Financial and Fiscal Commission and the Budget Council. The South African Local Government Association [SALGA] is the official representative of local government.

SALGA is made up of nine provincial associations. Local Municipalities join their provincial association. Executive elections and decisions on policies and programmes happen at provincial or national general meetings. SALGA is also an employers' organization and sits as the employer in the South African Local Government Bargaining Council. SALGA’s main source of funding is membership fees payable by municipalities. There is no intergovernmental strategy in the municipality.

T 2.3.0

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

The notion of Co-operative Governance and Intergovernmental Relations (IGR) in the country is rapidly evolving and gradually taking a particular shape and direction. The IGR system must be understood in the context of being a facilitating and engagement platform of sectors across the three spheres to amongst others ensuring the implementation of the National Development Plan (NDP), the Provincial Growth and Developmental Strategy (PGDS) and the District Development Model (DDM) which includes local municipalities. Our engagements with national departments like Water and Sanitation, National Treasury, Land and Rural Development, Monitoring and Evaluation, Public Works on EPWP program and Co-operative Governance and Traditional Affairs amongst others and the support they provide despite some challenges.

Intergovernmental Relations is about relations between different governments or between organs of state from different governments about the conduct of their affairs. At its most basic level, intergovernmental relations is about the relationships between the three "spheres" of government – national, provincial and local government – and how these can be made to work together for the good of the country as a whole.

The function of the IGR Forums such as the Mayors Forum as (Political and Policy Directive), Municipal Managers Forum as a (Technical Implementation Forum) will be established and their function is to:

- A consultative forum for the District Municipality, the respective Local Municipalities in the area, and the relevant Sector Departments from the Northern Cape Provincial Government to discuss and consult each other on matters of strategic and mutual regional interest, including:
  - Draft national and provincial policy and legislation, relating to matters affecting local government interests in the municipal area;
  - The implementation of national and provincial policy and legislation with respect to such matters in the municipal Area;
  - Matters arising in the Premier's intergovernmental forum affecting the municipal area;
  - Coherent planning and development in the Municipal Area, focusing on:
- Water Services;
- Sanitation
  - Land;
  - Subsistence farming;
  - The processing of agricultural products;
  - Housing; and
  - Traditional Leaders.
  - The provision of services in the Magareng Local Municipal Area;

At meetings of the IGR, as municipalities we discuss the implementation of national policy and legislation that affect the district and Provincial Government and discuss upcoming national policy and legislation that will affect the municipality.

The IGR is an ideal forum to discuss progress with regard to service delivery in the municipality as well as the problems that may impede such progress. Initiatives such as shared services models could also be dealt with at forum meetings.

T2.3.1

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The Magareng Local Municipality as part of the Northern Cape Province does participate in all the provincial programmes that seek to improve the quality of the life of its area of jurisdiction. The Office of the Premiering the province does extend invitations for municipalities to attend the Northern Cape Extended IGR.

South African Local Government Association in the Northern Cape that represent the interest of municipalities in the provision of sustainable services to communities also ensured that it establish the provincial IGR practitioners' forum where all the municipalities in the province meet to chart a way of ensure that IGR and Back to Basics is implemented. Magareng Local Municipality is fully participating at that level.

T2.3.2

RELATIONSHIPS WITH MUNICIPAL ENTITITIES

MLM does not have any entities in place.

T2.3.3

DISTRICT INTERGOVERNMENTAL STRUCTURES

The White Paper on Local Government issued in 1998 expresses the role of the District municipalities as follows: to build local municipalities where there is no capacity, initiating economic development of the district, planning land-use in the district and providing in the basic needs of people living in deprived areas. Number of processes and structures has been established by law to manage the relations between municipalities exercising jurisdiction over the same geographical area. First, the relationship should be one of mutual support and coordination.

The Municipal Structures Act thus obliges district and local municipalities to support one another at the request of either. The most important aspect of the relationship is probably the drafting of a district-wide IDP. There are also a number of structures in place in Frances Baard District Municipality to give effect to the objectives of mutual support and coordination. The following are IGR structures that we have in the district that are operational: The local Intergovernmental Relations: According to section 88 of the Municipal Structures Act, Act 117 of 1998, the District Municipality has the responsibility to provide support to its family local municipalities. The district provides support to locals in jointly convening at least one local IGR forum.

T2.3.4

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 (1) of the Municipal Systems Act (MSA), Act 32 of 2000, stipulates that a municipality must develop a system of municipal governance that complements formal representative governance with a system of participatory governance. Furthermore, Section 18 (1) of the MSA stipulates that a municipality is to provide its community with information concerning municipal governance, management and development.
Such participation is required in terms of:
- The preparation, implementation and review of the IDP;
- Establishment, implementation and review of the performance management system;
- Monitoring and review of the performance, including the outcomes and impact of such performance and Preparation of the municipal budget.

Community participation in local government affairs gives expression to the democratic principles and values of our Constitution and the political rights of the individual as entrenched in section 19 of the Constitution of the Republic of South Africa, 1996.

The Municipal Council encourages participation of the community and community organisations in local government matters and adheres to the democratic values and principles as enshrined in the Constitution of the Republic of South Africa, 1996 which governs the public administration.

Public participation is a principle that is accepted by all spheres of government in South Africa. Participation is important to make sure that government addresses the real needs of communities in the most appropriate way.

Public participation also helps to build an informed and responsible citizenry with a sense of ownership of government developments and projects. It allows municipalities to get buy-in and to develop partnerships with stakeholders.

The Municipal Council encourages participation of the community and community organisations in the local government matters and to adhere to the democratic values and principles as enshrined in the Constitution of the Republic of South Africa, 1996 which governs the public administration through:
- The preparation, implementation and review of the IDP
- Establishment, implementation and review of performance management system
- Monitoring and review of the performance, including the outcomes and impact of such performance and preparation of the municipal budget.

T 2.4.0

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa, 1996 and other statutory enactments all impose an obligation on local government and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.
Residents, Communities and Stakeholders (Civil Society)
To represent interests and contribute knowledge and ideas in the planning process by:
Participating in the IDP Representative Forum to:

• Inform interest groups, communities and organisations, on relevant planning activities and their outcomes
• Analyse issues, determine priorities, negotiate and reach consensus
• Participate in the designing of project proposals and/or assess them
• Discuss and comment on the draft IDP
• Ensure that annual business plans and budgets are based on and linked to the IDP
• Monitor performance in implementation of the IDP

Conduct meetings or workshops with groups, communities or organisations to prepare for and follow-up on relevant planning activities.

Communication is a two-way process in which there is an exchange of thoughts, opinions, or information by speech, writing, or symbols towards a mutually accepted goal or outcome. "Purpose of effective communication is sustaining the on-going work with maximum efficiency" Communication will help build good relationships with team members, sponsors, and other key stakeholders, to increase the likelihood of project or any activity success.

The Council also responds to the people's needs and encourage the public to participate in policy-making through IDP Representative Forums.

The Council fosters transparency by providing the public with timely, accessible and accurate information by publishing information in the local newspapers, using three predominant official languages of Setswana, Afrikaans and English. The municipality also make use of newspapers to communicate. The Municipal Council also engages the community through consultation in matters such as the IDP, budget, performance management, provision of services etc.

A key part of the municipality's annual plans should be how to communicate all this to the people and how to involve them in decisions or as partners. The municipality does not have public participation policy and communication policy but we have drafts in place of the two policies.

The Frances Baard District Municipality has established the Communication Forum and Magareng Local Municipality is part of the Communication Forum. Our current communication initiatives are the district external newsletters issued yearly and other means of communication available.

T2.4.1

WARD COMMITTEES

Legislation allows that Ward Committee be established in each ward of the local municipality. The purpose is to assist and advise Ward Councillors on matters relating to service delivery and the improvement of public participation.

Ward Committees are mainly advisory committees which can make recommendations on any matter affecting the ward within a municipality. It is thus the responsibility of the ward councillors to present the views or reports of ward committee to council for implementation purposes. The Municipal Council formulates the rules that guide Ward Committee Members, how often should meetings be held and the circumstances under which a member of a Ward Committee can be removed.

The purpose of a Ward Committee is to:

- Facilitate participatory democracy amongst community members.
- Ensure the dissemination of information or effective communication between the council and the Members of community.
- Help rebuild better partnership for better service delivery.
- Advise the ward councillor on service delivery and developmental projects in the community.

Structure of Ward Committee:

- Ward Committee shall consist of a ward councilor who must be the Chairperson of the Committee. In the absence of the Chairperson at a meeting, the councilor should delegate in writing the member who should chair.
- A Ward Committee shall be established in each ward and shall be inclusive of women, disabled and the youth etc, and not more than 10 (ten) people elected shall serve in a ward committee.
- Gender equity may be pursued by ensuring that there is an even spread of men and women on a ward committee, and a diversity of interest groups from within the ward.
- A ward councillor must at its first meeting nominate a secretary to fulfil the relevant duties of the ward committee.
- A ward committee may establish one or more subcommittees necessary for the performance of its functions and to involve organizations more broadly.
- The ward committee must appoint the members of such a sub-committee, from among its members and determine the functions of such a committee.
- The ward committee and subcommittees may meet together as a ward forum for major discussions.
- All relevant sectors in the ward are encouraged to participate in subcommittees that are relevant to their fields or interest and to their day-to-day functioning as a sector.

11.1

T2.4.2

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Outreach Program	N/A	N/A	N/A	N/A	N/A	N/A
						T 2.4.3

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

Participation is one of the cornerstones of our democracy and has equal benefits for politicians, officials and civil society:

Consultation will help council make more appropriate decisions based on the real needs of people.

The more informed people are, the better they will understand what government is trying to do and what the budget and resource limitations are.

Councilors can only claim to be accountable if they have regular interactions with the people they represent and if they consult and report back on key council decisions.

Government cannot address all the development needs on its own and partnerships are needed with communities, civil society and business to improve service delivery and development.

T2.4.3.1

2.5 IDP PARTICIPATION AND ALIGNMENT

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

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed. Corporate governance does cover a broad spectrum of elements that need to be aligned and integrated to ensure the smooth effective, efficient and economic functionality of municipalities.

T2.6.0

2.6 RISK MANAGEMENT

In terms of section 62(1)(c)(i) '' the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal controls.

Risk Management plays a crucial role in 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 benefit of its citizens. The role of the Risk Management in the municipality is to provide the expertise and support for institutionalizing Enterprise Risk Management and thereby embedding a risk intelligent culture. This is achieved through various methods including employee training on the principles and practices of risk management, coordinating efforts in determining the municipality's risk exposure and in the development of mitigating actions by management for addressing the identified risks.

T2.6.1

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND 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 MFMA, section 112(1)(m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favoritism 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.

Internal Audit Unit

Magareng Local Municipality make use of the internal audit shared services of Francis Baard District Municipality to advise the Accounting Officer and report to the Audit Committee on the implementation of the internal audit plan and matters as stipulated in section 165 of the MFMA.

Audit Committee

Magareng Local Municipality make use of a single audit committee established by the District municipality and its local municipalities to advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters as stipulated in section 166 of the MFMA.

Human Resources Management

Screening procedures are performed prior to the employment of officials. All employees signed the code of conduct on appointment. New employees are inducted to introduce the employees to the culture of the municipality. In the process the employees are provided with the policies and procedures of the municipality to encourage good business conduct in performing the duties. *T 2.7.1*

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

Magareng Local Municipality approved a supply chain management policy that is fair, equitable, transparent, competitive and cost effective. In case of an abuse of supply chain management system the accounting officer implement the procedures according to the supply chain management policy to combat fraud. Officials and other role players in the supply chain management system of the municipality signs a code of ethical standards as set out in the National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management" which is established to promote mutual trust and respect; and an environment where business can be conducted with integrity and in a fair and reasonable manner.

The supply chain management policy is aimed primarily at promoting uniformity in SCM processes and also in the interpretation of government's preferential procurement legislation and policies, which should themselves be seen in the context of other related legislative and policy requirements.
Essentially, SCM refers to managing the demand of goods and services to their acquisition, managing the logistics processes and finally, after use, to their disposal. It encompasses the procurement, contract management, inventory and asset management, and obsolescence planning processes.
The procurement processes covers:

- Pre-solicitation (need analysis, specification, award criteria)
- Solicitation (bidding process)
- Negotiation (bidding process, drafting of contracts)
- Performance (change orders, review of completed work and sign-offs compliance assessments of deliverables, release of funding etc.)
- Administration, within the municipal prescripts and policies.

The MFMA expects all municipalities to ensure that they develop and maintain a well-documented, operational procurement system, within a system which is fair equitable, competitive, cost effective and transparent. This process is, and will always remain one of the highest exposures to fraud and corruption in any organization in the government. The process is, by necessity, highly regulated and very complex including a wide array or legislative and procedural requirements and prescripts.

T2.8.1

2.9 BY-LAWS

By-laws Introduced during 2023/2024

Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
No new By-Laws were Developed	No By-Laws were revised	No	N/A	N/A	N/A
**Note: See MSA section 13.*					*T 2.9.1*

COMMENT ON BY-LAWS:

Section 11 of the MSA gives municipal council the executive and legislative authority to pass and implement by - laws and policies. Once the by-laws are gazetted, people who are in contravention will be criminally prosecuted in a court of law, and could be sentenced to pay a fine or even to direct imprisonment.

T2.9.1.1

2.10 WEBSITES

A municipal website should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that municipalities place key documents and information on their website, including the IDP, annual budget, adjustment budget and budget related documents and policies.

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's Website	**Yes / No**	**Publishing Date**
Current annual and adjustments budgets and all budget-related documents	Partially	N/A
All current budget-related policies	Yes	N/A
The previous annual report (2023/24)	Yes	February 2024
The Annual Report (2024/25) published/to be published	Yes	February 2025
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2021/22) and resulting scorecards	Yes	
All service delivery agreements (2024/25)	No	N/A
All supply chain management contracts above a prescribed value (give value) for 2022/233	No	N/A
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2024/25	No	N/A
Contracts agreed in 2023/24 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2021/22	No	N/A
		T 2.10.1

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

A municipal website should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves sstakeholder involvement and facilitate stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that municipalities place key documents and information on their website, including the IDP, annual budget, adjustment budget and budget related documents and policies.

T2.10.1.1

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFCATION LEVELS

For the year under review, the municipality did not conduct the public satisfaction survey.

T2.11.1

Satisfaction Surveys Undertaken during: 2023/24 and 2024/25				
Subject matter of survey	**Survey method**	**Survey date**	**No. of people included in survey**	**Survey results indicating satisfaction or better (%)***
Overall satisfaction with:	Not conducted	n/a	None	None
(a) Municipality				
(b) Municipal Service Delivery				
(c) Mayor				
Satisfaction with:	Not conducted	n/a	None	None
(a) Refuse Collection				
(b) Road Maintenance				
(c) Electricity Supply				
(d) Water Supply				
(e) Information supplied by municipality to the public				
(f) Opportunities for consultation on municipal affairs				
** The percentage indicates the proportion of those surveyed that believed that relevant performance was at least satisfactory*				*T 2.11.2*

Concerning T 2.11.2:

The table is relevant to MLM but information could not be provided due to the fact that no public satisfaction surveys were conducted.

T2.11.2.1

COMMENT ON SATISFACTION LEVELS:

Community satisfaction survey was not conducted, and the responsibility should first be delegated to a specific department. i.e Community Services

T 2.11.2.2

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

COMPONENT A: BASIC SERVICES

INTRODUCTION TO BASIC SERVICES

Generally, Magareng Local Municipality basic services provision is characterized with poor planning, adhoc implementation of capital projects with no systematic thought process. This can be mainly attributed to three aspects (i) the lack of planning tools such as service delivery frameworks;(ii) inadequate budgeting for infrastructure maintenance and new infrastructure development; and (iii) lack of qualifications and trade specific competencies in the technical department.

The lack of service delivery frameworks simply translates to poor planning and inefficient provision of service delivery to the community. Some of the primary grant funders of the municipality, such as MIG and WSIG, have indicated reluctance to continue funding municipal programmes in the absence of the service delivery frameworks. The following service delivery frameworks are identified as critical components that are lacking at the municipality:

- Capital Infrastructure Framework: medium to long term
- Integrated Waste Management Plan
- Water and Sanitation Masterplan
- Water Conservation and Demand Management Plan
- Electrification Masterplan
- Energy Saving and Demand Management Plan
- Sector based Operation & Maintenance Plans (O&M Plan)

The budget for basic services is not reflective of the service delivery challenges the municipality experiences. Firstly, by simply analysing the O&M budget over the 5 previous financial years, an irregular budget pattern is evident, to the extent that the budget is decreasing over the period; this simply means O&M it is grossly under budgeted. Secondly, the municipalities O&M activities are mainly reactive. In other words, the municipality does not know how to plan operation and maintenance activities, as a result there is no predisposition of the magnitude of the next breakdown.

The qualifications in middle management and trade specific competencies such as technicians, process controllers, plumbers, electricians are very low and non-existent in some areas in the technical department. This is a serious problem, as critical municipal infrastructure in roads, electricity, water and sanitation is managed and handled through ‘common sense’ that is not backed the application of scientific theory. Interrelated to all of the above is that, there is a direct linkage in the between irregular and wasteful expenditure that is continuously incurred due to inadequate budgeting and reactive O&M protocols.

WATER SUPPLY SERVICES

A common characteristic of the municipality's water distribution systems is that it is passively vulnerable and operates under extreme challenges. High water losses of the water distribution system is the most significant challenge, which best represents, the current status quo and is identified as playing a significant role on the vulnerability of the water distribution system. This is further demonstrated by disaggregating the water losses into two components financial and technical losses.

Firstly for financial losses, the Auditor General audit finding for the 2023/24, indicates that the material water losses accounts for 97% of the total water purchased, this percentage indicates the municipality only generates income from 3% of the total water purchased. Secondly, for the technical losses there is no bulk metering in place to ascertain the total system volume input. In other words, the municipality does not know how much water it produces on a daily basis vs the bulk purchases, how much is lost due to leakages, etc. It is also important to note that the municipality does not know if existing water demand exceeds the authorized raw water abstraction allowance. This clearly illustrates what was termed 'a growing water crisis' and an unsustainable water supply service provision. The character and scale of the problem requires an integrated management approach.

SANITATION SERVICES

The existing bulk sewer network is experiencing operational failures. The Warrenton Waste Water Treatment Works experiences a myriad of challenges on a daily basis. There are three primary challenges, which best represents, the current status quo and are identified as playing a significant role in the level of treatment of wastewater the facility achieves.

Firstly, the facility does not have enough capacity to deal with the existing wastewater flow and its constituent loading. In other words, the volume of the wastewater generated exceeds the capacity of the plant to adequately and efficiently treat the wastewater. This specific challenge creates an insidious overloading problem for the processes at the Clarifier, Aeration Basin and Maturation Pond. For example, at the secondary settlement tank, the increased 'load' has created a sludge build-up, which overtime has blocked the desludge valves and decreased the speed of the rotating bridge. At this point, the "activated sludge" is constrained from recirculating back to the aeration basin. This directly affects the rate of decomposition of bacteria and further biodegradation not occurring. This is also the reason why 'partially' treated water is being disposed into the maturation pond and ultimately into the Vaal River.

Secondly, major processing units such as the inlet works, horizontal aerators and clarifier are old, dilapidated and lost its optimal functionality over a period of time. Thirdly, it is the vandalism and theft of the existing infrastructure, moreover in the context of Magareng municipality, which has no financial capability to replace major processing units and equipment as and when incidents of vandalism and theft occurs.

The existing pumpstations is experiencing operational failures. The operational failures are directly influenced by problems at the three pumping stations (vandalism of electrical panels, theft of submersible pumps, no roof structure, no site lighting, no screening equipment and backup power). This ultimately constrains the sewer in flowing at the required velocity.

In other words, due to the problems at the three pumping stations, the sewage is not draining adequately. It remains stationary for prolonged periods, resulting in blocked manholes downstream that subsequently creates refluxes of raw sewer back into the households, overspills of raw sewer from the blocked manholes on the road reserves and discharges to the natural environment.

ELECTRICAL SERVICES

Electrical service provision within the municipality is a balance between scares financial resources and service priority; this has led to infrastructure delivery backlogs. There is significant backlog in the provision of public high mast lighting system and electrification of households in areas such as Majeng. The Majeng community is made-up mainly of indigent households and wholly depend on the municipality for the provision of basic services.

The Auditor General audit finding for the 2024/25, indicates that the material electricity losses accounts for 33% of the total electricity purchased, this percentage indicates the municipality only generates income from 66% of the total electriicity purchased.

SOLID WASTE MANAGEMENT SERVICES

Magareng local municipality is faced with a precarious and hazardous situation where the solid waste disposal sites in Warrenton are in a bad state and in direct conflict with the provisions of the waste act. The Warrenton waste disposal site is in a more dire situation as a section 51(g) directive has already been issued by the Provincial Department of Environment and Nature Conservation.

The following items are identified as shortcomings:

- Waste is windblown all over the area as there is no adequate fencing around the sites.
- There is no shelter for the caretaker/supervisor.
- There is no water supply to the site, and no sanitation facilities present.
- There is no weighing bridge to record procedures
- Dumping trenches need to be constructed.
- There is no classification of waste and general waste management practices on site

ROAD AND STORMWATER SERVICES

The provision of roads is the most notable feature in Magareng municipilality's land development. However, the impact of O &M costs, stormwater management, increased traffic and vehicular movement shas caused serious problems such as formation of excessive potholes and flooding downstream. The effects of flooding downstream also create new problems in the receiving streams i.e.high peak flows, excessive erosion and sedimentation, increased pollution and general decreased value of the environment.

FLEET MANAGEMENT SERVICES

The Fleet Management Section consists of **14petrol and diesel vehicles** (including earthmoving machinery & other miscellaneous equipment). For a municipality which consists of ±114 workers in the technical department 11 vehicles simply translates to inadequate tools of trade and shambled service delivery provision. Notwithstanding the condition of the vehicles, which is bad, as almost all the vehicles has failed roadworthy tests.

ENVIRONMENTAL COMPLIANCE DIRECTIVES ISSUED

The task of the Municipal Council and management is to respond to this historical anomaly, rectify the contravention and take reasonable measures to prevent such pollution from occurring, continuing or recurring.

WARRENTONWASTE DISPOSAL SITE

The Department of Environment and Nature Conservation has issued a notice of intent in terms of section 51(G) of the National Environmental Management: Waste Act (Act No 59 of 2008) in respect of mismanaging the license conditions of the landfill site. Some of the findings against Magareng Municipality are:

- Waste is disposed haphazardly which causes the site to be unsightly and unhealthy
- Different waste are mixed with no control
- No management of Site
- Burning of waste
- Uniformalised recyclers on site

WARRENTONWASTE WATER TREATMENT WORKS

The Department of Water and Sanitation has issued a directive in terms of sections 21(f) (g), 19(3) and 53(1) of the National Water Act, 1998 (Act no 36 of 1998). The substantive matters of the directive are summarized as follows:

- Section 19 (1) of NWA, 1998 – Engaging in water activities that cause pollution of a water resource
- Section 21(f) (g) & 22 (1) (a) (b) (c) of NWA, 1998 – Warrenton WWTW Water use authorization

STATE OF EXISTING INFRASTRUCTURE

Perhaps it is pertinent to state that the current state of infrastructure in Magareng is in precarious and bad condition. Simply put, the infrastructure is old and has reached its design life. In certain instances, operation and maintenance activities are actually destroying the infrastructure further. For an example, a blocked sewer in Ikhutseng cannot be unblocked through a simple mechanism such as a drain rods as the asbestos cement pipes are heavily corroded that an application of pressure collapses a whole length of pipes. Similarly, in town, Erasmus Street is riddled with potholes, over the years the municipality has been patching potholes as the only remedy whereas a simple visual inspection indicates that the problem is the base layer materials thus a suitable option would have been to rehabilitate and mill the road.

All of the potable water bulk distribution pipeline materials is made ofasbestos cement, which is not permitted by the current legislation for transportation of potable water. The long term effect of asbestos on human health has been well researched and published, resulting in review of various laws pertaining to the usage of Asbestos products.

It is in this context, that it is categorically stated that the infrastructure of Magareng municipality requires an urgent and comprehensive recapitalization program. This needs to be urgently undertaken to deliver services sustainably to the deserving communities of Magareng.

INTRODUCTIONTO WATER SERVICES PROVISION

The Water Services Act, Act 108 of 1997 (RSA, 1997) defines a water serviceas awater supply services and sanitation services. Accordingly, a water supply service is defined as the raw water abstraction from a source (river or dams), conveyance to a water purification facility, the treatment and subsequent distribution of potable water to households. Sanitation service is defined as the collection, removal, disposal or purification of human excreta, domestic waste-water (grey water), sewage and effluent from commercial sources.

Magareng municipality has a centralized water service system having its own Water Treatment Works (WTW), Waste Water Treatment Works (WWTW) and respective service distribution networks. The major attributes of the water service are summarized as follows:

Table 1: Attributes of the Water service

Attributes	Warrenton
WTW Capacity	9.79Mℓ/d
Boreholes	-
Water Distribution Network consists of asbestos and uPVC pipes (length)	125km
WWTW Capacity	2Mℓ/d
WWTW (Extended Aeration)	-
Sewer Distribution Network consists of asbestos and PVC pipes	80km

WATER SUPPLY SERVICES PROVISION

The Constitution of the Republic of South Africa (1996) under the Bill of Rights, section 27(1) (b) states that it is a basic human right to have access to water. The Constitution under section 27(2) makes it an obligation for government to take practical legislative and other measures, within its available resources, to achieve the progressive realization of this right. In response to this constitutional injunction, it is important for Magareng Municipality to translate this mandate into tangible results on the ground, taking into account the realities as they exist within the municipality.

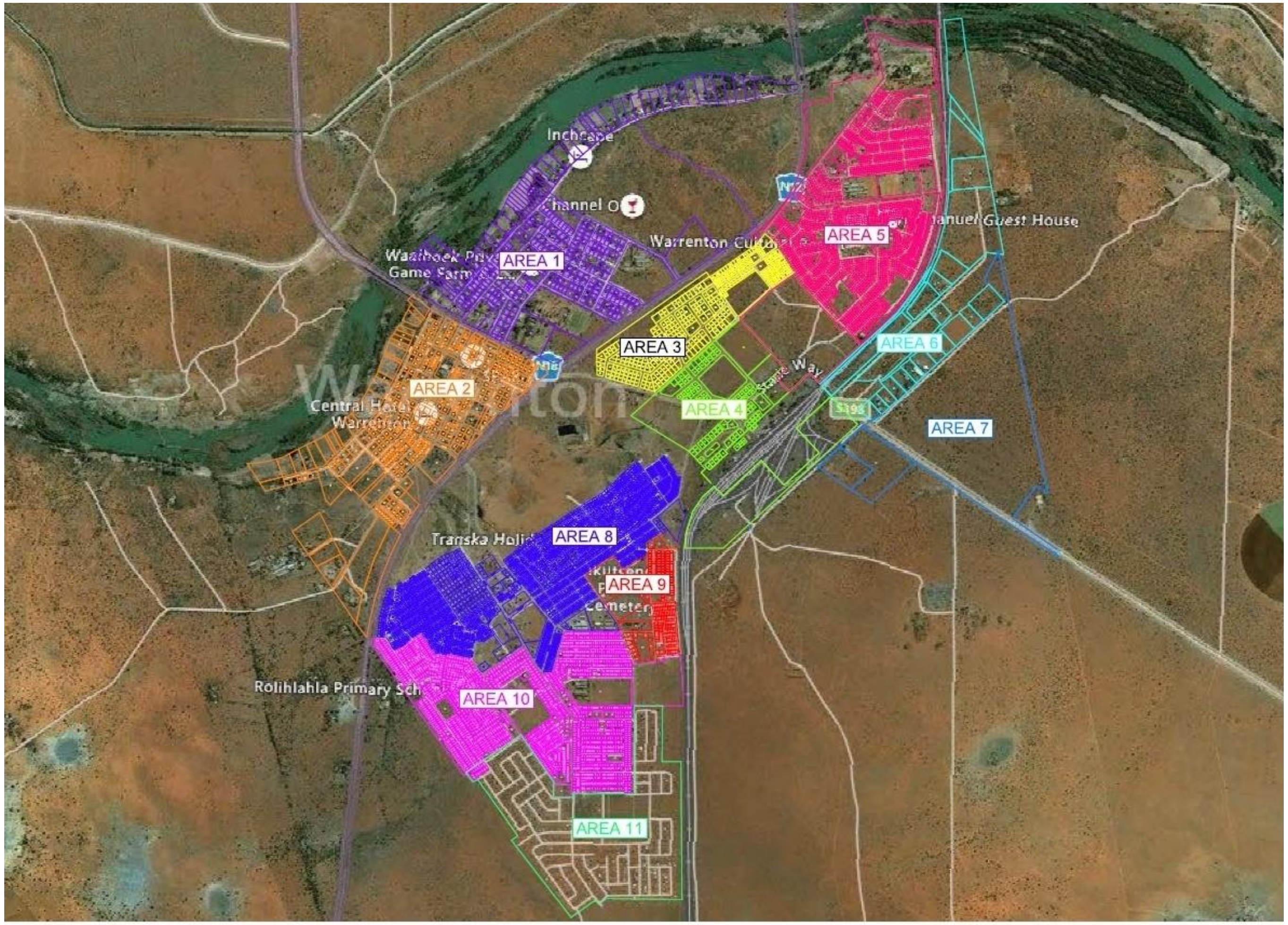
Magareng municipality has the Water Service Provider and Water Service Authority status as per the provisions of the Water Services Act, Act 108 of 1997. As such, Magareng municipality is responsible for raw water abstraction, water purification and the subsequent distribution to all households under its jurisdiction.

The Water Treatment Plant is located on the western side of the Vaal River and the water supply areas on the eastern side. Themunicipalityisauthorized to abstract 3 572 000 m³/year, this translated to 9.79Mℓ/d of raw water.The water purification plant was constructed in 1998 and no major upgrade has occurred since then.The process flow of the bulk water supply issummarised as follows:

- Raw water is obtained from two points, firstly, from the main water canals of the Vaalharts Irrigation Scheme and it gravitates towards water treatment works facilities. The second point, at the edge of the Vaal river where raw water is pumped to the water treatment works.
- From the Water treatment works, the water gravitates through a 500mm Ø asbestos pipeline, which crosses the Vaal River to a sump at the main water pump station.

- The main water pump station is equipped with two sets of electrically controlled pumps. The one set supplies purified water to an elevated reservoir located near Warrenton CBD. There is also an additional reservoir, which acts as a balancing tank to manage the pressure fluctuations in the Warrenton CBD system.
- The second set of pumps supply the Warrenton Railway Station elevated tank, the Ikhutseng reservoir and a ground concrete reservoir near the industrial area.
- Warrenton Railway elevated tank supplies water to the Railway stations residential area and back to the Warrenton suburbs.
- The Ikhutseng reservoir (5.2Mℓ) water is pumped into two elevated tanks, which supplies the Ikhutseng area.
- From the industrial reservoir (4.5Mℓ), water is pumped into an elevated tank, which supplies the Warrenvale residential area and the Industrial area.

Below is a schematic representation of the water demand areas in the Magareng Municipality’s water distribution system.

<table>
<tr><th>AREAS</th><th>MAP OF WATER DEMAND AREAS</th></tr>
<tr><td>AREA 1 – WARRENTON CBD</td><td rowspan="11">
</td></tr>
<tr><td>AREA 2 – WARRENTON CBD</td></tr>
<tr><td>AREA 3 – WARRENVALE</td></tr>
<tr><td>AREA 4 – WARRENVALE</td></tr>
<tr><td>AREA 5 – NORTH-EAST OF WARRENVALE</td></tr>
<tr><td>AREA 6 – EASTERN SIDE OF WARENTON</td></tr>
<tr><td>AREA 7 – EASTERN SIDE OF WARENTON</td></tr>
<tr><td>AREA 8 – IKHUTSENG (CHRIS HANI)</td></tr>
<tr><td>AREA 9 –EAST IKHUTSENG</td></tr>
<tr><td>AREA 10 – IKHUTSENG (RICH BLOCK &LAS VEGAS)</td></tr>
<tr><td>AREA 11 – DITSHOTSHWANENG, RABATJI & SONDERWATER</td></tr>
</table>

WATER SUPPLY SERVICE DELIVERY DISTRIBUTION LEVELS

The water supply service delivery distribution is summarized in Table 2 below as extrapolated from the Community Survey 2016 data.

Table 2 Water Supply Service Delivery Distribution Levels

Description	2019/20	2020/21	2021/22	2022/23	2022/23
Water: Above min level					
Piped (tap) water inside dwelling	2265	2289	2313	2338	2341
Piped (tap) water inside yard	3015	3048	3079	3112	3115
Piped (tap) water on community stand: distance less than 200m from dwelling/institution	306	309	312	316	320
Piped (tap) water on community stand: distance between 200m and 500m from dwelling	117	118	119	121	124
Minimum Service Level and above Sub-Total	**5703**	**5765**	**5823**	**5886**	**5900**
Minimum Service Level and above Percentage	**93%**	**94%**	**95%**	**96%**	**96%**
Water: Below min level					
Piped (tap) water on community stand: distance between 500m and 1000m (1km) from dwelling /institution	12	12	12	12	12
Piped (tap) water on community stand: distance greater than 1000m (1km) from dwelling/institution	129	130	132	133	133
No access to piped (tap) water	276	279	282	285	285
Below Minimum Service Level Sub-Total	**417**	**422**	**426**	285	285
Below Minimum Service Level Percentage	**7%**	**7%**	**7%**	**7%**	**7%**

EMPLOYEES: WATER SUPPLY SERVICE

Employees: Water Services					
Job Level	2023/24	2024/25			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4 – 6	13	19	13	6	31.58%
7 – 9	1	1	1	0	0%
10 – 12	1	1	1	0	0%
13 – 15	1	1	1	0	0%
16 – 18	N/A	N/A	N/A	N/A	N/A
19 – 20	N/A	N/A	N/A	N/A	N/A
Total	**17**	**22**	**17**	**6**	**27,28%**
					T3.1.7

Financial Performance: For the Whole Municipality								
Details	R'000							
	2024/25				2025/26			
	Original Budget	Adjustment Budget	Actual	Variance to Budget %	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operating Revenue	Financial Information Covered in the Annual Financial Statement							
Operating Revenue	R 161 455 421	R 162 057 848	R 158 973 106	98%	R 170 489 356	R -	R 98 840 642	58%
Expenditure								
Employee Related Costs	R 54 351 668	R 54 963 997	R 54 559 497	99%	R 59 996 921		R 28 851 492	48%
Repairs and Maintenance	R 13 332 812	R 13 127 923	R 6 239 732	48%	R 16 308 149		R 6 080 862	37%
Other	R 96 644 877	R 117 811 747	R 147 620 203	125%	R 120 733 529	R -	R 47 390 527	39%
Total Operating Expenditure	**R 164 329 357**	**R 185 903 667**	**R 208 419 432**	**112%**	**R 197 038 599**		**R 82 322 881**	**42%**

Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.Repairs and maintenance include bulk purchases.

Capital Expenditure 2024/2025: Water Services R' 000					
Capital Projects	2024/2025				
	Budget	Adjustment Budget	Actual Expenditure	Variance from Adjusted budget%	Total Project Value
Total All	Financial Information covered in the Annual Financial Statement				
Upgrade of the internal water reticulation network(MIG)	R 22 258 000.00	R 22 258 000.00	R 22 197 411.00	0%	R 22 258 000.00
Upgrade of the Warrenton Water Treatment Works (RBIG)	R -	R 32 835 809.00	R 25 306 036.00	-23%	R 32 835 809.00
Repairs to Warrenton WWTP and Surrondings Pumpstations (FBDM)	R -	R 2 000 000.00	R 5 199 284.00	260%	R 2 000 000.00
					T 3.1.9

SANITATION SERVICES PROVISION

Magareng municipality is responsible for the collection, removal, disposal or purification of human excreta, domestic waste-water (grey water), sewage and effluent from commercial sources. The sanitation services is rendered typically through internal sewer reticulation networks, bulk distribution and honey sucker mechanisms, then ultimately to Waste Water Treatment Facilities.

A detailed overview of the existing wastewater distribution systems is presented in the following sections.

WARRENTON BULK SANITATION DISTRIBUTION SYSTEM

The Warrenton bulk waste water distribution system is relatively diverse and complicated, as it consists of various components such as conveyance tanks, vacuum sewer, pumpstations, rising mainlines and gravitational water borne network. Fig 1 below indicates presents a schematic layout of the warrenton bulk waste water.

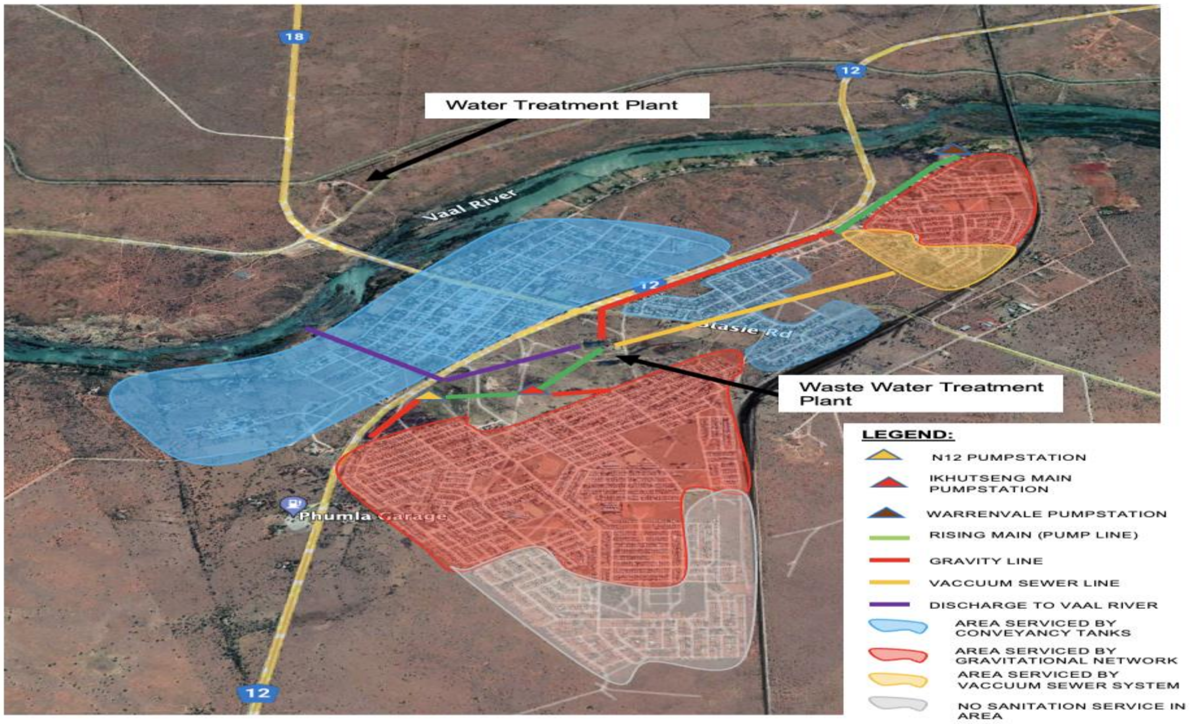


Fig 1Schematic Layout of the Warrenton Bulk Waste Water System

The Warrenton bulk waste water distribution system is summarised as follows:

- The Ikhutseng area in the south eastern direction marked in red, sewerage gravitates towards the N12 and Ikhutseng main pumpstation.
- The Warranvale area in the north eastern direction marked in red, sewerage gravitates towards the Warrenvale pumpstation
- The new stasie area marked in orange is serviced through a vacuum sewer system, which discharges to the Warrenton WWTW.
- The town area on the western side of the N12 and the old stasie area on the eastern side of the N12 is serviced through conveyance tanks, of which the municipality uses two 18 000ℓ Vacuum Sewer Trucks (honeysucker).
- The warrenvale pumpstation pumps through a rising main for about 2km into a sump. From the sump the sewerage, then gravitates to the Warrenton WWTW.
- The N12 pumpstation pumps directly into the Ikhutseng main pumpstation and then the Ikhutseng main pumpstation pumps collectively into the Warrenton WWTW.
- After the treatment process the treated effluent is discharged into the Vaal River.

EXISTING INFRASTRUCTURE OF THE WARRENTON WWTW AND SURROUNDING PUMPSTATION

WARRENTON WWTW

The existing Warrenton Wastewater Treatment Works (WWTW) was initially designed for an average flow of 2 Mℓ/d. All indications are that the existing process is an extended aeration activated sludge process, consisting of Inlet Works, Horizontal Aeration Basin (Reactor), Secondary Settling Tank (Clarifier) Return Sludge Pumps, Maturation ponds, Sludge Drying Beds and Chlorination Tank.

Figure 2 below shows the existing infrastructure of the Warrenton WWTW.

Fig 2Existing Infrastructure Of The Warrenton WWTW

1. Inlet Works

2. Horizontal Aerator 1
3. Horizontal Aerator 2
4. Horizontal Aerator 3
5. Horizontal Aerator 4
6. Aeration Basin with Horizontal Flow Channels
7. Clarifier
8. Pumps to Anaerobic Process and to Sludge Drying Beds
9. Sludge Drying Beds (Concrete Surface)
10. Maturation Pond
11. Pumps for excess water to Anaerobic Process
12. Storeroom
13. Vacuum Sewer Pumps
14. Chlorination Contact Channel

DETAILS OF SURROUNDING PUMPSTATIONS

The details of the pumpstations was obtained through interviews conducted with the municipal sanitation team in Warrenton. The details are summarized in Table 2 below.

Table 2 Details of Pump stations in Warrenton

Pump Station	Make	Model	Impeller Diameter	Speed	Motor	Configuration	Capacity / Duty Point
Ikhutseng PS	LEO	2AC400H	234mm	2900rpm	4kw, 380V	Two Pumps alternating	4.25 ℓ/s @ 45m
N12 PS	LEO	2AC400H	234mm	2900rpm	4kw, 380V	Two Pumps alternating	4.25 ℓ/s @ 45m
Warrenvalle	LEO	2AC400H	234mm	2900rpm	4kw, 380V	Two Pumps alternating	4.25 ℓ/s @ 45m

THE OPERATIONAL INADEQUACIES OF THE WARRENTON WWTW AND SURROUNDING PUMPSTATIONS

WARRENTON WWTW

The Warrenton Waste Water Treatment Works experiences a myriad of challenges on a daily basis. There are three primary challenges, which best represents, the current status quo and are identified as playing a significant role in the level of treatment of wastewater the facility achieves.

Firstly, the facility does not have enough capacity to deal with the existing wastewater flow and its constituent loading. In other words, the volume of the wastewater generated exceeds the capacity of the plant to adequately and efficiently treat the wastewater. This specific challenge creates an insidious overloading problem for the processes at the Clarifier, Aeration Basin and Maturation Pond. For example, at the secondary settlement tank, the increased 'load' has created a sludge build-up, which overtime has blocked the desludge valves and decreased the speed of the rotating bridge. At this point, the "activated sludge" is constrained from recirculating back to the aeration basin. This directly affects therate of decomposition of bacteria and further biodegradation not occurring. This is also the reason why 'partially' treated water is being disposed into the maturation pond and ultimately into the Vaal River.

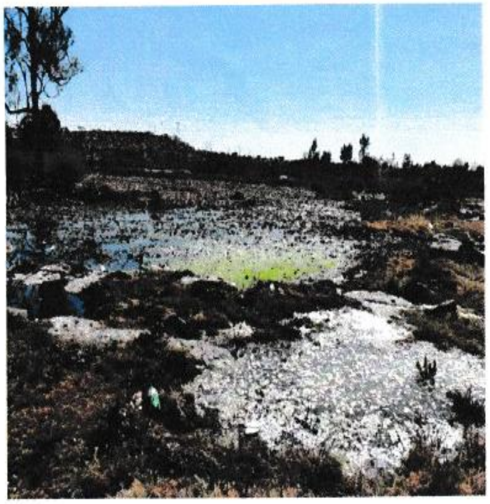
Secondly, major processing units such as the inlet works, horizontal aerators and clarifier are old, dilapidated and lost its optimal functionality over a period of time. Thirdly, it is the vandalism and theft of the existing infrastructure, moreover in the context of Magareng municipality, which has no financial capability to replace major processing units and equipment as and when incidents of vandalism and theft occurs.

SURROUNDING PUMPSTATIONS

The existing pumpstations is experiencing operational failures. The operational failures are directly influenced by problems at the three pumping stations (vandalism of electrical panels, theft of submersible pumps, no roof structure, no site lighting, no screening equipment and backup power). This ultimately constrains the sewer in flowing at the required velocity.

In other words, due to theproblems at the three pumping stations, the sewage is not draining adequately. It remains stationary for prolonged periods, resulting in blocked manholes downstream that subsequently creates refluxes of raw sewer back into the households, overspills of raw sewer from the blocked manholes on the road reserves and discharges to the natural environment. Figure 3 below indicates the spillages that has been occurring from the pumpstations.

NB- UPDATE OF NEW PICS



SANITATION SERVICE DELIVERY DISTRIBUTION LEVELS

The sanitation service delivery distribution is summarised in Table 3 below as extrapolated from the Community Survey 2016 data.

Table 3Sanitation Service Delivery Distribution Levels

Description	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Sanitation: Above min level				
Flush toilet (connected to sewerage system)	4968	5022	5076	5131
Flush toilet (with septic tank)	147	149	150	152
Chemical toilet	3	3	3	3
Pit toilet with ventilation (VIP)	393	397	402	406
Other	303	306	310	313
Minimum Service Level and above Sub-Total	**5814**	**5877**	**5940**	**6004**
Minimum Service Level and above Percentage	**95%**	**96%**	**97%**	**98%**
Sanitation: Below min level				
Bucket toilet	18	18	18	19
Other	24	24	25	25

None	264	267	270	273
Below Minimum Service Level Sub-Total	**306**	**309**	**313**	**316**
Below Minimum Service Level Percentage	**5%**	**5%**	**5%**	**5%**

Employees: Sanitation Services				
	2024/25			
Job Level	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	11	8	3	28%
4-6	9	2	5	56%
7-9	2	0	2	100%
10-12	N/A	N/A	N/A	N/A
Total	22	10	10	46%

ELECTRICITY SERVICES PROVISION

Electricity is one of the most sought after basic services. Local government plays a very important role in the provision of electricity, as an agent for Eskom. Section 153 of the Constitution places the responsibility on municipalities to ensure the provision of services to communities in a sustainable manner for economic and social manner.

Eskom supplies 11kv bulk supply to a substation situated in Warrenton. From there the 11kv supply is distributed to 11kv transformers which steps it down to 380V networks in Warrenton CBD, Warrenton residential, Warrenvale and the surrounding plots. Supply in Warrenvale is by means of prepaid metering system and Warrenton CBD and residential is by means of credit meters. Some residences in Warrenton have also changed to pre-paid system. Municipality is planning to review to policy to standardize the electricity metering system. Moleko's farm gets the bulk supply from Eskom and the municipality distributes it by means of a pre-paid system. The following areas get both the bulk and low tension supply directly from Eskom: Ikhutseng, Bull Hill, Sydney's Hope and Hartsvalley. Windsorton station and Majeng have not yet been electrified. Windsorton station previously was supplied by Transnet. Transnet gets the bulk 11kv supply from the municipality and further distribute this to their own transformers and networks. The electrical network also is very old therefore needs to be upgraded. Only indigents beneficiaries are receiving 50 kW of electricity free both the residents' services by Eskom and municipality as service providers.

Internal Reticulation

The municipality is responsible for electricity distribution to Warrenton, Warrenvale and Moleko's farm. The municipality is planning to upgrade existing and construct the electricity new mainline for the new developments as well as its electrification. Cost needed.

Backlogs in Electricity Supply

Most of the backlogs in electrical supply relates to the rural areas not yet serviced by Eskom as well as problem of ageing infrastructure.Widnsorton station and Majeng are not electrified.

Warrenton Substation Bulk Supply Upgrade

The bulk supply upgrades at Warrenton substation will include the upgrading the existing substation with new switchgear to supply developments and infills in Warrenvale.

Warrenvale Bulk Supply Upgrade

The bulk supply lines and cables to Warrenvalle will be upgraded to cater for new additional loads.

ELECTRICITY DELIVERY DISTRIBUTION LEVELS

Description	2021/22	2022/23	2023/24	2024/25
Energy (above minimum level)				

Electricity (minimum level of service)	518	524	530	535
Electricity prepaid (minimum level of service)	5365	5423	5482	5541
Minimum Service Level and above Sub-Total	**5884**	**5947**	**6011**	**6076**
Minimum Service Level and above Percentage	95%	95%	95%	95%
Energy (below minimum level)				
No Access to Electricity (below minimum level)	279	282	285	288
Other Energy Sources	6	6	7	7
Below Minimum Service Level Sub-Total	**286**	**289**	**292**	**295**
Below Minimum Service Level Percentage	5%	5%	5%	5%

Employees: Electricity Services				
Job Level	2024/25			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 – 3	4	4	0	0%
4 – 6	2	0	2	100%
7 – 9	4	1	3	75%
10 – 12	1	1	0	0%
13 – 15	1	1	0	0%
16 – 18	N/A	N/A	N/A	N/A
19 – 20	N/A	N/A	N/A	N/A
Total	**12**	**7**	**3**	**25%**

T 3.3.6

Capital Expenditure 2024/25 :Electricity Services R' 000					
Capital Projects	2024/2025				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	N/a	.			
Project A	N/a	N/a	N/a	N/a	N/a
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. *T 3.2.8*					

SOLID WASTE MANAGEMENT SERVICES PROVISION

Magareng local municipality is faced with a precarious and hazardous situation where the solid waste disposal sites in Warrentonare in a bad state and in direct conflict with the provisions of the waste act. The Warrenton waste disposal site is in a more dire situation as a section 51(g) directive has already been issued by the Provincial Department of Environment and Nature Conservation.

The following items are identified as shortcomings:

- Waste is windblown all over the area as there is no adequate fencing around the sites.
- There is no shelter for the caretaker/supervisor.
- There is no water supply to the site, and no sanitation facilities present.
- There is no weighing bridge to record procedures
- Dumping trenches need to be constructed.
- There is no classification of waste and general waste management practices on site

The Magareng Local Municipality does not have a dedicated unit responsible for Solid waste management but there are official responsible for waste collection placed under community service department.

SOLID WASTE DELIVERY DISTRIBUTION LEVELS

Description	2021/22	2022/23	2023/24	2024/25
Solid Waste: Above min level	-	-	-	-
Removed at least once a week	3879	3921	3963	4006
Minimum Service Level and above Sub-Total	**3879**	**3921**	**3963**	**4006**
Minimum Service Level and above Percentage	**63%**	**64%**	**65%**	**65%**
Solid Waste: Below min level	-	-	-	-
Removed less than a week	132	133	135	136
Own refuse dump	0	0	0	0
Using communal refuse dump	0	0	0	0
No rubbish disposal	393	397	402	406
Other	45	45	46	46
Below Minimum Service Level Sub-Total	**2196**	**2220**	**2244**	**2268**
Below Minimum Service Level Percentage	**36%**	**36%**	**37%**	**37%**

Employees: Solid Waste Services				
Job Level	2024/25			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 – 3	8	2	6	75%
4 – 6				N/A
7 – 9	2	2	0	0%
10 – 12	2	1	0	50%
13 – 15	1	1	1	100%
16 – 18	N/A	N/A	N/A	N/A
19 – 20	N/A	N/A	N/A	N/A
Total	**13**	**6**	**7**	**53.85%**
				T 3.3.6

Capital Expenditure 2024/5: Solid Waste Services R' 000					
Capital Projects	2024/2025				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	N/a	.			
Project A	N/a	N/a	N/a	N/a	N/a
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.					*T 3.2.8*

ROADS AND STORMWATER

The provision of roads is the most notable feature in Magareng municipality's land development. However the impact of O&M costs, stormwater management, increased traffic and vehicular movements has caused serious problems such as formation of excessive potholes and flooding downstream. The effects of flooding downstream also creates new problems in the receiving streams i.e. high peak flows, excessive erosion and sedimentation, increased pollution and general decreased value of the environment.

Consequently, the level of service of the road and stormwater infrastructure is below standard.

THE ROAD NETWORK

The total road network of the municipality is 354.6km. Unpaved roads constitutes a larger portion of the entire road network at 73% (259.3km) and paved roads at 27% (95.3km). The Rural Road Assessment Management System (RRAMS) programme that is currently underway, indicates that overall standards of unpaved roads ranges between fair and poor, with a very significant percentage falling into very poor. Whilst the paved roads ranges between good and fair, with a small percentage ranging between very good and very poor. Table and Figure summarizes the overall conditions of unpaved roads.

Table for Condition of Unpaved Roads

Municipality	Unpaved Road Condition				
	Very Good	Good	Fair	Poor	Very Poor
Magareng	0%	0%	23%	23%	54%

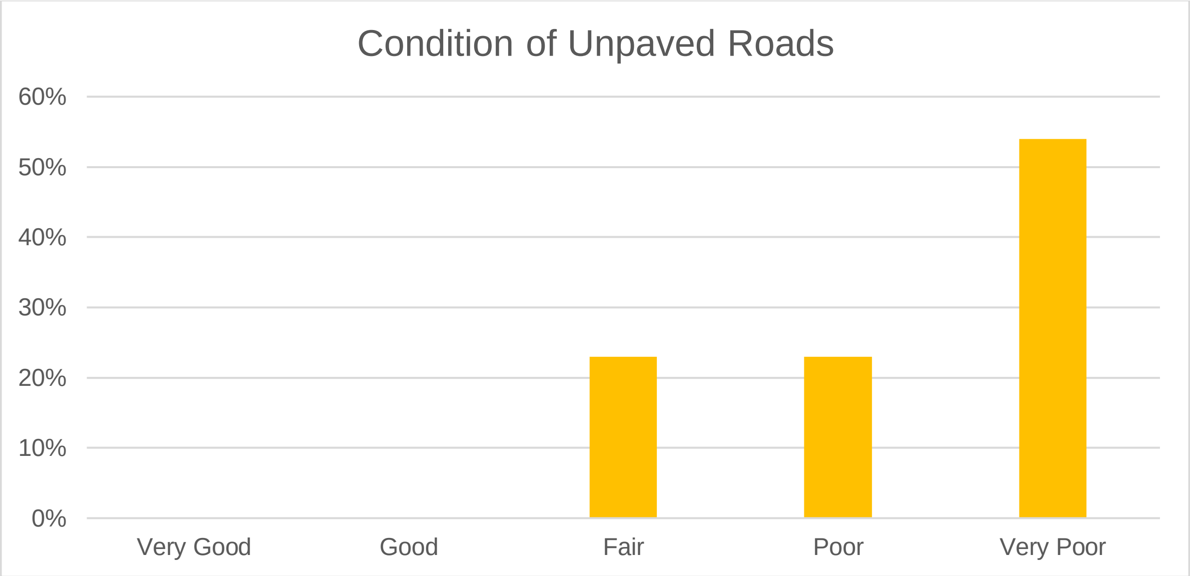


Figure for Condition of Unpaved Roads

Table and Figure summarizes the overall conditions of paved roads

Table Condition of Paved Roads

Municipality	Unpaved Road Condition				
	Very Good	Good	Fair	Poor	Very Poor
Magareng	6%	42%	39%	13%	1%

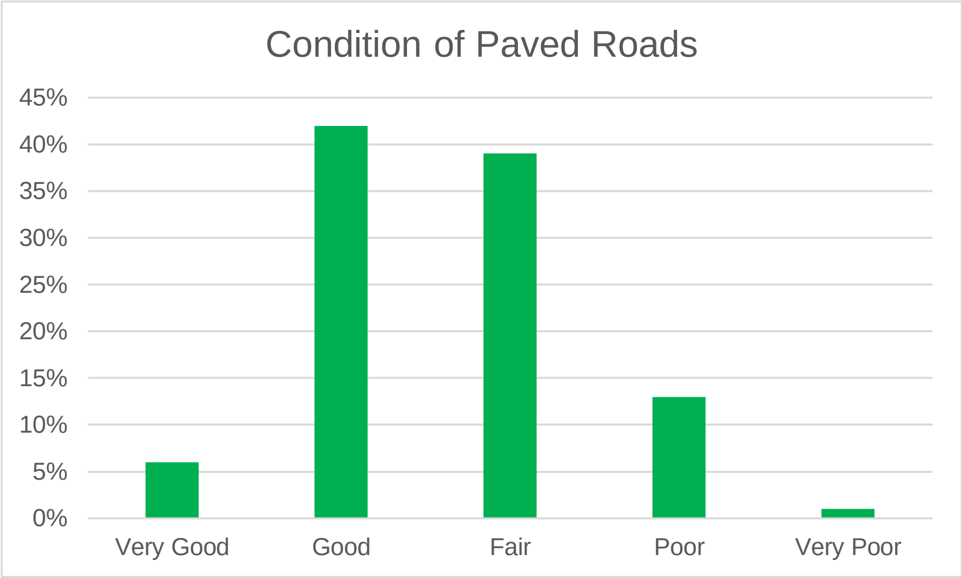


Figure Condition of Paved Roads

DISTRESS RATING FOR PAVED ROADS

The relative condition of the various types of distress on the road network that were detected during the visual inspections and computed using the deduct method. The condition ratings per distress type for the road network are indicated per category in Figure for paved roads below.

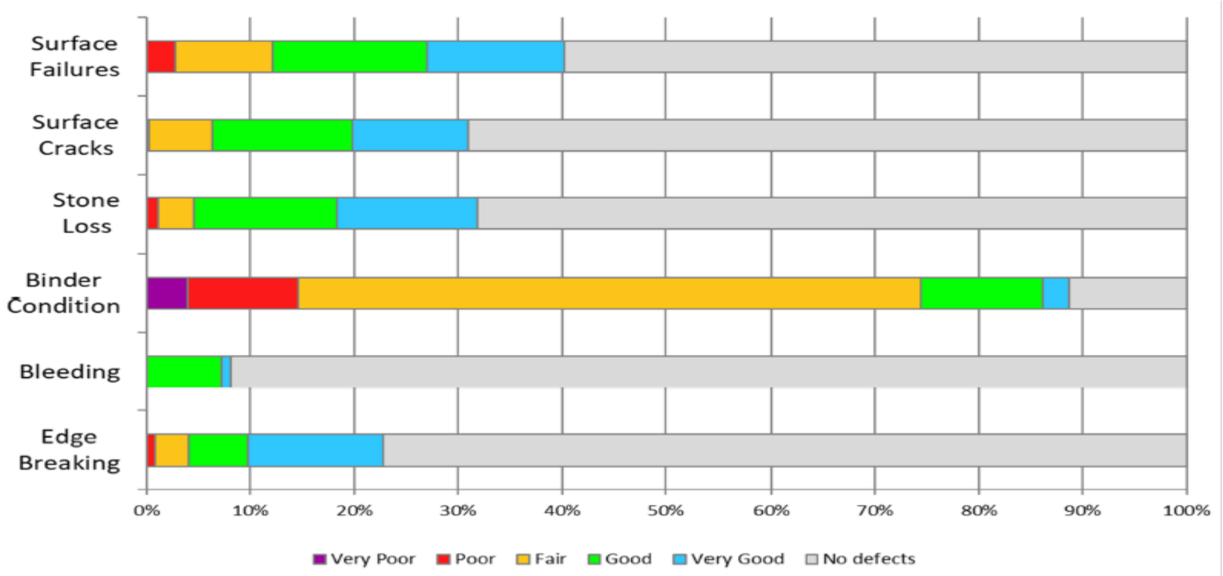


Figure for Condition Ratings (%) for Surfacing Distress TypesFor Paved Roads

From Figure above, the surfacing analysis indicates that the Binder Condition of 3.9% of the road network is Very Poor, 10.7% is Poor and 59.8% is Fair. This assessment indicates that the existing surfacing is fairly old.

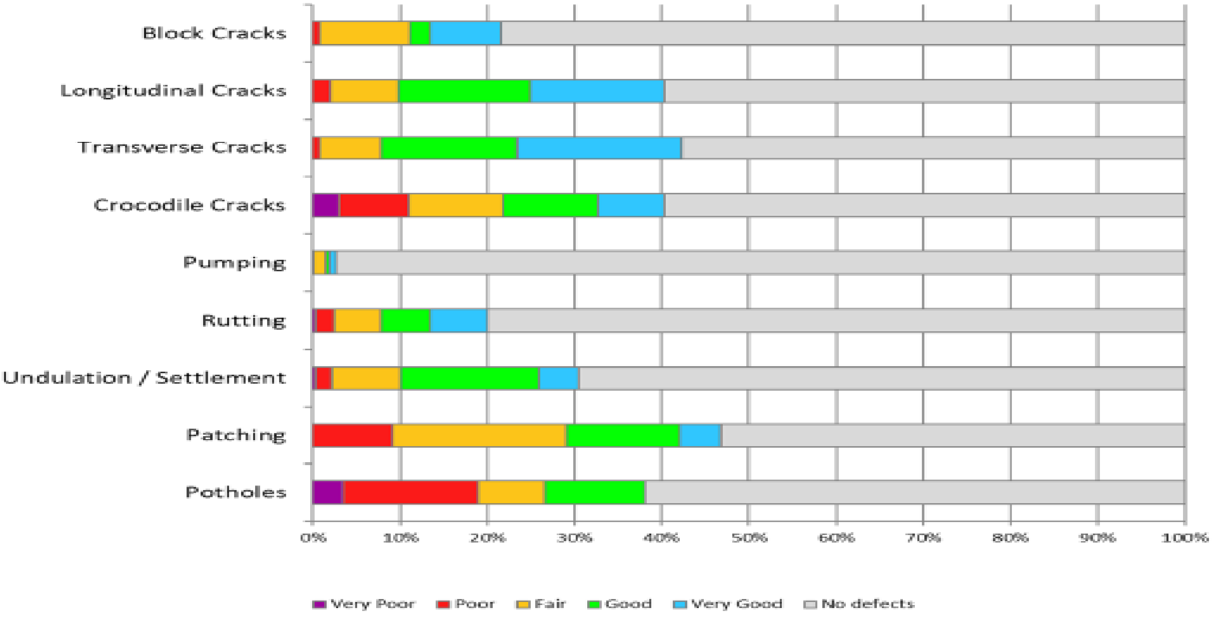


Figure for Condition Ratings (%) for Surfacing Distress TypesforPavedRoads

A structural analysis of crocodile cracks, pumping, rutting and potholes provides a good indication of the structural capacity of the road network. The analysis revealed the following:

- 11.0% of the Flexible road network is in a Very Poor and Poor condition due to Crocodile Cracks,
- 9.1% of the network is in a Very Poor and Poor condition due to Patching,
- 19.0% of the network is in a Very Poor and Poor condition due to Potholes.

Preventative measures such as crack sealing, patching and resurfacing should be investigated to delay the deterioration of the road network.

DISTRESS RATING FOR UNPAVED ROADS

The relative conditions of various items on the Gravel/Earth road network that were detected during the visual inspections and computed using the deduct method. The condition ratings per distress type for the road network are indicated per category in Figure 1.20 for gravel roads below.

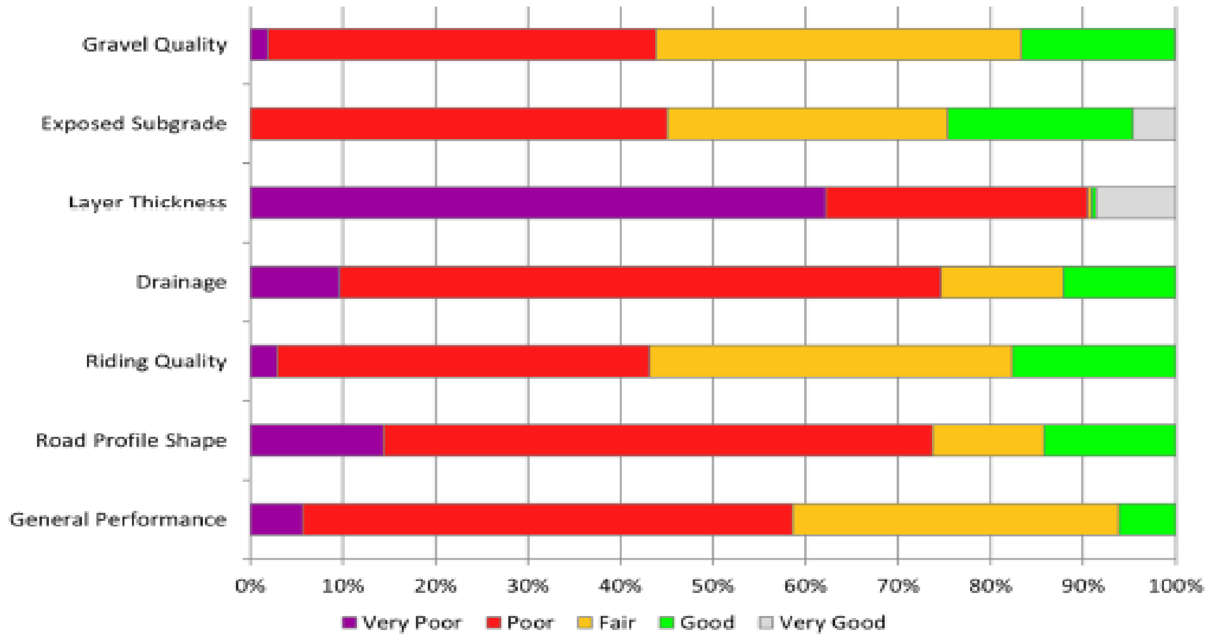


Figure Condition Ratings (%) for the Gravel Road Network

THE STORMWATER NETWORK

The management of stormwater in Magareng Municipality remains a major challenge; especially in low-lying areas as well as newly constructed roads where no consideration whatsoever was made for Stormwater management. The population growth experienced over the years and new surfaced roads has resulted in additional surface runoff, thus requiring upgrading of storm water infrastructure to accommodate the additional discharge. The effects of flooding downstream also creates new problems in the receiving streams i.e. high peak flows, excessive erosion and sedimentation, increased pollution and general decreased value of the environment

Employees: Road and Stormwater Services				
Job Level	2024/25			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	12	2	10	83%
4 - 6	2	1	1	50%
7 - 9	1	0	1	100%
10 - 12	0	0	0	0%
13 - 15	0	0	0	0%
16 - 18	0	0	0	0%
19 - 20				
Total	**15**	**3**	**12**	**80%**
				T 3.3.6

Capital Expenditure 2024/25: Road and Stormwater Services R' 000					
Capital Projects	2024/2025				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	N/a	.			
Project A	N/a	N/a	N/a	N/a	N/a
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.					*T 3.2.8*

FLEET MANAGEMENT SERVICES

The Fleet Management Section consists of 6 **petrol and 8 diesel vehicles** (including earthmoving machinery & other miscellaneous equipment). For a municipality which consists of ±114 workers in the technical department 14 vehicles simply translates to inadequate tools of trade and shambled service delivery provision. Notwithstanding the condition of the vehicles, which is bad, as almost all the vehicles has failed roadworthy tests.

INTRODUCTION TO HOUSING

The Magareng Local Municipality continue to provide free basic services to the community on a regular basis. Indigent register is updated and a resident who which qualifies receives free basic services from the municipality.

T3.5.1

Percentage of households with access to basic housing			
Year end	Total households (formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2019/20	**7 301**	5145	2156
2020/21	**7 301**	5145	2156
2021/22	**7 301**	5145	2156
2022/23	**7 301**	5145	2156
			T 3.5.2

Employees: Housing Services				
Job Level	2023/24			
	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	4	0	4	100%
4 - 6	0	0	0	0%
7 - 9	1	1	0	0%
10 - 12	0	0	0	100%
13 - 15	1	1	0	0%
16 - 18				
19 - 20				
Total	**6**	**2**	**4**	**67%**
				T 3.5.3

COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

Not function of the Magareng Local Municipality

T3.5.5

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The Magareng Local Municipality continue to provide free basic services to the community on a regular basis. Indigent register is updated and a resident who qualifies receives free basic services from the municipality. *T3.6.1*

Free Basic Service to Low Income Households					
Services Delivered	2024/2025	2025-2026			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget %
Water	R 81 454	R 2 673 945	-	R 30 252	-99%
Waste Water (Sanitation)	R 145 357	R 3 542 918	-	R 67 054	-98%
Electricity	R 7 618	R 4 270 943	-	R 553	-100%
Waste Management (Solid Waste)	R 141 186	R 2 125 754	-	R 58 040	-97%
Total	**R 375 615**	**R 12 613 560**	**R -**	**R 155 900**	**-99%**

Information provided in terms of FBS does not automatically develop graph and the assumption is that there is an an error on the template as provided by NT.

T3.6.2

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R3,200 per month								
			Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
		Total	Access	%	Access	%	Access	%	Access	%
2022/23	6522	1124	1124	17.23%	1124	17.23%	1124	17.23%	1124	17.23%
2021/22	6522	1259	1259	19.3%	1259	19.3%	1259	19.3%	1259	19.3%
2020/21	6522	1124	1124	17.23%	1124	17.23%	1124	17.23%	1124	17.23%

T 3.6.3

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

Magareng Local Municipality has 1124 registered indigents and support provided in on basic water charges and 6kl water. They are also supported with basic electricity charges and 50kw. Basic refuse and basic sanitation and one free extraction for the town and station areas.

T3.6.5

PERFORMANCE HIGHLIGHTS2024/25
KPA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes planning and local economic development.

3.10 PLANNING

INTRODUCTION TO PLANNING

The role of Planning and Development Department is to provide strategic management support to all the Departments within the municipality. It is also responsible for the development of the Integrated Development Plan (IDP) and implementation of Performance Management System (PMS), Strategic Planning, Facilitation, and also by proving support to local municipalities and further ensure that there is effective inter-governmental relations.

Planning and Development Department is responsibility is to ensure that there is efficient and effective compliance with legislation such as Integrated Development Plan (IDP), Public Participation, Performance Management System (PMS) and other applicable laws.

The top 3 service delivery priorities and the impact made during the year are outlined underneath together with the measures taken to improve performance and the major efficiencies achieved by the Department during the year:

1. Integrated Development Planning

The IDP Unit is responsible for ensuring compliance with implementation of Chapter 5 of the Systems Act, especially compliance with Section 25 by identifying with the key deliverables and immediate goals detailed in the Council’s IDP in respect of communication, investment, tourism and agricultural dimensions of local economic development.

2. Performance Management System

The PMS Unit is responsible for the implementation of PMS in line with the Municipal Systems Act (MSA) 2000 which requires municipalities to establish a Performance Management System (PMS), the Municipal Finance Management Act (MFMA) which requires that the IDP to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

3. Governance

The Department is also charged with the responsibility to ensure that there is effective governance processes in the municipality. It has also been instrumental in ensuring that the Council performs its oversight responsibilities and functions by ensuring that the MPAC is functional in terms of Section 79 of the Structures Act and the MFMA Guideline on Establishment of MPACs.

The following were achieved during the financial year:

- The Executive Mayor approved the SDBIP by the 28 June 2024.
- The Municipal Manager and Section 56 Manager signed their Performance Agreements by the 31st July 2024.
- All Quarterly Reviews Sessions were held and the Quarterly Reports were done as required during financial year.
- The PMS Framework was tabled before Council
- The 2023/2024 Annual Reports and Oversight Report were tabled during the financial year and submitted to all the stakeholders i.e. Auditor-General, Provincial and National Treasuries.
- The Annual Performance Evaluation of the Municipal Manager and Section 57 for the year under review were not done.

T3.10.1

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning, Sub-Division & Consolidation		Built Environment	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
Planning application received	None	None	None	None	None	None
Determination made in year of receipt	None	None	None	None	None	None
Applications withdrawn	None	None	None	None	None	None

Applications outstanding at year end	None	None	None	None	None	None
						T 3.10.2

Employees: Planning Services					
Job Level	2024/25	2024/25			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6					
7 - 9	3	3	3	0	0%
10 - 12	2	2	2	0	
13 - 15					0%
16 - 18					
19 - 20					
Total					
T 3.10.3					

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

The physical planning of the municipality, there is no qualified official performing this function.

T3.10.6

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

Local Economic Development (LED) is an outcome: It is a continuous development process based on local initiatives and driven by local stakeholders. It involves identifying and using local resources and skills to stimulate economic growth and development. Source: "Northern Cape Local Economic Development Manual (NCLEDM).

LED is about communities continually improving their investment climate and business enabling environment to enhance their competitiveness, retain jobs and improve incomes. Local communities respond to their LED needs in many ways, and a variety of approaches can be taken that include:

- Ensuring that the local investment climate is functional for local busine;
- Supporting small and medium sized enterprises.
- Encouraging the formation of new enterprises.

- Attracting external investment (nationally and internationally);
- Investing in physical (hard)infrastructure.
- Investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues);
- supporting the growth of clusters of businesses.

The Magareng Local Municipality is considered an agricultural hub within the province and as a result, special attention is given to promoting agricultural initiatives and ensure value chain benefits by the sector. While it is acknowledged that agriculture is one of the main sectors contributing effectively to the province's GDP, the district has ensured equitable focus on other sectors of the economy. Tourism for instance, is one area that has extreme potential for development and promotion. Equally so, other sectors of the economy including but not limited to trade, small businesses, cooperatives, etc. remain to be substantially harnessed for job creating opportunities. Focused attention has been towards supporting agricultural initiatives since they not only create significant job opportunities BUT also contribute towards human day to day livelihood. To date, a total of 269 emerging and established agricultural SMMEs and Cooperatives were provided with various interventions from skills development, market access to funding (livestock water infrastructure).

The anticipated establishment of the Agri-parks in the district has seen some progress with the sites' identification process undertaken and the Master Plan completed and duly adopted for implementation. Among some of the overall objectives of the Agriparks is to ensure that processing facilities, warehousing and distribution of raw material produced are directly linked with the production areas supporting small holder farmers, communities as well as emerging black farmers. Support will focus mainly in enhancing production, farm infrastructure, extension services, production inputs as well as mechanisation inputs. Thus far, sites have been identified through local municipalities and Service Providers for Infrastructure Development, EIA studies and Feasibility Studies regarding the establishment of the Agri-Hubs on identified sites are appointed and currently working on producing expected reports to guide implementation. *T3.11.1*

MLM does not have accurate baseline information to complete the following table

Economic Activity by Sector			
			R '000
Sector	**2022/23**	**2023/24**	**2024/25**
Agric, forestry and fishing	0	0	0
Mining and quarrying	0	0	0
Manufacturing	0	0	0
Wholesale and retail trade	0	0	0
Finance,	0	0	0
Govt, community and social services	0	0	0
Infrastructure services	Unknown		
			T 3.11.2

Economic Employment by Sector			
			Jobs
Sector	2022/23 No.	2023/24 No.	2024/25 No.
Agric, forestry and fishing	0	0	0
Mining and quarrying	0	0	0
Wholesale and retail trade	0	0	0
Finance, property, etc.	0	0	0
Govt, community and social services	0	0	0
Infrastructure services	0	0	0
Total			
			T 3.11.3

COMMENT ON LOCAL JOB OPPORTUNITIES:

LED strongly support the poverty alleviation projects in order to improve the community livelihood and create sustainable and decent jobs.

MLM need to give valuable support to the local SMMEs, especially the existing businesses, because they will create collectively the most jobs in the economy. In the medium to long term it is critical that we complete the integrated sustainable development plans so that we can budget adequately to support the various economic opportunity nodal developments.

T3.11.4

Jobs Created during 2024/25 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created/lost
Total (all initiatives)				
2022/23	0	0	0	N/A
2023/24	0	0	0	N/A
2024/25	0	0	0	N/A
				T 3.11.5

Job creation through EPWP* projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
2022/23	50	50
2023/24	60	60
2024/25	60	60
** - Extended Public Works Programme*		*T 3.11.6*

Employees: Local Economic Development Services				
Job Level	2024/25			
	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3				
4 - 6	0	0	0	0
7 - 9	2	2	0	0
10 - 12	N/A	N/A	N/A	N/A
13 - 15	1	1	0	100%
16 - 18	N/A	N/A	N/A	N/A
19 - 20	N/A	N/A	N/A	N/A
Total	**3**	**3**	**3**	**100**
				T 3.11.7

Capital Expenditure 2024/25: Economic Development Services – R'					
Capital Projects	2024/25				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.					*T 3.11.9*

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCEOVERALL:

Given the importance of LED, the municipal supply chain management environment, has enable the local micro & medium enterprise to fully participate in the municipal procurement processes, whether through directly scoring in municipal advertised procurement opportunities, or indirecty scoring procurement opportunities from contractors appointed by the municipality in a form of sub-contracting.

The municipality has been engaging in the creation of conducive environment, to attract investment to the municipal area, through a number of activities, the key one been the ability to avail municipal land for implementation of LED initiatives, and the support given to SMME's ranging from workshops which seeks to empower local businesses, as well as ensuring that contractors source labour locally, and ensure there is skills transfer in the process.

T3.11.10

PERFORMANCE HIGHLIGHTS2024/25

KPA3: LOCAL ECONOMIC DEVELOPMENT

-The number of employment opportunities created so far, whether through labour to different implemented projects locally.
-Continuous support provided to Small medium & micro enterprises (smme's) both financial and non-financial.
-The municipal availed pockets of land for economic activities.

COMPONENT D: COMMUNITY& SOCIAL SERVICES

This component includes: libraries and community halls; cemeteries and crematoria

3.12 LIBRARIES; COMMUNITY FACILITIES; (ETC)

INTRODUCTION TO LIBRARIES;

Libraries are not the mandate of Local Municipalities but of Department of Sports, Arts and Culture

T3.12.1

COMMENT ON THE PERFORMANCE OF LIBRARIES

Libraries reports on the quarterly basis.

T3.12.2

3.13 CEMETORIES AND CREMATORIUMS

INTRODUCTION TO CEMETORIES & CREMATORIUMS

T3.13.1

SERVICE STATISTICSFOR CEMETORIES & CREMATORIUMS

Not applicable

T3.13.2

COMMENT ON THE PERFORMANCE OF CEMETORIES & CREMATORIUMSOVERALL:

Not applicable

T3.13.3

3.14 CHILDCARE; AGED CARE; SOCIAL PROGRAMMES

This function is not relevant to MLM but office of the Mayor supports and assists through special programmes budget.

COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes pollution control; biodiversity and landscape; and costal protection.

3.15 POLLUTION CONTROL

This function is relevant to MLM. The municipality is assisted by the Department of Environmental affairs to deal with pollution control

3.16 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

This function is not relevant to MLM.

COMPONENT F: HEALTH

This component includes clinics; ambulance services; and health inspections.

3.17 CLINICS

This function is not relevant to MLM.

3.18 AMBULANCE SERVICES

This function is not relevant to MLM.

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

This function is not relevant to MLM.

COMPONENT G: SECURITY AND SAFETY

3.20 POLICE

This function is not relevant to MLM.

3.21 FIRE

INTRODUCTION TO FIRE SERVICES

The District Municipality is responsible for provision of fire-fighting service throughout the District in terms of Section 84(1) j of the Municipal Structures Act, (Act 117 of 1998). “The District Municipality is, inter alia, responsible for provision of fire-fighting services serving the area of the district municipality as a whole, which include:

- Planning, co-ordination and regulating fire services
- Specialised firefighting services such as mountain, veld and chemical fire services
- Co-ordination of the standardisation of infrastructure, vehicles, equipment and procedures
- Training fire officers"

Fire Fighting Service - Local Municipality Function

The District Municipality is also responsible for provision of fire-fighting service to local municipalities in terms of the adjustment by the of Section 84 (2) of the Municipal Structures Act, (Act 117 of 1998)The Act further describes the local function as:

- Preventing the outbreak or spread of a fire
- Fighting or extinguishing a fire
- The protection of life or property against a fire or other threatening danger
- The rescue of life or property from a fire or other danger"

T3.21.1

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

This function is a shared service between MLM, FBDM and other Government departments.

COMPONENT H: SPORT AND RECREATION

This component includes community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

3.23 SPORT AND RECREATION

INTRODUCTION TO SPORT AND RECREATION

The main of sport and recreation is to integrate local sport and recreation activities in the Magareng Local Municipality, to transfer sustainable skills to the local sports people through development programmes. The ultimate is to ensure that all sporting codes are managed effectively and efficiently and running well in the local municipality

T3.23.1

Employee: Parks and Recreation				
Job level	2024/25			
	Posts No	Employees No	Vacancies (fulltime Equivalents) No	Vacancies (as a % of total posts)
0 - 3	4	4	0	0%
4 - 6	3	3	0	0%
7 - 9	N/A	N/A	N/A	N/A
10 - 12	2	2	0	0%
13 - 15	1	1	0	0%
16 - 18	N/A	N/A	N/A	N/A
19 - 20	N/A	N/A	N/A	N/A
Total	**10**	**10**	**0**	**0%**
				T 3.23.2

COMMENTS ON THE PERFORMANCE OFSPORT AND RECREATION OVERALL:

The municipality has no capital project budget for Sports and Recreation. There is no amount is allocated from operational budget of the municipality. This is as a result of municipal powers and functions. Sport is not a core function of the municipality- it is the core function of Department of Sports. The municipality is just providing a supportive role to communities on certain sporting codes.

T3.23.3

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

INTRODUCTIONTO CORPORATE POLICY OFFICES

Chapter 7 of the Constitution of the Republic of South Africa states that the municipality comprise of Councillors, Officials and the Community. In order for the municipality to govern its affairs correctly it must consult with the community to ensure that needs are correctly determined, explained and included in the IDP for service delivery purposes.

Policies must be put in place which will address the needs of the community in terms of how service delivery matters will be addressed.

In order for the municipality to be able to address the service delivery matters the municipality must within limitation approve a budget that will be commensurate with the needs/projects identified for the particular year.

A Municipal Council must, within the municipality's financial and administrative capacity and having regard for practical considerations,

- exercise the municipality's legislative authority and use the resources of the municipality in the best interests of the community;
- provide, without favour or prejudice, democratic and accountable government;
- encourage the involvement of the community;
- strive to ensure that municipal services are provided to the community in a financially and environmentally sustainable manner;
- consult the community about the level, quality, range and impact of municipal services and the available options for service delivery;
- give members of the community equitable access to the municipal services to which they are entitled;
- promote and undertake development in the municipality;
- promote gender equity in the exercise of the municipality's legislative authority;
- promote a safe and healthy environment in the municipality; and
- contribute, together with other organs of state, to the progressive realisation of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution.

T3.23.4

3.24 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councilors; and municipal manager).

INTRODUCTION TO EXECUTIVE AND COUNCIL

The top political office consists of the Offices of Mayor/Speaker. This political management cluster is led by the Mayor. The Municipal Manager is responsible for the administration wing of the municipality. The Annual Budget was also approved thirty days before the end of the Financial Year.

In accordance with chapter 7 section 151 (2) of the Constitution of the Republic of South Africa, 1996, the Executive and Legislative authority of a municipality is vested in its Municipal Council.
In terms of delegation of powers certain matters may be delegated to the Mayor by Council who will in turn also sub-delegate to the Municipal Manager. The Municipal Manager may also sub-delegate to Directors who may in turn further sub-delegate to other officials.
Section 152 of the Constitution sets among others the following objectives for Local Government:
(a) to provide democratic and accountable government for local communities
(b) to ensure the provision of services to communities in a sustainable manner
(c) to promote social and economic development

T3.24.1

3.25 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

This department deals with the administration of finances of the municipality i.e. own budget as well as the money received from Government Fiscal i.e. allocation by Government to the municipality to enhance service delivery as in MIG and equitable shares. In order for the municipality to have effective service delivery, budget and IDP processes must be followed in order to ensure public participation to cover all community proposals in terms of projects. The department must develop budget related policies and by-laws which will govern consistent charging of moneys for services rendered to the communities.

Collection of moneys owed to Council as revenue must also be covered in terms of the approved policy. There will be internal and external audits in order to ensure management of risk and curbing corruption while encouraging effecting customer care service.

The financial management of the municipality is coordinated under the Budget and Treasury Office as established in terms of S80 of the MFMA. The responsibilities for the municipal coffers including financial management, financial planning, financial accounting and supply chain management are placed within the Budget and Treasury Office. The staff complement within the BTO is twenty people, headed by the Chief Financial Officer. The vacancy rate of the budget and treasury office increased from one vacant position to four during the financial year based on the newly reviewed organisational structure. Two resignations and one promotion contributed to the increased in the vacancy rate.

The Budget and Treasury Office is divided into two performance units, namely Income, Budgeting and Expenditure Management Unit and the Supply Chain and Reporting Unit. These units are further divided into four sections (Income and Budgeting section, Supply Chain and Asset Management section, Payroll section and Expenditure Management section). These performance arrangements were agreed upon during a strategic planning session which was held by the Budget and Treasury Office during the financial year. The department has gone through the year ensuring that the reporting requirements of the National and Provincial Treasury are timeously done, and that general compliance with the Municipal Finance Management Act is achieved.

T 3.25.1

T3.25.2

The Municipality's collection rate is very low and cannot meet its financial obligations on time. The main contributing factor is community cannot pay their accounts due to are high unemployment rate and resulting in most of the residents to be recognized as indigent.

T3.25.2.1

Employees: Financial Services					
Job Level	2023/24	2024/25			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	N/A	N/A	N/A	N/A	N/A
4 - 6	13	22	15	7	32%
7 - 9	12	14	12	2	14%
10 - 12	5	5	2	3	60%
13 - 15	4	4	4	0	0%
16 - 18	1	1	1	0	0%
19 - 20	N/A	N/A	N/A	N/A	N/A
Total	35	46	34	12	26%

3ED T 3.25.3

COMMENT ON THE PERFORMANCE OFFINANCIAL SERVICESOVERALL:

Magareng LM have compiled the annual financial statements for the 2024/25 financial year and submitted them to Office of the Auditor General on the 31st of August 2025. The total revenue amounts to R 232 897 318 versus the total expenditure of R208 419 432 resulting in a surplus of R4 228 757.

T3.25.6

3.26 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES
The Human Resources Section is responsible for ensuring that the organisation's most valuable asset, its employees, is taken care of. Enhanced staff performance is fundamentally part of the achievement of the municipality's primary service delivery objectives. The municipality continually strives to promote a culture of good governance and an environment where the needs of employees can be addressed in a manner that is conducive for the persistent advancement of the interests of our local communities. The Human Resources functions include, but are not limited to, administration of employee benefits, recruitment and selection of competent staff, Organisational Efficiency Improvement, employment equity, training and development of staff, sound labour relations, occupational health and safety and general support services to enhance staff capacity in the process of realising organisational strategic objectives of service delivery to the community. The Corporate Services Department has developed the Human Resources Strategy which will assist the employees of the Magareng Local Municipality to perform better by sending them to different trainings and short courses as stated in the Workplace Skills Plan. *T3.26.1*

Employees: Human Resource Services					
Job Level	2023/2024	2024/2025			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	N/A	N/A	N/A	N/A	N/A
4 - 6	N/A	N/A	N/A	N/A	N/A
7 - 9	1	5	2	3	60%
10 - 12	2	2	1	1	50%
13 - 15	1	1	1	0	0%
16 - 18	N/A	N/A	N/A	N/A	N/A
19 - 20	N/A	N/A	N/A	N/A	N/A
Total	**4**	**8**	**4**	**4**	50%
T3.26.4					

COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL:

HR is only support service and has no capital projects to deal with.

T3.26.3

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

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

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Key to the strategic nature of ICT in the Magareng Local municipality is the enabling of the municipal key objectives of the municipality in order to meet its constitutional obligations. Municipal ICT enable the achievement of these obligations by deploying relevant information technology solutions

Municipal ICT Unit intend to:

Services that are currently provided by the district municipality to locals are as follows.

- Collaborator Systems: records management system.
- TGIS: Geographical Information System
- IT Support Services
- Internet and email access (not all locals)
- To assist by addressing Auditor General IT findings

T3.27.1

Employees: ICT and Communications Services				
Job Level	2024/25			
	Posts	Employees	Vacancies/ (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
7 - 9	2	2	0	0%
10 - 12	N/A	N/A	N/A	N/A
13 - 15	N/A	N/A	N/A	N/A
16 - 18	N/A	N/A	N/A	N/A
19 - 20	N/A	N/A	N/A	N/A
Total	**2**	**2**		**0%**
				T3.27.2

3.28 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

This component includes: property; legal; risk management and procurement services.

INTRODUCTION TO PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES
T3.28.1

COMPONENT J: MISCELLANEOUS

This component includes: the provision of Airports, Abattoirs, Municipal Courts and Forestry as municipal enterprises.

INTRODUCTION TO MISCELLANEOUS
None.
T3.29.0

COMPONENT K: ORGANISATIONAL PERFOMANCE SCORECARD2024/2025

This component includes: Annual Performance Scorecard Report for the current year.

8. Departmental Scorecards.

The municipality reports departmental scorecards in accordance with Section 46(1) (b); wherein a municipality must prepare for each financial year a performance report reflecting a comparison of the performance with targets set for and performances in the previous financial year and (c) measures taken to improve performance.

NATIONAL KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT -TECHNICAL SERVICES

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q1	Q2	Q3	Q4
1	Water	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of the capital budget spent from the Regional Bulk Infrastructure Grant (RBIG) for the Upgrading and Extension of the Warrenton Water Treatment Works by the end June 2025	All	100%	HOD: Technical Services	Quarterly progress reports	R30 281 000,00	100%	25 %	25 %	25 %	25 %

NATIONAL KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT -TECHNICAL SERVICES

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q1	Q2	Q3	Q4
2	Water	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of the capital budget spent from the Municipal Infrastructure Grant (MIG) for the Upgrade of internal water reticulation network in Chris Hani, Richblock and Las Vegas (Phase 1) by the end June 2025	1, 3 & 6	100%	HOD: Technical Services	Quarterly progress reports	R22 258 000,00	100%	25 %	25 %	25 %	25 %

NATIONAL KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT -TECHNICAL SERVICES

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q1	Q2	Q3	Q4
3	Sanitation	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of the capital budget spent from the Water Services Infrastructure Grant (WSIG) for the Repairs to the Warrenton WWTW and Surrounding Pumpstations by the end June 2025	All	100%	HOD: Technical Services	Quarterly progress reports	R25 000 000,00	100%	25 %	25 %	25 %	25 %

NATIONAL KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT -TECHNICAL SERVICES

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q1	Q2	Q3	Q4
4	Water	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of the capital budget spent from the Regional Bulk Infrastructure Grant (RBIG) for the Technical Feasibility Study Report for the Relocation of the Warrenton WWTW and Related Bulk Outfall Infrastructure by the end June 2025	All	100%	HOD: Technical Services	Quarterly progress reports / Feasibility Report / Council resolution	R 2 533 000,00	100%	0	0	50 %	50 %
								R80 072 000,00					

NATIONAL KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT – COMMUNITY SERVICES

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
5	Parks and Recreational Facilities	To maintain and control public amenities and areas to promote a safe and healthy environment	Number of quarterly reports on Parks & recreational activities submitted to council by end June 2025	All	4	Manager: Parks and Recreation	Reports/Council resolution	Operational Budget	4	1	1	1	1
6	Traffic & Public Safety	To deliver affordable, quality and sustainable services to communities	Number of Quarterly reports traffic law enforcement submitted to council by end June 2025	All	4	Chief Traffic Officer	Reports/Council resolution	Operational Budget	4	1	1	1	1

7	Library services	Promote literacy in communities through comprehensive Library Services	Submit quarterly report to council on library services at all municipal libraries by end June 2025	All	4	Librarian	Reports/Council resolution	Operational Budget	4	1	1	1	1

NATIONAL KEY PERFORMANCE AREA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT – HOUSING AND LAND USE

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
8	Town Planning	Promoting a wall to wall of management of all land development activities	Number of housing Sector Plan developed and approved by council by end June 2025	All	1	Manager: Housing & Land Use	Council minutes / Council resolution	Operational Budget	1	0	0	0	1
9	Housing	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of housing consumer awareness campaigns conducted by end June 2025	All	4	Manager: Housing & Land Use	Council minutes / Council resolution	Operational Budget	4	1	1	1	1

NATIONAL KEY PERFORMANCE AREA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT - CORPORATE SERVICES DEPARTMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
10	Information & Communication Technology	To render effective and efficient ICT services	Number of quarterly reports on the ICT uploads performed by end of June 2025	N/A	10	HOD: Corporate Services	Quarterly ICT Reports on number of updates	Operational Budget	10	2	3	3	2
11	Occupational Health and Safety	To provide Health and Safety in a workplace	Number of quarterly Health and Safety Reports submitted to the Health and Safety Committee meeting by end June 2025	N/A	4	HOD: Corporate Services	Minutes /and attendance registers of Health and Safety Committee meetings	Operational Budget	4	1	1	1	1

NATIONAL KEY PERFORMANCE AREA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT - CORPORATE SERVICES DEPARTMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
12	Training and Development	To improve administrative and governance capacity	Number of Work Skills Plan Development submitted to LGSETA by April 2025	N/A	1	HOD: Corporate Services	Acknowledgement letter from LGSETA	Operational Budget	1	0	0	0	1
13	Training and Development	To provide bursary scheme for further studies by employees	Number of employees awarded bursary by the end of June 2025	N/A	9	HOD: Corporate Services	Proof of Payment to different Tertiary Institution	Operational Budget	7	7	0	0	0

NATIONAL KEY PERFORMANCE AREA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT - CORPORATE SERVICES DEPARTMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q1	Q2	Q3	Q4
14	Labour and legal matters	To improve administrative and governance capacity	Number of quarterly reports on the status of litigations against the Municipality compiled and submitted to the Portfolio Committee meeting by end of June 2025	N/A	4	HOD: Corporate Services	Minutes /and attendance registers of Corporate Services Portfolio Committee Meetings	Operational Budget	4	1	1	1	1
15	Employment Equity reports	To improve administrative and governance capacity	Number of Employment Equity Reports compiled and submitted to Department of	N/A	1	HOD: Corporate Services	Acknowledgement letter from the Department of Labour	Operational Budget	1	0	0	1	0

NATIONAL KEY PERFORMANCE AREA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT - CORPORATE SERVICES DEPARTMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q1	Q2	Q3	Q4
			Labour by January 2025										
16	Council support	To improve administrative and governance capacity	Number of ordinary council meetings coordinated by June 2025	N/A	4	HOD: Corporate Services	Minutes and attendance registers of ordinary council meetings	Operational Budget	4	1	1	1	1

NATIONAL KEY PERFORMANCE AREA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT - CORPORATE SERVICES DEPARTMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
17	Council support	To improve administrative and governance capacity	Number of Departmental Quarterly Section 79 Committee meetings held by June 2025	N/A	4	HOD: Corporate Services	Minutes of the Corporate Services Portfolio Committee Meetings	Operational Budget	4	1	1	1	1

NATIONAL KEY PERFORMANCE AREA 3: LOCAL ECONOMIC DEVELOPMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
18	Tourism	Create an environment that promotes development of local economy and facilitate job creation	Number of tourism programmes initiated by end June 2025	N/A	2	LED Manager	Attendance Register	Operational Budget	2	1	0	1	0
19	SMME'S	Create an environment that promotes development of local economy and facilitate job creation	Number of SMME'S supported through Skills development by end June 2025	N/A	2	LED Manager	Attendance Register	Operational Budget	2	1	0	1	0

NATIONAL KEY PERFORMANCE AREA 3: LOCAL ECONOMIC DEVELOPMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
20	SMME'S	Create an environment that promotes development of local economy and facilitate job creation	Number of PDI's provided with business support by end June 2025	N/A	4	LED Manager	Reports /Attendance Register/ Official Correspondence from entity providing support/ Certificate	Operational Budget	4	1	1	1	1
21	Tourism	Create an environment that promotes development of local economy and facilitate job creation	Number of Quarterly Tourism association meetings held by end June 2025	N/A	4	LED Manager	Attendance Register	Operational Budget	4	1	1	1	1

NATIONAL KEY PERFORMANCE AREA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASE LINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
22	Finance	To improve overall financial management in the municipality by developing and implementing appropriate Financial Management	Number of Annual Financial Statements submitted to AGSA by 31 August 2025	N/A	1	Chief Financial Officer	Acknowledgement of receipt from AG	R 1 200 000,00	1	1	0	0	0

NATIONAL KEY PERFORMANCE AREA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q1	Q2	Q3	Q4
23	Finance	To improve overall financial management in the municipality by developing and implementing appropriate Financial Management	Number of 2024/25 Adjustment Budgets submitted to Council for approval by end February 2025	N/A	1	Chief Financial Officer	Council resolution	Operational Budget	1	0	0	1	0

NATIONAL KEY PERFORMANCE AREA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q1	Q2	Q3	Q4
24	Finance	To improve overall financial management in the municipality by developing and implementing appropriate Financial Management	Number of 2024/25 Final Budget submitted to Council by 31 May 2025	N/A	1	Chief Financial Officer	Council resolution	Operational Budget	1	0	0	0	1

NATIONAL KEY PERFORMANCE AREA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASE LINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q1	Q2	Q3	Q4
25	Finance	To improve overall financial management in the municipality by developing and implementing appropriate Financial Management	Number of Section 71 reports submitted to NT/PT by the 30 June 2025	N/A	12	Chief Financial Officer	Acknowledgement notice by LG Database	Operational Budget	12	3	3	3	3

NATIONAL KEY PERFORMANCE AREA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
26	Finance	To improve overall financial management in the municipality by developing and implementing appropriate Financial Management	Number of Section 72 reports tabled in Council by the 31 January 2025	N/A	1	Chief Financial Officer	Council resolution	Operational Budget	1	0	0	1	0

NATIONAL KEY PERFORMANCE AREA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q1	Q2	Q3	Q4
27	Finance	To improve overall financial management in the municipality by developing and implementing appropriate Financial Management	Number of Section 52 reports tabled at Council by the 30 June 2025	N/A	1	Chief Financial Officer	Council resolution	Operational Budget	1	1	1	1	1

NATIONAL KEY PERFORMANCE AREA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASE LINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
28	Finance	To improve revenue collection rate of the municipality	Rate % increment by the 30 June 2025	N/A	12%	Chief Financial Officer	Revenue Collection Report	Operational Budget	12%	3 %	3 %	3 %	3 %

NATIONAL KEY PERFORMANCE AREA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4

NATIONAL KEY PERFORMANCE AREA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASE LINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
29	Integrated Development Planning	Promote a culture of participatory & good governance	Number of 2024/25 final reviewed IDP Documents submitted to Council by 31 May 2025	N/A	1	Manager: IDP & PMS	Council resolotion	Operational Budget	1	0	0	0	1
30	Performance Management	Improve organisational cohesion effectiveness	Number of 2023/24 Annual Reports submitted to Council by 30 January 2025	N/A	1	Manager: IDP & PMS	Council resolotion	Operational Budget	1	0	0	1	0

NATIONAL KEY PERFORMANCE AREA 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

REF NO.	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	KPI / UNIT OF MEASUREMENT	WARD	BASELINE	PROGRAMME DRIVER	PORTFOLIO OF EVIDENCE	BUDGET	ANNUAL TARGET	QUARTERLY TARGETS			
										Q 1	Q 2	Q 3	Q 4
31	Performance Management	To improve overall financial management in the municipality by developing and implementing appropriate Financial Management	Number of mid-term budget and performance assessment reports submitted to the mayor by 25 January 2025	N/A	1	MM	Acknowledgement of receipt letter by the Mayor	Operational Budget	1	0	0	1	0

9. Progress on Annual Performance Report 2024/2025.

There was no material misstatements on the performance information

Service Providers Strategic Performance

Section 76(b) of the MSA state that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

- Means a person or institution or any combination of person and institution which provide to or for the benefit of the local community.
- External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in term of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

During the year under review the municipality did appoint service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality and below is performance assessment of some of the service provider appointed to render service for the benefit of the local community on behalf of the Municipality. All these projects were regularly monitored by Project Management Unit.

MAGARENG MUNICIPALITY CONTRACT REGISTER 2024/25 FIN YEAR

Number	Tender Number	Contract	Supplier	Department	Contract amount	appointment Date	Contract start date	Contract end date	Validity in current year (24/25)	Renewed or Extended	Date of Advertisement	Comment
1	FIN02/2022/2023	Compilation of Annual Financial Statements	Makomota Investment Holdings PTY LTD	Finance Department	R 3 474 508,80	2023/02/05	2023/02/05	2026/02/02	on going	No	24/02/2023	SLA signed
2	FIN03/2022/23	Request for proposal for the compilation of GRAP, CIDMS and MSCOA compliant fixed asset register for 2022/23,2023/24 and 2024/25 financial years	Shumba Inc	Finance Department	R 4,1123,501.53	2023/02/05	15/05/2023	2026/02/02	on going	no	24/02/2023	SLA signed
3	FINAC01/2018	Banking Services	ABSA BANK	Finance Department	As per pricing schedule	2019/07/02	2019/01/07	30/06/2025	on going	Yes	19/10/2018	No SLA found

4	FINC01/2018/19	Valuation Roll	Professional Mobile Mapping	Finance Department	R 499 990.00	2019/11/02	2019/01/07	30/06/2024	Valid	Yes	19/10/2018	SLA signed
5	TECH01/19/20	Civil Works(Remainder)	BICS Engineering & Supply and Musundwa Mahani JV	Technical Department	R 53,066,011.20	25/2/2020	22/04/2020	Until completion of Project	on going	yes	2019/01/08	SLA signed
6	TECH07/2022/23	Water purification Chemicals	Mega water Chem (Pty)Ltd	Technical Department	as and when required at a order amount of R143 626.55	21/06/2023	18/07/2023	21/06/2026	on going	n/a	24/03/2023	SLA signed
7	FIN01/2022/23	Prvision of value added tax review services	Maxprof Pty Ltd	Finance Department	8.05% incl vat	28/09/2022	11/11/2022	28/09/2025	on going	n/a	19/08/2022	SLA signed
8	TECH/PANEL/CIV02/202122	Appointment of a panel of consulting engineering service providers for the provision of professional civil engineering services in planning	BMK Group CC	Technical Department	zero rated contracts	2021/10/09	as and when required	27/10/24	on going	n/a	23/07/2021	n/a

		design documentation & construction supervision of various municipal projects basis										
9	TECH/PANEL/CIV02/2122	Appointment of a panel of consulting engineering service providers for the provision of professional civil engineering services in planning design documentation & construction supervision of various	BVI Consulting Engineering Central	Technical Department	zero rated contracts	27/10/2021	as and when required	2024/10/27	on going	n/a	23/07/2021	n/a

		municipal projects basis										
10	TECH/PANEL/CIV01/2122	Appointment of a panel of consulting engineering service providers for the provision of professional civil engineering services in planning design documentation & construction supervision of various	Phetogo Consulting	Technical Department	zero rated contracts	27/10/2021	as and when required	27/10/24	on going	n/a	23/07/2021	n/a

		municipal projects basis										
11	TECH21/20 20/21	Appointment of a panel of consulting engineering service providers for the provision of professional civil engineering services in planning design documentation & construction supervision of various	SMEC South Africa	Technical Department	zero rated contracts	2021/10/09	as and when required	2024/10/09	on going	n/a	23/07/2021	n/a

		municipal projects basis										
12	TECH21/20 20/21	Appointment of a panel of consulting engineering service providers for the provision of professional civil engineering services in planning design documentation & construction supervision of various	King and Associates	Technical Department	zero rated contracts	2021/10/09	as and when required	2024/10 /09	on going	n/a	23/07/2021	n/a

		municipal projects basis										
13	TECH21/2020/21	Appointment of a panel of consulting engineering service providers for the provision of professional civil engineering services in planning design documentation & construction supervision of various	WEC Consulting	Technical Department	zero rated contracts	2021/10/09	as and when required	2024/10/09	on going	n/a	23/07/2021	n/a

		municipal projects basis										
14	TECH21/2 020/21	Appointment of a panel of consulting engineering service providers for the provision of professional civil engineering services in planning design documentation & construction supervision of various	NEP Consulting	Technical Department	zero rated contracts	2021/10/09	as and when required	27/10/2 024	on going	n/a	23/0 7/20 21	n/a

		municipal projects basis										
15	TECH22/2020/21	Appointment of a panel of consultant engineering service providers for the provision of professional electrical engineering services in planning, design, documentation and construction supervision of various	Mogalemole Consulting Engineers	Technical Department	zero rated contracts	27/10/2021	as and when required	27/10/2024	on going	n/a	23/07/2021	n/a

		municipal infrastructure projects										
16	TECH21/2020/21	Appointment of a panel of consultant engineering service providers for the provision of professional electrical engineering services in planning, design, documentation and construction supervision of various	BVI Consulting Engineering Central	Technical Department	zero rated contracts	2021/10/09	as and when required	27/10/2024	on going	n/a	23/07/2021	n/a

		municipal infrastructure projects										
17	TECH21/2020/21	Appointment of a panel of consultant engineering service providers for the provision of professional electrical engineering services in planning, design, documentation and construction supervision of various	Melokuhle	Technical Department	zero rated contracts	27/10/22021	as and when required	27/10/2024	on going	n/a	23/07/2021	n/a

		municipal infrastructure projects										
18	TECH/PANEL/CIV02/2122	Appointment of a panel of consultant engineering service providers for the provision of professional electrical engineering services in planning, design, documentation and construction supervision of various	Muteo Consulting	Technical Department	zero rated contracts	27/10/2021	as and when required	27/10/2024	on going	n/a	23/07/2021	n/a

		municipal infrastructure projects										
19	COMM02/2022/23	Provision of insurance services to Magareng LM for a period of	Kunene Makopo Risk Solutions (pty) Ltd	Community Services	R 135 000.00	2022/04/11	2023/01/01	2025/04/11	on going	No	19/08/2022	SLA signed
20	TECH01/22/23	New internal Water Reticulation Network in Ditshotshwaneng, Rabaji & Sonderwater Phase 2 & 3	Geezfix (Pty) Ltd	Technical Department	R 14,082,473.35	2022/11/11	2022/11/11	Until completion of Project	on going	no	29/07/2022	SLA signed

21	TECH07/2021/22	Emergency Repairs to the Warrenton WWTW and surrounding pump stations- phase 1	Tarcron Projects (Pty) Ltd	Technical Department	R 9,655,140.96	2022/02/28	18/03/2022	Until completion of Project	on going	no	24/03/2023	SLA signed
22	Comm04/2022/2023	Provision of physical security and equipment for Magareng Municipality for a period of 36 months	Do Dot projects	Community Services	R 9,487,692.00	21/06/2023	21/06/2023	21/06/2026	on going	no	24/03/2023	SLA signed
23	TECH/PANEL/CIV03/2122	PROVISION OF PROFESSIONAL CIVIL ENGINEERING SERVICES – NEW INTERNAL WATER RETICULATION NETWORK	BVI Consulting Engineering Central	Technical Department	R 3 723 186,61	27/10/2021	01/11/2021	Until completion of Project	on going	yes	13-Oct-21	Tender Document is used as SLA

		IN DITSHOTSHWANENG, RABATJI & SONDERWATER										
24	TECH/Panel/CIV04/2223	Provision of Professional Civil Engineering Services, Upgrade of Internal Water Reticulation Network in Chris hani, richblock and Las Vegas in Ikhutseng	BVI Consulting engineers Central	Technical Department	R 5 923 895,00	2023/09/05	2024/09/12	Until completion of Project	ongoing	no	26-Jun-23	Tender Document is used as SLA

25	TECH/Panel/CIV02/2223	Provision of professional Civil Engineering Services - Repairs to the Warrenton WWWTW and Sewer Pumpstation in Warrenvale and Ikhutseng	NEP Consulting Engineers	Technical Department	R 4 167 887,50	2023/09/05	2024/09/12	Until completion of Project	ongoing	no	26-Jun-23	Tender Document is used as SLA
26	Tech/Panel/CIV01/2223	Provision of Professional Civil Enmgineering Services - Development of Implementation Readiness Study (IRS) and implementation of New Warrenton WWTW and related Bulk	BVI Consulting Engineering Central	Technical Department	R 11 530 985,80	2023/09/05	2024/09/12	Until completion of Project	ongoing	no	26-Jun-23	Tender Document is used as SLA

		infrastructure										
27	FIN01/2023/24	Compilation of the valuation roll and supplementary valuation roll and maintenance	TT Property consultants	Finance Department	R 710 027.25	2023/12/10	2025/01/07	30/06/2030	on going	no	2023/01/12	No SLA found
28	TECH01/2023/24	Mechanical works upgrade and extension of the warrenton WTP	Lebo Tebo Trading & Projects	Technical Department	R 45,745,094.74	2023/12/05	2024/01/16	2025/01/06	on going	no	2023/08/11	No SLA found

29	TECH02/2023/24	REPAIRS TO THE WARRENT ON WWTW AND SURROUNDING PUMSTATIONS.	Thavhani Trading Enterprises	Technical Department	R 27, 531,086.83	2023/10/12	2023/01/10	2024/10/01	on going	no	2023/08/11	Tender Document is used as SLA
30	Tech03/2023/24	Upgrade of Internal Water Reticulation network in Chris hani, Richblock and Las Vegas in Ikhutseng Township Phase 1	Spagen TR JV Lebo Tebo	Technical Department	R 21 980 400,16	2024/05/21	2024/05/21	Until completion of Project	on going	no	2024/01/17	Tender Document is used as SLA
31	Fin03/2023/24	Appointment of a Suitable Qualified and Experienced Service Provider as Auctioneer to conduct the auctions of the	Five Star Trading Enterprise CC T/A Auction 24	Finance Department	15% of bid price of R100	2024/11/15	2024/11/21	2025/06/19	once off	no	2024/06/28	No SLA found

		Municipal Assets										
32	Tech04/2023/24	Upgrade of Internal Water Reticulation network in Chris hani, Richblock and Las Vegas in Ikhutseng Township Phase 2	Matela Civil And Construction	Technical Department	R 24 449 047,15	2024/11/25	2024/11/30	Until completion of Project	ongoing	no	2024/06/14	Tender Document is used as SLA
33	Fin02/2023/24	Request for provision of Banking Services for a period of 5 years with effect from 01 July 2025 until 30 June 2030	ABSA BANK	Finance Department	-R209476,85	2024/11/29	2025/07/01	2030/06/30	on going	no	2024/06/28	No SLA found

34	Tech01/2024/25	Panel of Contractors for Civil Engineering Construction Works and/or Maintenance Works of Various Municipal Infrastructure Projects for CIDB Categories of 3CE To 5CE for a period of 3 years as and when required	(1)Mercycon, (2)Leano la Afrika, (3)Manopix & (4)Kevcon-Popz Lwazi Jv	Technical Department	zero rated contracts	2025/04/10	2025/06/01	2028/06/30	on going	no	2024/11/21	N/A

35	Tech02/2024/25	Panel of Contractors for Civil Engineering Construction Works and/or Maintenance Works of Various Municipal Infrastructure Projects for CIDB Categories of 6CE To 9CE for a period of 3 years as and when required	(1)Ruwacon, (2)Skillo's Building & Cleaning Maintenance, (3)Pheta Trading Enterprise CC,(4) Matela Civil & Construction, (5)Moke Construction & Project,(6) Shwings Construction & Trade, (7)Mmele ST Group, (8)PLS Construction, (9)Mohaumolutsi Civil Works, (10)Thavani Trading Enterprise,(11) Nep	Technical Department	zero rated contracts	2025/04/11		2028/06/30	on going	no	2024/11/21	N/A

			Consulting Engineers, (12)YBS Projects (PTY) LTD, (13)Zebest Properties (PTY) LTD,(14) Eternity Star Investment 231, (15)AMK Construction (PTY) LTD,(16) Aqua Transport & Plant Hire (PTY) LTD, (17)Bonotlho tlho Investment (PTY) LTD, (18)Ekene Investments Cc, (19)Lebo Tebo Trading Projects, (20)Maleteb									

			ogo Business Enterprise, (21)Makali Plant & Construction (PTY) LTD, (22)Kujengu Constrction & Projects & (23)Jorian Construction (PTY) LTD.									

36	Tech03/2024/25	Panel of Contractors for Electrical Engineering Construction Works and/or Maintenance Works of Various Municipal Infrastructure Projects for CIDB Categories of 3EP To 6EP for a period of 3 years as and when required	(1) Morwamogale Morwamogale, (2) Ikageng Electrical Contractors 1, (3) BEST ENOUGH TRADING AND PROJECTS 535, (4) Shwings Construction And Projects (PTY) LTD.	Technical Department	zero rated contracts	2025/04/10	2025/06/01	2028/06/30	on going	no	2024/11/21	N/A
37	Tech04/2024/25	Supply and Delivery of Electrical Infrastructure Materials for a period of 3 years	Do Dot Projects	Technical Department	zero rated contracts	2025/04/10	2025/06/01	2028/06/30	on going	no	2024/11/21	N/A

		as and when required										
38	Tech05/2024/25	Supply and Delivery of Water and Sanitation Infrastructure Materials for a period of 3 years as and when required	Hydro Equip (PTY) LTD	Technical Department	zero rated contracts	2025/04/10	2025/06/01	2028/06/30	on going	no	2024/11/21	N/A
39	Tech06/2024/25	Hiring of Yellow Fleet for a period of 3 years as and when required	Moke construction & Projects	Technical Department	zero rated contracts	2025/04/04	2025/06/01	2028/06/30	on going	no	2024/11/21	N/A
40	Tech07/2024/25	Supply, Delivery and Installation	Bantsi Engineering Services (PTY) LTD	Technical Department	R1 186 127.25	2025/04/04	2025/06/01	2028/06/30	on going	no	2024/11/21	No SLA found

		of 315 KVA 11/0.415 KV Miniature Substation										
41	Tech08/2024/25	Desludging of Pit Latrines Toilets within the Magareng Municipal Area	Leano La Afrika (PTY) LTD	Technical Department	R1 470 850.00	2025/04/04	2025/06/01	2028/06/30	on going	no	2024/11/21	No SLA found
42	Fin01/2024/25	Rendering of Pre-Paid Vending Systems and Services for a Period of 3 Years	Equalizer Group 74 (PTY) LTD	Finance Department	As per pricing schedule	2025/04/24	2025/05/01	2028/05/30	on going	no	2024/11/19	No SLA found
43	Fin02/2024/25	Audit Readiness and CAAT Data Analysis Services	Shumba Inc	Finance Department	R4 491 295.82	2025/04/24	2025/05/01	2028/05/01	on going	no	2024/11/19	No SLA found

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

INTRODUCTION

This component represents the role that HRM&D plays in deciphering, defining, developing and rewarding an organizational culture that is conducive to achieving business objectives. This includes:

- Culture transformation and change management;
- The development of individuals and teams with a systems view;
- Review and design of organizational structures.
- Training that related to job and personal growth equipping all employees with the necessary knowledge, skills and competencies to perform their work effectively, in pursuit of the vision and mission of Council as well as the employee's vision.
- Enabling employees to deal effectively and pro-actively with change and to the challenges of dynamic work and external environment.
- Enabling employees to acquire development orientated professionalism and the appropriate competencies.
- Helping employees to address issues of diversity whilst promoting a common organization culture so as to or in doing support unity at the workplace.
- Assisting employees in developing a better understanding of the needs of the communities that they are serving, as well as the capability to respond to these needs.
- Creating an enabling environment for the training and development of present and future incumbents. Creating a pool of suitably qualified individuals to be identified and developed in terms of a succession planning program.
- By providing job security to competent individuals.

By providing equitable access and participation in properly structured training and appraisal processes that will ensure that every employee's work performance is maximized, and, that his/her potential is fully developed.

T4.0.1

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	2023/2024	2024/2025			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water	17	22	15	7	
Waste Water (Sanitation)	10	22	11	11	
Electricity	5	10	5	5	
Waste Management	27	28	10	18	
Housing	1	8	2	6	
Roads and Waste Water (Storm-water Drainage)	-	16	3	13	
Transport	-	1	1	0	
Economic Development	2	4	3	1	
Planning and Development (Strategic & Regulatory)	7		7	2	
Community & Social Services – Fire and Disaster	N/A	N/A	N/A	N/A	N/A
Environmental Health	N/A	N/A	N/A	N/A	N/A
Security and Safety	15	10	6	4	
Parks and Recreation	3	10	10	0	
Corporate Services	15	29	19	10	
Budget and Treasury	35	46	35	11	

Executive Support		17	13	4	N/A
Internal Audit	0	1	1	0	0
Totals					
Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June, as per the approved organogram.					

Vacancy Rate: 2024/2025			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	0%
CFO	1	1	0%
Other S57 Managers (excluding Finance Posts)	3	1 (Community Services HoD) Post was never filled since it was introduced	33%
Line Managers: (including Finance Posts)	12	0	0%
Total	**17**	**2**	13%

T 4.1.2

Turn- over Rate			
Details	**Total Appointment as of beginning of financial year No.**	**Termination during the financial year No.**	**Turn- over Rate No.**
2019/20		NONE	
2020/21		NONE	
2021/22	16	17	-
T 4.1.3			

COMMENT ON VACANCIES AND TURNOVER:

T4.1.4

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Municipality has reviewed 3 policies which are explained to the workforce as and when are adopted by Council or reviewed periodically. The workforce through the Local Labour Forum, as an important stakeholder, in the development of such policies are properly consulted on all matters of mutual interest. The departments, units and the organisation in general holding continuous staff meeting in order to create a platform for the staff to air their views in matters of mutual interest

T4.2.0

OCCUPATIONAL LEVELS	Male					Female				
	African	Colour	Indian	White	Total	African	Colour	Indian	White	Total
Senior Management	1	0	0	0	0	3	0	0	0	4
Professionally qualified and experienced specialists and mid-management	8	0	0	1	9	2	1	0	0	4
Skilled technical and academically qualified workers, junior management,supervisors,foremen,and superintendents										
Semi-skilled and discretionary decision making										
Unskilled and defined decision making										
TOTAL EMPLOYEES/POSTS										
AS % OF THE TOTAL NUMBER OF EMPLOYEES/POSTS										
CURRENT MALE TO FEMALE RATIO	**Male**					**Female**				
TOTAL NUMBER OF MALE & FEMALE EMPLOYEES										
CURRENT % MALE TO FEMALE RATIO										

4.2 POLICIES

HR Policies and Plans				
No.	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Ethics Policy	0	0	The municipality does not have ethics policy
2	Fraud Prevention Policy	100	100	30 June 2019
3	Whistle Blowing Policy	0	0	28 June 2018
4	Risk Management Committee Policy	100	100	31 May2019
5	Risk Management Strategy	0	0	
6	Asset Management Policy	100	100	31 May 2019
7	SCM Policy	100	100	25 June 2018
8	Cell phone Policy	100	100	31 May 2019
9	Notebooks and Mobile Computing Policy	100	100	In a process of developing it
10	Leave and Overtime Policy	100	100	28 June 2018

11	Recruitment and Selection Policy	100	100	28 June 2018
12	Information Technology (IT) Policy	100	100	28 June 2018
13	Information Technology (ICT Disaster Recovery Plan)	0	0	28 June 2018
14	IT Corporate Governance Policy Framework	100	100	28 June 2018

COMMENT ON WORKFORCE POLICY DEVELOPMENT:

All policies were in place and adopted by Council except the Ethics Policy.

T4.2.1.1

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	0	0	0	0	0
Temporary total disablement	20	2	0	0	R1600.00
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
Total	**20**	**2**	**0**	**0**	**R1600.00**
					T 4.3.1

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave Days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post* No.	*Average sick leave per Employees Days	Estimated cost R' 000
Lower skilled (Levels 1-2)	0	0	0	0	0	
Skilled (Levels 5-8)	0	0	0	0	0	
Highly skilled supervision (levels 9-12)	0	0	0	0	0	
Senior management (Levels 13-15)	0	0	0	0	0	
MM and S57	0	0	0	0	0	
Total	**0**	**0**	**0**	**0**	0	

** - Number of employees in post at the beginning of the year*
**Average is calculated by taking sick leave in colunm 2 divided by total employees in colunm 5*

T 4.3.2

T4.3.3

T4.3.4

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
None			
			T 4.3.6

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

T 4.3.7

4.4 PERFORMANCE REWARDS

COMMENT ON PERFORMANCE REWARDS:

No performance rewards were paid out during the year under review.

T4.4.1.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The Human Resource Section is the custodian for capacity building of employees within the Municipality and contributes to the building and creation of a capable service delivery organization. The Skills Development Act No 97 of 1998 as Amended in 2008 sets clear guidelines and requirements for the organization to implement capacity building initiatives for employees.

In response to the quoted legislative framework and related regulations such as the National Skills Development Strategy (NSDSIII) and the Local Government Sector Education and Training Authority (LGSETA), MLM acquitted itself well under the circumstances prevailing.

The Workplace Skills Plan (WSP) for 2024/25 financial year with its attended Training Plan was submitted to the Sector Education and Training Authority for Local Government (LGSETA) by as per requirement.

Emphasis has been on encouraging Municipal compliance with the Skills Development legislation, we continue to encourage compliance but we also emphasise on quality, in 2006 LGSETA began to issue completeness checks to Municipalities, in 2008 a quality criterion was developed, in 2009 evaluating the WSP/ATR in detail started to check if the WSP/ATR submitted is of required standards, feedback emanating from the evaluation is also given to the Municipalities in order to ensure that the gaps identified are addressed in future WSP & ATR,

The Municipality are ensuring that we are complying with the Skills Development Legislation and we will continue with our endeavour to have quality WSP/ATR, which will expose core IDP objectives of the Municipality

T4.5.0

.5 SKILLS DEVELOPMENT AND TRAINING

The Skills Development Act (1998) and the Municipal Systems Act, (2000) requires employees to supply employees with the necessary training in order to develop its human resource capacity. Section 55 (i)(f) state that as head of the administrator the Municipal Manager is responsible for the management, utilization

Skills Matrix															
Management level	Gender	Employees in post as at 30 June Year 2024	Number of skilled employees required and actual as at 30 June Year 2024												
			Learner ships			Skills programmes & other short courses			Other forms of training			Total			
		No.	Actual: End of 2024/25	Actual: End of 2024/2025	2024/2025 Target	Actual: End of 2024/2025	Actual: End of 2024/2025	2024/2025 Target	Actual: End of 2024/25	Actual: End of 2025/2025	2024/2025 Target	Actual: End of 2024/2025	Actual: End of 2024/2025	2024/2025 Target
MM and s57	Female	0							3	1		3	1	
	Male	0							2	1		2	1	
Councillors, senior officials and managers	Female	1							2	2		2	2	
	Male	2							2	2		2	2	
Technicians and associate professionals*	Female	0							3	2		3	2	
	Male	0							0	0		0	0	
Professionals	Female	0							3	2		3	2	
	Male	0							3	2		3	2	
Sub total	Female	1							11	7		11	7	
	Male	2							7	5		7	5	
Total		**3**				**-**	**-**		**18**	**12**		**18**	**12**	

**Registered with professional Associate Body e.g CA (SA)* *T 4.5.1*

4.5.2 MFMA Competencies

In terms of section 83(1) of the MFMA, the Accounting Officer, Senior Managers, the Chief Financial Officer, Non-financial Managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, NT, with the collaboration of various stakeholders and role players in the Local Government sphere, developed an outcome based NQF level 6 qualifications in municipal finance management. In terms of the Government Notice 493 of 15 June 200017, ‘’(1) No Municipality or municipal entity may, with effect 1 January employ a person as a financial official if that person does not meet the competency level prescribed for the relevant position in terms of these Regulation’’.
The table below provides details of the financial competency development progress as required by the regulation:

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c)	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials	**4**					
Accounting officer	0					
Chief financial officer	0					
Senior managers	0					
Any other financial officials	0					
Supply Chain Management Officials	**0**					
Heads of supply chain management units	0					
Supply chain management senior managers	0					
TOTAL	**4**					
** This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)*						*T 4.5.2*

Skills Development Expenditure: 2024-2025						
						R
Management level	Gender	Employees as at the beginning of the financial year	Skills Development			
		No.	Learnerships	Skills programmes& other short courses	Other forms of learning/ training	Total
MM and S57	Female	0				
	Male	0				
Legislators, senior officials and managers	Female	1				
	Male	2				
Professionals	Female	0				
	Male	0				
Technicians and associate professionals	Female	0				
	Male	0				
Clerks	Female	0				
	Male	0				
Plant and machine operators and assemblers	Female	0				
	Male	0				
Elementary occupations	Female	0				
	Male	0				
Sub total	Female	1				
	Male	2				
Total		**3**				
**% and *R value of municipal salaries (original budget) allocated for workplace skills plan.*						*
NB. Portion of the allocation was used in profile searching, purchasing study books, catering and also for accommodation						

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

Training and skills development interventions are mainly aimed at increasing the knowledge, proficiency, ability and skills of MLM Human Capital to improve bottom line performance. MLM Training Plan is informed by key strategic documents such as IDP and internal Skills Audit Results as well as the National Treasury Minimum Competency Regulations of 2007. September 2015 was set by National Treasury as the final deadline by which compliance at the various sectorial and professional work levels must be achieved.

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

The training plans specifically focus on the underneath aspects:

- **NEEDS ORIENTATED**:

It is important to align all training and development programs with needs based on post requirements, the tasks to be performed, and based on the performance gaps of the incumbent. The primary objective is to improve skills, knowledge, attitudes and values. These are to be specific and must at all-time indicate what the staff member should be able to demonstrate. At all times must individual, department needs and Municipality objectives be aligned in order to achieve the maximum.

- **OUTCOME BASED ORIENTATED:**

Here the emphasis is on outcomes, i.e. what the employee becomes and understands. The direct aim is to develop analytical thinking, improved attitudes, understanding and mastering skills. The main focus therefore is on the results expected at the end of a learning process, called the outcomes and the processes that will take the employee to these ends.

- **COMPETENCY BASED ORIENTATED**:

This is based on the identification of operational training and development needs, emanating from the strategic plan and the objectives of the Municipality. These learning modules, with specific training and development objectives, can subsequently be combined to determine if the employees met the training and development needs, and if the employees have the competency to apply the skill effectively.

T4.5.4

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

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

T4.6.0

4.6 EMPLOYEE EXPENDITURE

Source: MBRR SA22 *T 4.6.*

COMMENT ON WORKFORCE EXPENDITURE:

The strict control of the workforce budget enables the municipality to implement and achieve the pre-determined objectives as set out in the IDP because all vacant and budgeted posts will be fill immediately the vacancy arise. The workforce budget is spent with the parameters of the approved budget. Appointment is done in terms of the requirements of the post because the salary package is commensurate to the experience and qualifications of the post.

T4.6.1.1

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	**Gender**	**Total**
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	0
Highly skilled production (Levels 6-8)	Female	0
	Male	0
Highly skilled supervision (Levels9-12)	Female	0
	Male	0
Senior management (Levels13-16)	Female	0
	Male	0
MM and S 57	Female	0
	Male	0

Total	0
Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above). T 4.6.2	

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None	N/A			
				T 4.6.3

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
None	N/a	-	-	-
				T 4.6.4

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

No posts were upgraded during the year under review.

T4.6.5

DISCLOSURES OF FINANCIAL INTERESTS

The Municipality requires employees and Councillors to disclose financial interest annually. These disclosure forms are recorded and kept at Supply chain, and all these disclosure forms were requested by the AG and submitted as such.

T4.6.6

CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

This financial overview presents the brief summary of the financial performance of the municipality for the financial year under review. The detailed financial performance, financial position and cash flow activities of the municipality are presented in the annual financial statements for the year ended 30 June 2024. The municipality has during the financial year, strived to comply with the requirements of the relevant legislative prescripts and the guidelines set by the National Treasury in as far as financial management is concerned.

The municipality managed the budget process effectively and adhered to the timeframes as set out by the Municipal Finance Management Act. The Budget Steering Committee was established and meetings of the committee were effectively held. Other success factors for the financial year 2023-2024 are amongst others being able to monitor and report effectively on the budgets as well as the submission of the Annual Financial Statements on time.

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

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

The original capital budget for the 2024-2025 was **R42 258 000** and during the adjustment budget it was increased to **R82 092 809** the actual expenditure incurred amounts to **R73 924 212.**

T5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

The financial statements presented in this report are presented on the basis that the municipality is a going concern. The principles of GRAP have been taken into consideration when preparing these annual financial statements. The annual financial statements have been prepared in-house and have been submitted on time as prescribed in the Municipal Finance Management Act to the Auditor General.

Analyzing the financial position of the municipality as outlined in the statement of financial position, in the annual financial statements, the municipality is still financially viable. The municipality has maintained a sustainable and sufficient asset base, despite the fact that providing enough for repairs and maintenance remains a challenge.

T5.1.0

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Statement of Financial Performance will form part of the Audited Financial Statement

COMMENT ON FINANCIAL PERFORMANCE:

The municipality's total expenditure was not within the approved budget during the year under review. ***The municipality's total expenditure budget was R164 329 357*** **and** ***there was an adjustment made R185 903 667 with total actuals of R208 419 432 with a surplus of R24 477 886.***

T5.1.3

5.2 GRANTS

Operating transfers and grants for the financial year 2024/25 were received as per DoRA allocation.

T5.2.2

COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

The municipality received both Capital and operational grant from the district municipality (FBDM).***The original capital budget was R0 and there was an adjustment of R 2 000 000 with R1 900 000 actuals, Operational grant the original allocation was R 2 500 000 with actuals of R 3 199 284 .****T5.2.4*

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

T5.3.1

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2024/25				
Asset 1				
Name	TRANSFORMER			
Description	EXTERNAL TRANSFORMER			
Asset Type	ELECTRICITY INFRASTRUCTURE ASSET			
Key Staff Involved	ELECTRICITY TECHNICIAN			
Staff Responsibilities	MAINTAINING THE FUNCTIONING OF ELECTRICITY INFRASTRUCTURE NETWORK			
Asset Value	2021/22	2022/23	2023/24	2024/25
	0	R627 198.00	R830 044.25	R720 999.55
Capital Implications	ASSET NEEDS TO BE REPLACED			
Future Purpose of Asset	THE ASSET WILL CONTINUE TO BE USED IN THE ELECTRICITY NETWORK			
Describe Key Issues	REPAIR AND MINTENANCE ISSUES			
Policies in Place to Manage Asset	THERE IS AN ASSET MANAGEMENT POLICY IN PLACE			
Asset 2				
Name	MINI SUB			

Description	TRANSFORMER MINI SUB			
Asset Type	ELECTRICITY INFRASTRUCTURE ASSET			
Key Staff Involved	ELECTRICITY TECHNICIAN			
Staff Responsibilities	MAINTAINING THE FUNCTIONING OF ELECTRICITY INFRASTRUCTURE NETWORK			
	2020/21	2021/22	2022/23	2023/24
Asset Value	0	0	0	0
Capital Implications	ASSET NEEDS TO BE REPLACED			
Future Purpose of Asset	THE ASSET WILL CONTINUE TO BE USED IN THE ELECTRICITY NETWORK			
Describe Key Issues	REPAIR AND MINTENANCE ISSUES			
Policies in Place to Manage Asset	THERE IS AN ASSET MANAGEMENT POLICY IN PLACE.			
Asset 3				
Name	PIPE			
Description	UPVC PIPE			
Asset Type	WATER INFRASTRUCTURE ASSET			
Key Staff Involved	WATER INFRASTRUCYURE MANAGER			
Staff Responsibilities	MAINTAINING WATER NETWORK			
	2020/21	2021/22	2022/23	2023/24
2018/19	0	0	0	0
Capital Implications				
Future Purpose of Asset	THE ASSET WILL CONTINUE TO BE USED IN THE WATER NETWORK UNTIL ITS DISPOSAL			
Describe Key Issues	NONE			
Policies in Place to Manage Asset	THERE IS AN ASSET MANAGEMENT POLICY IN PLACE.			
				T 5.3.2

Magareng Local Municipality has compiled the fixed asset register for the year 2024/25 and will be audited by the Office of the Auditor General.

T5.3.3

Repair and Maintenance Expenditure: 2024/25

				R' 000
	Original Budget	**Adjustment Budget**	**Actual**	**Budget variance%**
Repairs and Maintenance Expenditure	R 13 332 812	R 13 127 923	R6 239 732	-48%
				T 5.3.4

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

The Municipality have budgeted an amount of R13 127 923. The expenditure incurred as at 30 June 2025 amounts R6 239 732 which results in an under spending against the budgeted amount.

T5.3.4.1

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Employee Cost = R54 559 497/ R185 903 667 x 100= 29%

T5.4.1

Repairs & Maintenance = R6 239 732/ R185 903 667 x 100 = 3%

T 5.4.2

Finance Charges &Impairment =R 55 822 862 / R 185 903 667 x100= 30%

T 5.4.3

COMMENT ON FINANCIAL RATIOS:

T 5.4.4

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

T5.5.0

5.5 CAPITAL EXPENDITURE

Information will form part of the Annual Financial Statement.

T5.5.1

5.6 SOURCES OF FINANCE

COMMENT ON SOURCES OF FUNDING:

Magareng Local Municipality is mostly reliant on government grants for service delivery related projects.

T5.6.1.1

5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects* R' 000					
Name of Project	Current: 2023/2024			Variance: 2023/24	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A – Repairs to Warrenton WWTW and Sewer Pump Station In Warrenvale & Ikhutseng	R20 000 000	R25 000 000	R24 420 765	22%	-2%
B –Upgrade of the Warrenton Water Treatment Works (RBIG)	R-	R32 835 809	R 25 306 036	0%	-23%
C – Repairs to Warrenton WWTP and Surroundings Pumpstations (FBDM)	R-	R 2 000 000	R2 000 000	0%	0%
** Projects with the highest capital expenditure in 2023//2024*					

Name of Project - A	Upgrading of Warrenton Water Treatment Works.
Objective of Project	Refurbish and upgrade major processing units that will increase the capacity from 9ML/d to 12ML/d.
Delays	Protests
Future Challenges	Rainfall and vandalism
Anticipated citizen benefits	Sustainable water supply
Name of Project - B	1.7km Bulkwater Gravity-fed pipeline
Objective of Project	Construction of New 1.7 km Bulkwater pipeline from Warrenton Water Treatment Works to main pump station
Delays	Environmental and Sanral compliance matters
Future Challenges	High water level of the Vaal River
Anticipated citizen benefits	Increased capacity of the bulkwater infrastructure in Magareng
Name of Project - C	Ikhutseng Sports Stadium
Objective of Project	To provide sport facilities to the community of Ikhutseng
Delays	Covid-19 restrictions
Future Challenges	Covid-19
Anticipated citizen benefits	New sports facilities
Name of Project - D	
Objective of Project	
Delays	
Future Challenges	
Anticipated citizen benefits	
Name of Project - E	
Objective of Project	
Delays	
Future Challenges	
Anticipated citizen benefits	

COMMENT ON CAPITAL PROJECTS:
Capital projects are funded through Government grants, Water Service Infrastructure Grant, Municipal Infrastructure Grant and Regional Bulk Infrastructure Grant
T5.7.1.1

5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS– OVERVIEW

INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS
No comments provided
T5.8.1

Service Backlogs as at 30 June 2021 Households (HHs)				
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	5052	77	1500	23
Sanitation	5052	77	1500	23
Electricity	5052	77	1500	23
Waste management		%		
Housing		%		%
*% HHs are the service above/below minimum standard as a proportion of total HHs. 'Housing' refrs to * formal and ** informal settlements.*				*T 5.8.2*

Municipal Infrastructure Grant (MIG)* Expenditure 2024/25 on Service backlogs R' 000						
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adj Budget	
Infrastructure -						
Water treatment plant	R22 258 000	R0	R22 197 411	0%	-	
Storm water						
highmast lights						

Community halls						
Sports Facilities						
Economic Hubs						
Total						
						T 5.8.3

COMMENT ON BACKLOGS:

The MLM's annual budget for infrastructure development is unable to address backlogs.

T5.8.4

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2024/25

Capital Programme by Project by Ward: 2024/25		R' 000
Capital Project	**Ward(s) affected**	**Works completed (Yes/No)**
Upgrading of Warrenton WTW	1-5	Yes
1.7km Bulkwaterpiepline	1-5	Yes
Ikhutseng Sports Stadium	3,4&5	Yes
New Internal Water Reticulation network in Ditshotshwaneng , Rabatji&Sonderwater	4&5	No
Emergency repairs to the Warrenton WWWTW and surrounding pumpstations	1-5	No

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS
T 5.9

5.9 CASH FLOW

Cash Flow Statement to be included once the AFS audited

COMMENT ON CASH FLOW OUTCOMES:
The municipality closed the 2024/2025 financial year with a positive cash and cash equivalent which amounts to **R1 413 857.**
T5.9.1.1

5.10 BORROWINGAND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS
The municipality had no borrowings for the 2024/25 financial year.
T5.10.1

COMMENT ON BORROWING AND INVESTMENTS:
The municipality had a closing balance of **R903 004** in the investment call account for the 2024/2025 financial year.
T5.10.5

5.11 PUBLIC PRIVATE PARTNERSHIPS

PUBLIC PRIVATE PARTNERSHIPS
T5.11.1

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

Supply Chain Management Unit is established according to Section 111 of the MFMA that states that the municipality must adopt and implement SCM Policy. Supply Chain Management System of the municipality provides a mechanism to ensure fair, equitable, transparent, competitive and cost-effective procurement whilst promoting black economic empowerment.

T5.12.1

5.13 GRAP COMPLIANCE

Magareng LM have compiled the annual financial statements and Fixed Asset register in accordance to GRAP standards.

T5.13.1

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

The 2024/25 Financial Statements and Annual Performance Report has been submitted to the Auditor General on 30 August 2025, as per legislative requirement.

T6.0.1

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2024/25

6.1 AUDITOR GENERAL REPORTS 2024/25 (PREVIOUS YEAR)

Status of audit report:	Opinion
Completed and received by the Municipality	**Qualified audit opinion**

Auditor-General Report on Service Delivery Performance: 2024/2025	
Status of audit report**:	Qualified
Non-Compliance Issues	Remedial Action Taken

COMPONENT B: AUDITOR-GENERAL OPINION 2024/25 (CURRENT YEAR)

6.2 AUDITOR GENERAL REPORT 2024/25

Status of audit report:	Qualified
Non-Compliance Issues	Remedial Action Taken

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Magareng Local Municipality

Report on the audit of the financial statements

Qualified opinion

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

2. In my opinion, except for the 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 Magareng Local Municipality as at 30 June 2025, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2024 (Dora).

Basis for qualified opinion

Revenue from exchange transactions

3. The municipality did not recognise revenue from exchange transactions in accordance with GRAP 9, *Revenue from exchange transactions*. The municipality did not consistently apply the approved sewerage and sanitation charges for the 2024/2025 financial year, resulting in sewerage and sanitation charges for the year being overstated and receivables from exchange transactions by a projected amount of R4 202 186. There was a resultant impact on the surplus for the period and on the accumulated surplus.

4. I was unable to obtain sufficient appropriate audit evidence for sale of water, sewerage and sanitation charges as well as refuse removal due to the status of the accounting records. The municipality did not maintain accurate and complete records as charges were not always billed during the year. I was unable to confirm the sale of water, sewerage and sanitation charges as well as refuse removal by alternative means. Consequently, I was unable to determine whether any adjustments are necessary to sale of water, sewerage and sanitation charges as well as refuse removal stated in at R 4 867 558, R13 237 910 and R3 014 002, respectively in note 19 to the annual financial statements.

Revenue from non-exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for property rates due to the status of the accounting records. The municipality did not maintain accurate and complete records as property rates were not always billed during the year. I was unable to confirm the property rates by alternatives means. Consequently, I was unable to determine whether any adjustments are necessary to property rates stated at R13 246 627 in note 25 to the annual financial statements.

Cash and Cash equivalents

6. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents as the municipality did could not provide support for undeposited receipts amounting to R4,911,926.32. The municipality did not maintain accurate and complete records as for cash and cash equivalents. I was unable to confirm the cash and cash equivalents by alternative means. Consequently, there was a resultant impact on the surplus/deficit for the period and accumulated surplus/deficit.

Context for opinion

7. 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.

8. 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.

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

Emphasis of matters

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

Material losses- Electricity

11. As disclosed in note 57 to the financial statements, material electricity losses to the amount of R4 532 432 (2024: R7 948 018) was incurred which represents 41% (2024: 33%) of total bulk electricity purchased.

Material losses- Water

12. As disclosed in note 57 to the financial statements, material water losses to the amount of R6 116 015 (2024: R2 949 455) was incurred which represents 96% (2024: 97%) of water purchased.

Material impairment – receivables from exchange transactions

13. As disclosed in note 6 to the financial statements, municipality reported a material impairment of R368 488 645 (2024: R327 758 937) because of debt impairment of receivables from exchange transactions due to non-collection of outstanding balance owed to the municipality.

Material impairment – receivables from non-exchange transactions

14. As disclosed in note 4 to the financial statements, municipality reported a material impairment of R126 092 291 (2024: R114 110 591) because of debt impairment of receivables from non-exchange transactions due to non-collection of outstanding balance owed to the municipality.

Restatement of corresponding figures

15. As disclosed in note 48 to the financial statements, the corresponding figures for 30 June 2025 were restated as a result of an error in the financial statements of the municipality as of 30 June 2024.

Other matters

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

Unaudited disclosure notes

17. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. 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

18. 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.

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

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

20. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the annual performance report

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

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

    - Percentage of the capital budget spent from the Regional Bulk Infrastructure Grant (RBIG) for the Upgrading and Extension of the Warrenton Water Treatment Works by the end June 2025.

    - Percentage of the capital budget spent from the Municipal Infrastructure Grant (MIG) for the Upgrade of internal water reticulation network in Chris Hani, Richblock and Las Vegas (Phase 1) by the end June 2025

    - Percentage of the capital budget spent from the Water Services Infrastructure Grant (WSIG) for the Repairs to the Warrenton WWTW and Surrounding Pumpstations by the end June 2025

    - Percentage of the capital budget spent from the Regional Bulk Infrastructure Grant (RBIG) for the Technical Feasibility Study Report for the Relocation of the Warrenton WWTW and Related Bulk Outfall Infrastructure by the end of June 2025.

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

25. I performed procedures to test whether:

    - the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives

- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included

- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated

- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents

- the reported performance information presented in the annual performance report in the prescribed manner

- there is adequate supporting evidence for the achievements reported and for measures taken to improve performance.

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

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

Other matter

28. I draw attention to the matter below.

Achievement of planned targets

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

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

Basic service delivery and infrastructure development

Targets achieved: 88.89% *Budget spent: 99.11%*		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Percentage of the capital budget spent from the Regional Bulk Infrastructure Grant	100%	78.56%

(RBIG) for the Upgrading and Extension of the Warrenton Water Treatment Works by the end June 2025		
Percentage of the capital budget spent from the Municipal Infrastructure Grant (MIG) for the Upgrade of internal water reticulation network in Chris Hani, Richblock and Las Vegas (Phase 1) by the end June 2025	100%	99,72%
Percentage of the capital budget spent from the Water Services Infrastructure Grant (WSIG) for the Repairs to the Warrenton WWTW and Surrounding Pumpstations by the end June 2025	100%	97.68%
Percentage of the capital budget spent from the Regional Bulk Infrastructure Grant (RBIG) for the Technical Feasibility Study Report for the Relocation of the Warrenton WWTW and Related Bulk Outfall Infrastructure by the end of June 2025	100%	59.93%

Material misstatements

31. I identified no material misstatements in the annual performance report submitted for auditing.

Report on compliance with legislation

32. 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.

33. 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.

34. 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.

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

Annual financial statements

36. 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.

Expenditure management

37. Payments were not made within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure. (MFMA 65(2)(e)).

38. Reasonable steps were not taken to prevent irregular expenditure amounting to R75 175 711, as disclosed in note 56 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

39. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 344 997, as disclosed in note 55 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The disclosed fruitless and wasteful expenditure was caused by interest due to late payments.

40. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R93 918 979, as disclosed in note 54 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on the approved budget.

Consequence management

41. 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.

42. 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.

43. 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.

Revenue management

44. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Procurement and contract management

45. Some of the contracts were awarded to 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). The non-compliance was identified in the procurement process for deviation from standard SCM policy for emergency appointment for cost of supply tariff study.

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

47. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2)(b) of the MFMA.

48. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA.

Other information in the annual report

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

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

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

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

Internal control deficiencies

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

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

55. The leadership of the municipality did not adequately develop and monitor the implementation of action plans to address internal control deficiencies. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not implement and monitor adherence to the plan in a timely manner. This is due to the audit action plan not being completed timeously in order to address audit findings in a timely manner. This has resulted in a repeat finding being identified in the current year.

Material irregularities

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

Status of previously reported material irregularities

Unauthorised Debit orders resulting in payments for no services or benefits received

57. Reasonable steps were not taken to ensure that the municipality implemented and maintained an effective system of expenditure control, including procedures for the approval, authorisation and payment of funds, as required by section 65(2)(a) of the MFMA. The municipality disclosed unauthorised debit orders in the financial statements for the year ended 30 June 2022, totalling to R1 748 618 (R946 907 and R801 711 in 2021-22 and 2020-21 respectively). The system of internal controls was not effective to prevent these payments made for which no benefit was received and, if not recovered, is likely to result in a material financial loss.

58. The accounting officer was notified of the material irregularity on 05 May 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter.

- The municipality actively communicated with the bank to reverse all outstanding unauthorized debit orders at year end 2022-23.

- The municipality logged a request for an internal investigation at the bank to trace the origins of the debit orders to allow full prevention of its re-occurrence.

- The municipality implemented frequent reviews of bank statements to allow early identification of further debit orders and timeous submission of reversal requests to the bank.

59. The accounting officer provided further evidence on 17 November 2023 confirming that:

- The outstanding balance for the 30 June 2021 financial year had been reduced to R580 305,08 and the outstanding balance for the 30 June 2022 balance reduced to R325 976,88 due to reversals processed by the bank. This resulted in a total remaining dispute of R906 281,96.
- Confirmation was received from the bank, that they lodged a dispute with the initiating bank to release details of the initiating parties who authorised the request for the debit orders.

60. When a follow-up was made in the current years audit it was confirmed that controls implemented by the municipality are still in place and that further losses were prevented. The accounting officer further provided evidence of submitting his affidavit for commissioning with the NC Directorate for Priority Crime Investigation (Hawks) on the matter, which was acknowledged by them on the 24 June 2025 for investigation.

61. Based on this we concluded that the accounting officer has taken appropriate action and the material irregular is resolved.

AUDITOR GENERAL

Kimberley

01 December 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

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

Legislation	Sections or regulations
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1),31
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), Regulations: 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)

AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENTS:2023/24

COMMENTS ON AUDITOR-GENERAL'S OPINION 2024/2025
T6.2.5

GLOSSARY

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

Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	• Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance

	standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: *a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and* *b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned*

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCILATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Number Council Meetings Attendance %	Percentage Apologies for non-attendance %
Mrs Neo Lovedelia Mase	FT	Executive Mayor	PR ANC		
Ms Nontsisi Memane	PT	Finance Committee Chairperson	WARD 1 Cllr ANC		
Mrs Masego Florence Melato	PT	Technical Services Committee Chairperson	WARD 2 Cllr ANC		
Mr Matlhomola Mere	PT	Corporate Services Committee Chairperson	WARD 3 Cllr ANC		
Ms BuhleOuma Amos	PT	Community services chairperson	WARD 4 Cllr ANC		
Mr Willem Potgieter	PT	Exco member	WARD 5 Cllr DA		
MrBonakele Plata	FT	Speaker	WARD 6 Cllr ANC		
Boitumelo Mahapa	PT	Finance committee member	PR EFF		
Mrs Keolebogile Mekhoa	PT	Corporate service	PR EFF		
Ms Jo-Anne Isaacs	PT	Community services member	PR DA		
MrsLorraineValtyn	PT	Mpac Chairperson	PA Councillor		
*Note: * Councillors appointed on a proportional basis have been allocated to different wards to assist the ward councillors* T A					

Executive Committee Meetings				
Executive Committee Members	Total No of Meetings held	Attendance	Non attendance	
			With apology	Without apology
Cllr N Mase	4	All	None	None
Cllr N Mokomela		All	None	None
Cllr W Potgieter		All	None	None

APPENDIX B – COMMITTEES ANDCOMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
1. Corporate Services Committee	To assist the Executive Mayor in his/her responsibility to monitor the management of the municipality's administration in accordance with the directions of Council.
2. Technical Services Committee	To assist the Council in its responsibility to oversee the provision of services to communities in a sustainable manner.
3. Finance Committee	provide political guidance of the fiscal and financial affairs of the municipality, including the budget process and the priorities that must guide the preparation of the budget; - monitor and oversee the exercise of financial responsibilities assigned to the Accounting Officer and Chief Financial Officer in terms of the MFMA; - take reasonable steps to ensure the municipality performs its Constitutional and statutory functions within the limits to the municipality's approved budget; - submit a report to Council, within 30 days of the end of each quarter, on the implementation of the budget and the financial state of affairs of the municipality; - co-ordinate the annual revision of the Integrated Development Plan (IDP), and the preparation of the annual budget, and determining how the IDP is to be taken into account, or revised, for the purpose of the budget; - ensure that the budget is approved by Council before the start of the budget year;

4. Community Services Committee	Hears presentations and receives correspondence and reports from the Community Development Department and from the Emergency Services Department, and shall make recommendations to Council on these matters.
5. MPAC	Is an oversight body whose main role is to hold the executive accountable on the spending of public funds.
6. Local Labour Forum	Are a structure designed to strengthen the relationship between organized labour and management. This then also means that the effectiveness of the structure will have an impact of policy frameworks that govern local government.
	TB

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure		
Directorate	**Director/Manager - State title**	**Name**
Municipal Manager's Office	Acting Municipal Manager	Mr Tumelo Thage
Corporate Services	HOD: Corporate Services	Mrs Dibueng Lentsoe
Budget & Treasury	Acting Chief Financial Officer	Mss Kedisaletse Khaziwa
Technical Services	HOD: Technical Services	Vacant
Community Services	Acting HOD : Community Services	Vacant
Use as a spill-over schedule if top 3 tiers cannot be accommodated in chapter 2 (T2.2.2).		*T C*

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

New No	Function As Per Government Gazette No 6847 - 24 Dec 2010	Function Assigned	Done By MLM
1	Air Pollution		N/A
2	Amusement Facilities		Yes
3	Billboards & Display of Advertisements in Public Places		Yes
4	Building Regulations		Yes
5	Cemeteries, Funeral Parlours and Crematoria		Yes
6	Child Care Facilities		N/A
7	Cleansing		Yes
8	Control of Public Nuisances		Yes
9	Control of Undertakings that Sell Liquor to the Public		Yes
10	Facilities for the Accommodation, Care and Burial of Animals		Yes

New No	Function As Per Government Gazette No 6847 - 24 Dec 2010	Function Assigned	Done By MLM
11	Fencing and Fences		Yes
12	Fire Fighting Service		N/A
13	Integrated (IDP) Municipal Planning		Yes
14	Levying of fees for Services Provided by LM		Yes
15	Levying of Rates on Property		Yes
16	Levying of Surcharges on Fees for Services Provided for or on behalf of the LM		Yes
17	Licensing and control of undertakings that sell food to the public		N/A
18	Licensing of Dogs		N/A
19	Local Amenities		Yes
20	Local Roads and Streets		Yes
21	Local Sport Facilities		Yes
22	Local Markets		Yes
23	Municipal Abattoirs		Yes
24	Municipal Airports		N/A
25	Municipal Health Service		N/A
26	Municipal Parks & Recreation		Yes
27	Municipal Planning (Town Planning)		Yes
28	Municipal Public Transport		Yes
29	Municipal Public Works relating to any Functions of the LM		Yes
30	Noise Pollution		N/A
31	Pontoons, Ferries, Jetties, Piers & Harbours		N/A
32	Pounds		N/A
33	Promotion of Local Tourism for the Area		Yes
34	Public Places		Yes
35	Refuse Removal, Refuse Dumps and Solid Waste Disposal Sites		Yes
36	Retail Potable Water Supply Systems and Domestic Waste-Water and Sewerage Disposal Systems Serving the Area of the Municipality		Yes
37	Retail Supply of Electricity and Gas		Yes
38	Street Lighting		Yes
39	Street Trading		Yes
40	Storm Water Management in Build Areas		Yes
41	Trading Regulations		Yes
42	Traffic and Parking		Yes
			T D

APPENDIX E –WARD REPORTING

No.	Ward Councillors	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Nontsisimokomela	Yes	14	14	4
2	MasegoMelato	Yes	17	17	4
3	Matlhomola Mere	Yes	15	15	4
4	Willem Potgieter	Yes	17	17	4
5	Buhle Amos	Yes	15	15	4
6	Bonakele Plata	Yes	15	15	4

APPENDIX F – WARD INFORMATION

Full information provided in Appendix Q

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	5052	5052	5052		
Households without minimum service delivery	1500	1500	1500		
Total Households*	6522	6522	6522		
Houses completed in year					0
Shortfall in Housing units					3950
*Including informal settlements					T F.2

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2024/25

Municipal Audit Committee Recommendations		
Date of Committee	**Committee recommendations during 2024/2025**	**Recommendations adopted (enter Yes) If not adopted (provide explanation)**
	Reports from Provincial Treasury **Property rates implementation**	
	Review of the 2024/2025 Draft AFS	
	Internal Audit Reports **Revenue Management**	.
	Financial recovery plan	
	Analysis of the Draft Annual Report	

	Final Audit Report of 2024-25 by the Auditor General	
	Assurance Report on Mid-term budget assessment – Section 72	

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

None

APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

None

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July 2024 to 30 June of 2025 (Current Year)		
Position	**Name**	**Description of Financial interests* (Nil / Or details)**
Mayor	Neo Mase	None
Councillors		
Councillor	Bonakele Plata	None
Councillor	Boitumelo Mahapa	None
Councillor	Buhle Amos	None
Councillor	Keolebogile Mekhoa	None
Councillor	Jo-Anne Isaacs	None
Councillor	NontsisiMokomela	None
Councillor	Masego Melato	None
Councillor	Willem J Potgieter	None
Councillor	Matlhomola Mere	None
Acting Municipal Manager	Tumelo Thage	None
Acting Chief Financial Officer	KedisaletseKhaziwa	None
Technical Services	TumeloThage	None
Social Services		
Corporate Services	Corney D Lentsoe	None
Other S57 Officials		
** Financial intersests to be disclosed even if they incurred for only part of the year. See MBRR SA34A* *T J*		

APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

Incorporated in the AFS

APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Incorporated in the AFS

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Incorporated in the AFS

APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

None

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD2023/24

N/A

Capital Programme by Project by Ward: 2023/24 R' 000		
Capital Project	**Ward(s) affected**	**Works completed (Yes/No)**
Roads	None	N/A
Stormwater	None	N/A
Economic development	None	N/A
Community Halls	None	N/A

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

No information

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

No information

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

No information

APPENDIX S – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

No information

VOLUME II: ANNUAL FINANCIAL STATEMENT

VOLUME II

Magareng Local Municipality
(Registration number NC093)
Annual financial statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Magareng Municipality is a local municipality performing functions as set out in the Constitution, Act 105 of 1996
Mayoral committee	
Mayor	Ms N Mase
Speaker	BG Plata (Ward 6)
Councillors	B Mokomela (Ward 1)
	MF Mokitimi (Ward 2)
	CM Mere (Ward 3)
	LO Amose (Ward 4)
	WJ Potgieter (Ward 5)
	BC Mahapa (P.R Councillor EFF)
	KC Mekhoa (P.R Councillor EFF)
	L Valtyn (P.R Councillor PA)
	D Watson (P.R Councillor DA) - Until January 2025
	JC Isaacs (P.R Councillor DA) - from February 2025
Grading of local authority	Category B as defined by the Municipal Structures Act, Act no 117 of 1998
Accounting Officer	Mr T Thage - Acting since 1 July 2022
Chief Finance Officer (CFO)	Ms KV Khaziwa - Appointed 1 November 2024
Registered office	Magrieta Prinsloo Street Warrenton 8530
Business address	Magrieta Prinsloo Street Warrenton 8530
Postal address	PO Box 10 Warrenton 8530
Bankers	Absa Bank of South Africa
Auditors	The Auditor-General of South Africa
Attorneys	Matthews and Partners Frances Baard DM Legal and Compliance department State Attorney
Members of Audit Committee	Mr GR Botha (Chairperson) Mr Masikela SP Mr T Mudamburi

General Information

Enabling Legislation

Municipal Finance Management Act (Act no.56 of 2003)
Division of Revenue Act
The Income Tax Act (Act no. 58 of 1962)
Value Added Tax Act (Act no. 89 of 1991)
Municipal Structures Act (Act no. 117 of 1998)
Municipal Systems Act (Act no. 32 of 2000)
Municipal Planning and Performance Management Regulations
Housing Act (Act no. 107 of 1997)
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)
Supply Chain Management Regulations, 2005
Disaster Management Act of 2016
Spatial Planning and Land Use Management Act (Act 16 of 2013)
Property Rates Act 6 of 2004
Municipal Regulations on Standard Chart of Accounts
Municipal Budget and Reporting Regulations

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DoRA	Division of Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
IAS	International Accounting Standards
IDP	Integrated Development Plan
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
INEP	Integrated National Electrification Programme
NERSA	National Energy Regulator of South Africa
MSA	Municipal Systems Act
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
SARS	South African Revenue Services
SALGBC	South African Bargaining Council
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2025 and were signed on its behalf by:

Mr T Thage
Acting Municipal Manager

Accounting Officer's Report

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

1. Review of activities

Main business and operations

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

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

Net surplus of the municipality was 20 249 129 (2024: surplus 6 489 830)

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of 228 790 796 and that the municipality's total liabilities exceed its assets by 228 790 796.

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

Furthermore, management has reviewed the municipality's cash flow forecast for the year ended 30 June 2025 and in light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue it's operation existing for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as is evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act 1 of 2016).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 43

3. Subsequent events

Matters arising since the end of the financial year have been disclosed on note 53.

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

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

6. Accounting Officer

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

Name	Nationality	Changes
Mr T Thage	South African	Acting since 1 July 2022

7. Auditors

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

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024
Assets			
Current Assets			
Inventories	3	6 314	5 238
Statutory receivables from non-exchange transactions	4	11 864 876	10 280 108
Statutory receivables from exchange transactions	5	42 708 325	42 391 083
Receivables from exchange transactions	6	7 667 012	4 617 564
Cash and cash equivalents	7	1 413 857	1 086 754
		63 660 384	**58 380 747**
Non-Current Assets			
Investment property	8	21 079 462	25 007 500
Property, plant and equipment	9	497 318 261	449 536 086
Intangible assets	10	1 830 772	2 426 914
Heritage assets	11	370 999	370 999
		520 599 494	**477 341 499**
Total Assets		**584 259 878**	**535 722 246**
Liabilities			
Current Liabilities			
Finance lease obligation	12	224 723	140 157
Payables from exchange transactions	13	335 609 193	308 314 193
Consumer deposits	14	1 093 133	1 050 498
Employee benefit obligation	15	8 096 777	7 391 945
Unspent conditional grants and receipts	16	1 450 713	805 453
		346 474 539	**317 702 246**
Non-Current Liabilities			
Finance lease obligation	12	122 975	268 755
Employee benefit obligation	17	4 971 000	4 390 000
Provisions	18	3 900 568	4 819 576
		8 994 543	**9 478 331**
Total Liabilities		**355 469 082**	**327 180 577**
Net Assets		**228 790 796**	**208 541 669**
Accumulated surplus		228 790 796	208 541 669
Total Net Assets		**228 790 796**	**208 541 669**

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024
Revenue			
Revenue from exchange transactions			
Service charges	19	38 474 458	32 084 703
Interest received (trading)	20	21 670 016	19 766 642
Agency services	21	58 118	75 602
Rental income	22	38 983	14 448
Commission	22	49 839	43 318
Other income	23	1 017 885	1 404 311
Interest received - investment	24	384 513	357 474
Total revenue from exchange transactions		**61 693 812**	**53 746 498**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	13 246 627	12 915 506
Licences and Permits (Non-exchange)	26	472 649	178 782
Interest - Taxation revenue	27	6 680 562	5 530 323
Transfer revenue			
Government grants & subsidies	28	147 605 096	131 956 144
Public contributions and donations	31	2 160 282	-
Fines, Penalties and Forfeits	29	225 450	394 732
Services in-kind	30	252 086	207 600
Contributed Property, plant and equipment	59	560 754	1 166 879
Debt Relief	32	-	5 936 376
Total revenue from non-exchange transactions		**171 203 506**	**158 286 342**
Total revenue		**232 897 318**	**212 032 840**
Expenditure			
Employee related costs	33	(54 559 497)	(50 978 319)
Remuneration of councillors	34	(5 282 655)	(5 262 464)
Depreciation and amortisation	35	(15 003 039)	(17 024 395)
Finance costs	36	(5 666 895)	(1 957 502)
Debt Impairment	37	(50 155 967)	(63 729 369)
Bulk purchases	38	(39 894 323)	(30 079 024)
Contracted services	39	(15 065 339)	(8 540 095)
General Expenses	40	(15 655 806)	(14 363 186)
Inventory consumed	41	(6 239 732)	(8 132 714)
Total expenditure		**(207 523 253)**	**(200 067 068)**
Operating surplus		**25 374 065**	**11 965 772**
Loss on disposal of assets and liabilities	9	(3 928 038)	(4 236 042)
Actuarial gains/losses	17	(300 719)	175 147
Impairment loss	9	(896 179)	(1 415 047)
		(5 124 936)	**(5 475 942)**
Surplus for the year		**20 249 129**	**6 489 830**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	207 737 078	207 737 078
Adjustments		
Correction of errors 48	(5 685 239)	(5 685 239)
Balance at 01 July 2023 as restated*	**202 051 839**	**202 051 839**
Changes in net assets		
Surplus for the year	6 489 830	6 489 830
Total changes	6 489 830	6 489 830
Balance at 01 July 2024	**208 541 667**	**208 541 667**
Changes in net assets		
Surplus for the year	20 249 129	20 249 129
Total changes	20 249 129	20 249 129
Balance at 30 June 2025	**228 790 796**	**228 790 796**

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024
Cash flows from operating activities			
Receipts			
Sale of goods and services		26 604 081	28 078 405
Grants		148 250 356	124 909 029
Interest income		265 716	357 474
		175 120 153	153 344 908
Payments			
Employee costs		(63 144 542)	(55 788 558)
Suppliers		(47 235 327)	(38 646 381)
Finance costs		(948 075)	(1 507 442)
		(111 327 944)	(95 942 381)
Net cash flows from operating activities	44	**63 792 209**	**57 402 527**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(63 788 405)	(54 912 462)
Purchase of other intangible assets	10	-	(2 427 730)
Interest received - investments		384 513	-
Net cash flows from investing activities		**(63 403 892)**	**(57 340 192)**
Cash flows from financing activities			
Finance lease payments		(61 214)	290 836
Net increase/(decrease) in cash and cash equivalents		**327 103**	**353 171**
Cash and cash equivalents at the beginning of the year		1 086 754	733 583
Cash and cash equivalents at the end of the year	7	**1 413 857**	**1 086 754**

The accounting policies on pages 18 to 52 and the notes on pages 53 to 112 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	40 708 613	(467 492)	**40 241 121**	38 474 458	**(1 766 663)**	62, x1
Interest received (trading)	24 388 737	-	**24 388 737**	21 670 016	**(2 718 721)**	62, x2
Agency services	-	-	**-**	58 118	**58 118**	62, x3
Rental income	4 852	179 876	**184 728**	38 983	**(145 745)**	62, x4
Commission	-	-	**-**	49 839	**49 839**	62, x5
Other income	1 070 800	398 373	**1 469 173**	1 017 885	**(451 288)**	62, x6
Interest received - investment	-	43 990	**43 990**	384 513	**340 523**	62, x7
Total revenue from exchange transactions	**66 173 002**	**154 747**	**66 327 749**	**61 693 812**	**(4 633 937)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	14 607 875	-	**14 607 875**	13 246 627	**(1 361 248)**	62, x8
Licences and Permits (Non-exchange)	-	-	**-**	472 649	**472 649**	62, x9
Interest - Taxation revenue	7 146 219	-	**7 146 219**	6 680 562	**(465 657)**	62, x10
Transfer revenue						
Government grants & subsidies	115 200 000	40 282 489	**155 482 489**	147 605 096	**(7 877 393)**	62, x11
Public contributions and donations	-	-	**-**	2 160 282	**2 160 282**	62, x12
Fines, Penalties and Forfeits	586 325	-	**586 325**	225 450	**(360 875)**	62, x13
Revenue from service concession arrangements	-	-	**-**	252 086	**252 086**	62, x14
Contributed Property, plant and equipment	-	-	**-**	560 754	**560 754**	62, x15
Total revenue from non-exchange transactions	**137 540 419**	**40 282 489**	**177 822 908**	**171 203 506**	**(6 619 402)**	
Total revenue	**203 713 421**	**40 437 236**	**244 150 657**	**232 897 318**	**(11 253 339)**	
Expenditure						
Personnel	(54 351 668)	(612 329)	**(54 963 997)**	(54 559 497)	**404 500**	62, x16
Remuneration of councillors	(5 587 041)	222 230	**(5 364 811)**	(5 282 655)	**82 156**	62, x17
Depreciation and amortisation	(23 540 691)	-	**(23 540 691)**	(15 003 039)	**8 537 652**	62, x18
Impairment loss/ Reversal of impairments	-	-	**-**	(896 179)	**(896 179)**	62, x19
Finance costs	(1 887 312)	471 828	**(1 415 484)**	(5 666 895)	**(4 251 411)**	62, x20
Debt Impairment	(17 055 574)	(14 809 110)	**(31 864 684)**	(50 155 967)	**(18 291 283)**	62, x21
Inventory consumed	(13 332 812)	204 889	**(13 127 923)**	(6 239 732)	**6 888 191**	62, x22
Bulk purchases	(25 000 000)	-	**(25 000 000)**	(39 894 323)	**(14 894 323)**	62, x23
Contracted Services	(7 750 234)	(3 641 940)	**(11 392 174)**	(15 065 339)	**(3 673 165)**	62, x24
General Expenses	(15 824 025)	(3 409 878)	**(19 233 903)**	(15 655 806)	**3 578 097**	62, x25
Total expenditure	**(164 329 357)**	**(21 574 310)**	**(185 903 667)**	**(208 419 432)**	**(22 515 765)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Operating surplus	**39 384 064**	**18 862 926**	**58 246 990**	**24 477 886**	**(33 769 104)**	
Loss on disposal of assets and liabilities	(578 708)	-	**(578 708)**	(3 928 038)	**(3 349 330)**	62, x26
Actuarial gains/losses	-	-	**-**	(300 719)	**(300 719)**	62, x27
	(578 708)	**-**	**(578 708)**	**(4 228 757)**	**(3 650 049)**	
Surplus before taxation	**38 805 356**	**18 862 926**	**57 668 282**	**20 249 129**	**(37 419 153)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**38 805 356**	**18 862 926**	**57 668 282**	**20 249 129**	**(37 419 153)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(993 604)	-	**(993 604)**	6 314	**999 918**	62, x28
Statutory receivables from non-exchange transactions	16 277 154	(198 671)	**16 078 483**	11 864 876	**(4 213 607)**	62, x29
VAT receivable	25 051 149	(7 488 811)	**17 562 338**	42 708 325	**25 145 987**	62, x30
Receivables from exchange transactions	32 176 174	32 750 214	**64 926 388**	7 667 012	**(57 259 376)**	62, x31
Other current assets	(1 813 781)	(48 477)	**(1 862 258)**	-	**1 862 258**	62, x32
Cash and cash equivalents	63 860 717	(42 816 212)	**21 044 505**	1 413 857	**(19 630 648)**	62, x33
	134 557 809	**(17 801 957)**	**116 755 852**	**63 660 384**	**(53 095 468)**	
Non-Current Assets						
Investment property	23 831 200	-	**23 831 200**	21 079 462	**(2 751 738)**	62, x34
Property, plant and equipment	371 544 472	23 358 854	**394 903 326**	497 318 261	**102 414 935**	62, x35
Intangible assets	9 894	(2 884)	**7 010**	1 830 772	**1 823 762**	62, x36
Heritage assets	371 000	-	**371 000**	370 999	**(1)**	62, x37
Statutory receivables from non-exchange transactions	1	-	**1**	-	**(1)**	
	395 756 567	**23 355 970**	**419 112 537**	**520 599 494**	**101 486 957**	
Total Assets	**530 314 376**	**5 554 013**	**535 868 389**	**584 259 878**	**48 391 489**	
Liabilities						
Current Liabilities						
Other financial liabilities	1	-	**1**	-	**(1)**	
Finance lease obligation	-	-	**-**	224 723	**224 723**	62, x38
Payables from exchange transactions	347 262 743	(21 553 882)	**325 708 861**	335 609 194	**9 900 333**	62, x39
Taxes and transfers payable (non-exchange)	3 235 595	8 180 968	**11 416 563**	-	**(11 416 563)**	62, x40
Consumer deposits	1 308 700	-	**1 308 700**	1 093 133	**(215 567)**	62, x41
Employee benefit obligation	794 000	64 000	**858 000**	8 096 777	**7 238 777**	62, x42
Unspent conditional grants and receipts	-	-	**-**	1 450 713	**1 450 713**	62, x43
Provisions	7 403 988	-	**7 403 988**	-	**(7 403 988)**	62, x44
	360 005 027	**(13 308 914)**	**346 696 113**	**346 474 540**	**(221 573)**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	122 975	**122 975**	62, x45
Employee benefit obligation	-	-	**-**	4 971 000	**4 971 000**	62, x46
Provisions	7 284 732	-	**7 284 732**	3 900 568	**(3 384 164)**	62, x47
	7 284 732	**-**	**7 284 732**	**8 994 543**	**1 709 811**	
Total Liabilities	**367 289 759**	**(13 308 914)**	**353 980 845**	**355 469 083**	**1 488 238**	
Net Assets	**163 024 617**	**18 862 927**	**181 887 544**	**228 790 795**	**46 903 251**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	163 024 617	18 862 927	**181 887 544**	228 790 796	**46 903 252**	

Magareng Local Municipality
(Registration number NC093)
Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	268 256 560	(219 907 347)	**48 349 213**	-	**(48 349 213)**	
Grants	115 200 000	40 282 489	**155 482 489**	-	**(155 482 489)**	
Interest income	-	436 650	**436 650**	-	**(436 650)**	
	383 456 560	**(179 188 208)**	**204 268 352**	**-**	**(204 268 352)**	
Payments						
Suppliers	(67 168 568)	32 358 046	**(34 810 522)**	-	**34 810 522**	
Finance costs	(1 887 312)	471 828	**(1 415 484)**	-	**1 415 484**	
	(69 055 880)	**32 829 874**	**(36 226 006)**	**-**	**36 226 006**	
Net cash flows from operating activities	**314 400 680**	**(146 358 334)**	**168 042 346**	**-**	**(168 042 346)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(42 258 000)	(40 223 009)	**(82 481 009)**	-	**82 481 009**	
Cash flows from financing activities						
Increase in consumer deposits	5 421	-	**5 421**	-	**(5 421)**	
Repayment of borrowing	319 270	-	**319 270**	-	**(319 270)**	
Net cash flows from financing activities	**324 691**	**-**	**324 691**	**-**	**(324 691)**	
Net increase/(decrease) in cash and cash equivalents	272 467 371	(186 581 343)	**85 886 028**	-	**(85 886 028)**	
Cash and cash equivalents at the beginning of the year	69 218	-	**69 218**	-	**(69 218)**	
Cash and cash equivalents at the end of the year	**272 536 589**	**(186 581 343)**	**85 955 246**	**-**	**(85 955 246)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Property rates	14 607 875	-	14 607 875	-		14 607 875	13 246 627		(1 361 248)	91 %	91 %
Service charges	40 708 613	(467 492)	40 241 121	-		40 241 121	38 474 458		(1 766 663)	96 %	95 %
Investment revenue	-	43 990	43 990	-		43 990	384 513		340 523	874 %	DIV/0 %
Transfers recognised - operational	72 942 000	447 680	73 389 680	-		73 389 680	73 680 884		291 204	100 %	101 %
Other own revenue	33 196 933	578 249	33 775 182	-		33 775 182	31 026 342		(2 748 840)	92 %	93 %
Total revenue (excluding capital transfers and contributions)	**161 455 421**	**602 427**	**162 057 848**	**-**		**162 057 848**	**156 812 824**		**(5 245 024)**	**97 %**	**97 %**
Employee costs	(54 351 668)	(612 329)	(54 963 997)	-	-	(54 963 997)	(54 559 497)	-	404 500	99 %	100 %
Remuneration of councillors	(5 587 041)	222 230	(5 364 811)	-	-	(5 364 811)	(5 282 655)	-	82 156	98 %	95 %
Depreciation and asset impairment	(23 540 691)	-	(23 540 691)			(23 540 691)	34 256 749	-	57 797 440	(146)%	(146)%
Finance charges	(1 887 312)	471 828	(1 415 484)	-	-	(1 415 484)	(5 666 895)	-	(4 251 411)	400 %	300 %
Inventory consumed and bulk purchases	(38 332 812)	2 574 889	(35 757 923)	-	-	(35 757 923)	(39 894 323)	-	(4 136 400)	112 %	104 %
Other expenditure	(41 208 541)	(24 230 928)	(65 439 469)	-	-	(65 439 469)	(41 189 634)	-	24 249 835	63 %	100 %
Total expenditure	**(164 908 065)**	**(21 574 310)**	**(186 482 375)**	**-**	**-**	**(186 482 375)**	**(112 336 255)**	**-**	**74 146 120**	**60 %**	**68 %**
Surplus/(Deficit)	**(3 452 644)**	**(20 971 883)**	**(24 424 527)**	**-**		**(24 424 527)**	**44 476 569**		**68 901 096**	**(182)%**	**(1 288)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	42 258 000	39 834 809	82 092 809	-		82 092 809	73 924 212		(8 168 597)	90 %	175 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-		-	2 160 282		2 160 282	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**38 805 356**	**18 862 926**	**57 668 282**	**-**		**57 668 282**	**120 561 063**		**62 892 781**	**209 %**	**311 %**
Surplus/(Deficit) for the year	**38 805 356**	**18 862 926**	**57 668 282**	**-**		**57 668 282**	**120 561 063**		**62 892 781**	**209 %**	**311 %**

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.All figures have been rounded to the nearest Rand.

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

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

These accounting policies are consistent with the previous period.

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. Management considers key financial metrics and approved medium-term budgets to conclude that the going concern assumption used in the compiling of the Annual Financial Statements is appropriate.

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

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

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including 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 18 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5 Property Plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

1.4 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.
- use in the production or supply of goods or services or for.

Subsequent measurement – cost model

Subsequent to initial measurement investment property is measured using the cost model.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the statement of financial position) 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. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value [or carrying amount if cost model is used] at the date of change in use. If owner-occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

1.5 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement

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

Depreciation and impairment

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 shall be depreciated separately. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Significant Accounting Policies

1.5 Property, plant and equipment (continued)

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 30 years
Infrastructure	Straight-line	5 - 90 years
Community assets	Straight-line	7 - 30 years
Landfill sites	Straight-line	10 - 15 years
Heritage assets	Straight-line	N/A
Other assets	Straight-line	4 -15 years

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

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

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

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

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

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

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

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

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

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

Commitments:

Where the municipality has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 42. The commitments as disclosed are the contractual amount less any payment made in respect of the contract.

Significant Accounting Policies

1.6 Site restoration and dismantling cost

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

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

1.7 Intangible assets

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

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

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

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

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

Intangible assets are initially recognised at cost.

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.

Subsequent measurement

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

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

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

1.7 Intangible assets (continued)

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

Internally generated goodwill is not recognised as an intangible asset.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematice basis over its useful life. The amortisation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 -10 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

1.8 Heritage assets

Initial measurement

A heritage asset that qualifies for recognition as an asset is measured at cost.

A heritage asset shall be recognised as an asset if, and only if:

(a) it is probably that future economic benefits or service potential associated with the asset will flow to the municipality; and
(b) the cost or fair value of the asset can be measured reliably.

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.

If a heritage asset is not recognised, any initial costs to assess the state of the heritage asset and any costs incurred subsequently is recognised in surplus or deficit as incurred.

The entity does not recognise in the carrying amount of a heritage asset the day-to-day operating costs of the heritage asset, or the costs to maintain or to hold the heritage asset. These costs are recognised in surplus or deficit as incurred.

Subsequent measurement

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.

1.8 Heritage assets (continued)

Impairment

The heritage assets of the municipality shall not be depreciated but, 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.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

For a transfer from investment property carried at fair value, to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

Derecognition

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).

Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provision as contained in the Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.9 Financial instruments

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

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

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

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

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

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

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

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

Significant Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange and non-exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, unless the financial asset or liability is subsequently measured at fair value, in which case the municipality initially measures the financial asset or liability at its fair value.

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

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Significant Accounting Policies

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

1.9 Financial instruments (continued)

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at amortised cost. Fair value approximates the carrying amount. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.10 Leases

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

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

Significant Accounting Policies

1.10 Investment property (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

Inventories shall be recognised as an asset if, and only if:

(a) It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
(b) the cost of the inventories can be measured reliably.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.12 Impairment of cash-generating assets

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

Significant Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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.

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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information:

(i) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

(ii) Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;

(iii) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information:

(i) Evidence is available of obsolescence or physical damage of an asset;

(ii) Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;

(iii) A decision to halt the construction of the asset before it is complete or in a usable condition

(iv) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

Value in use

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

Discount rate

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.

Significant Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 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.

1.13 Impairment of non-cash-generating assets (continued)

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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information:

(i) Cessation, or near cessation, of the demand or need for services provided by the asset;

(ii) Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information:

(i) Evidence is available of physical damage of an asset;

(ii) Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;

(iii) A decision to halt the construction of the asset before it is complete or in a usable condition;

(iv) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Significant Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

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.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an 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.

1.14 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an 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.

Post-employment benefit plans are formal or informal arrangements under which an 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.

Significant Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (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, an 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.

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 an 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.

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.

1.14 Employee benefits (continued)

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;
- 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, an 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, an 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 entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the 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).

Significant Accounting Policies

1.14 Employee benefits (continued)

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 not presented as the net of the amount recognised for a reimbursement.

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 these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Significant Accounting Policies

1.14 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods, if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they are accrued to employees. The liability at year-end is based on bonus accrued at year-end for each employee.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 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.

Significant Accounting Policies

1.16 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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 47.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

1.16 Provisions and contingencies (continued)

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, an 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.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Significant Accounting Policies

1.17 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised 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.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July.The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.18 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.

Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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.

1.18 Revenue from non-exchange transactions (continued)

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.

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.

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

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

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

Gifts and donations, including goods in-kind

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

Significant Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Significant Accounting Policies

1.24 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to notes for details of changes in accounting policies. Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.27 Materiality

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

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.28 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 2023/07/01 to 2024/06/30.

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

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

1.29 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.

1.30 Value Added Tax (VAT)

The municipality accounts to the South African Revenue Services for VAT on the Cash basis at the standard rate ,except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12, or are out of scope for VAT.

VAT is recognised in the municipality's accounting records on the accrual basis of accounting, in accordance with GRAP 1, paragraph 31. Under the accrual basis of accounting, VAT is recognised when the related expenditure or revenue transaction qualifies for recognition in the accounting records, and not when the related cash flow occurs.

1.31 Accumulated surplus

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

1.32 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

1.32 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

Significant Accounting Policies

1.32 Statutory receivables (continued)

Derecognition

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

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

1.33 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

1.33 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.34 Segment information

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

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

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity’s financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment’s surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment’s assets and segment’s liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment’s surplus or deficit, the segment’s assets or the segment’s liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity’s financial statements.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity’s operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The “intention” to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity’s operations is rare, and only in the case of dissolution without any continuation of the entity’s operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity’s functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity’s functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity’s financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board’s project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103 (as revised): Heritage Assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as “the review”) in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have “cultural significance” and defines a heritage asset as “an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations”. “Cultural significance” has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

The effective date of the standard is for years beginning on or after 01 April 2023.

The municipality expects to adopt the standard for the first time in the 2022/2023 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (as revised): Financial Instruments

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

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

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Figures in Rand	2025	2024

3. Inventories

Water for distribution	6 314	5 238

4. Statutory receivables from non-exchange transactions

Fines	32 155 655	31 999 355
Government grants and subsidies	145 480	1 013 552
Other receivables	729 944	687 579
Property rates	104 926 088	90 690 213
Less: Impairment	(126 092 291)	(114 110 591)
	11 864 876	**10 280 108**

Statutory receivables from non-exchange transactions pledged as security

None of the statutory receivables from non-exchange transactions were pledged as security for any financial liability at yearend.

Traffic fines: Ageing		
91 days +	32 155 655	31 999 355
Subtotal	32 155 655	31 999 355
Less: debt impairment	(32 136 606)	(31 974 171)
	19 049	**25 184**

Property rates: Ageing		
Current (0-30 days)	3 316 512	2 958 309
31 - 60 days	1 486 618	1 309 475
61 - 90 days	1 448 294	1 383 542
91 days +	98 674 663	85 038 888
Subtotal	104 926 087	90 690 214
Less: debt impairment	(93 955 685)	(82 136 420)
	10 970 402	**8 553 794**

Statutory receivables arises from the following:

Assesment rates - Municipal Properties Rates Act (No.6 of 2004).

Traffic fines - Criminal Procedures Act

Government grants and subsidies – Section 18 and 19 of the Division of Revenue Act, 2024 (Act 24 of 2024)

Credit quality of statutory receivables from non-exchange transactions

The credit quality of statutory receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Statutory receivables from non-exchange transactions past due but not impaired

All statutory receivables from non-exchange transactions, excluding government debtors, municipal debtors and debtors who paid more than their charges for the last three months of the financial year, are provided to be impaired in full.

The ageing of amounts for statutory receivables from non-exchange transactions due but not impaired is as follows:

1 month past due	831 734	741 926
2 months past due	266 275	221 096
3 months past due	9 872 394	7 590 772

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Statutory receivables from non-exchange transactions (continued)

Statutory receivables from non-exchange transactions impaired

As of 30 June 2025, statutory receivables from non-exchange transaction of 93 955 685 (2024: 82 136 420) were impaired and provided for.

The ageing of the amounts relating to property rates are as follws:

0 to 3 months	2 484 779	2 216 383
3 to 6 months	1 220 343	1 088 380
Over 6 months	90 250 563	78 831 658

Reconciliation of provision for impairment of statutory receivables from non-exchange transactions

Balance at the beginning of the year	(114 110 591)	(103 759 280)
Contribution (to) / from allowance property rates	(11 819 265)	(11 922 557)
Bad debt written off	-	1 878 373
Provision for impairment - traffic fines	(162 435)	(307 127)
	(126 092 291)	**(114 110 591)**

5. Statutory receivables from exchange transactions

VAT Control	42 708 325	42 391 083

VAT is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if VAT is paid over timeously, but interest is for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before due date. Statutory receivables arises from the following:

Taxes - Value added Tax Act (No.89 of 1991).

6. Receivables from exchange transactions

Gross balances		
Electricity	47 344 875	43 751 366
Water	121 391 254	110 381 170
Sewerage	118 218 574	100 923 530
Refuse	87 094 658	75 216 395
Sundry	2 106 296	2 104 040
	376 155 657	**332 376 501**

Less: Allowance for impairment		
Electricity	(43 132 277)	(41 490 193)
Water	(119 817 509)	(109 264 453)
Sewerage	(117 364 420)	(100 291 159)
Refuse	(86 143 571)	(74 682 422)
Sundry	(2 030 868)	(2 030 710)
	(368 488 645)	**(327 758 937)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Net balance		
Electricity	4 212 598	2 261 173
Water	1 573 745	1 116 717
Sewerage	854 154	632 371
Refuse	951 087	533 973
Sundry	75 428	73 330
	7 667 012	**4 617 564**

Electricity		
Current (0 -30 days)	2 980 786	1 713 454
31 - 60 days	495 850	326 364
61 - 90 days	317 405	295 538
91+ days	43 550 834	41 416 009
Less: impairment	(43 132 277)	(41 490 192)
	4 212 598	**2 261 173**

Water		
Current (0 -30 days)	2 169 932	1 929 445
31 - 60 days	974 047	960 144
61 - 90 days	1 020 073	870 892
91 days +	117 227 202	106 620 689
Less: impairment	(119 817 509)	(109 264 453)
	1 573 745	**1 116 717**

Sewerage		
Current (0 -30 days)	3 056 277	2 607 691
31 - 60 days	1 509 435	1 283 067
61 - 90 days	1 488 793	1 288 128
91 days +	112 164 069	95 744 644
Less: impairment	(117 364 420)	(100 291 159)
	854 154	**632 371**

Refuse		
Current (0 -30 days)	2 390 359	1 859 536
31 - 60 days	1 062 831	902 043
61 - 90 days	1 044 138	904 746
91 days +	82 597 330	71 550 071
Less: impairment	(86 143 571)	(74 682 423)
	951 087	**533 973**

Sundry		
Current (0 -30 days)	57 539	32 180
31 - 60 days	21 998	12 886
61 - 90 days	21 926	9 245
91 days +	2 004 832	2 049 730
Less: impairment	(2 030 867)	(2 030 711)
	75 428	**73 330**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(327 758 937)	(275 907 615)
Contributions to allowance	(40 729 708)	(55 144 714)
Bad debt written off	-	3 293 392
	(368 488 645)	**(327 758 937)**

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of receivables from exchange transactions

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from exchange transactions past due but not impaired

All receivables from exchange transactions, excluding government debtors, municipal debtors and debtors who paid more than their charges for the last three months of the financial year, are assessed and impaired in full.

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2025, 7 667 012 (2024: 4 162 728) were past due but not impaired.

The ageing of amounts for receivables from exchange transactions due but not impaired is as follows:

1 month past due	2 758 810	1 006 602
2+ months past due	4 908 202	3 156 126

Receivables from exchange transactions impaired

As of 30 June 2025, receivables from exchange transactions of 368 488 645 (2024: 327 758 938) were impaired and provided for.

The ageing of these receivable from exchange transactions is as follows:

0 to 3 months	7 486 998	13 177 283
3 to 6 months	3 659 978	9 930 421
Over 6 months	364 779 652	304 651 234

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	119	600
Bank balances	456 295	891 230
Short-term deposits	903 004	140 485
Cash in transit	54 439	54 439
	1 413 857	**1 086 754**

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA Bank - Current Account - 4096525022	456 295	891 230	495 903	456 295	891 230	495 903
Absa Bank - 7 day notice account - 9351945669	-	-	162 891	-	-	162 891
Absa Bank - 7 day notice account - 9355869912	-	966	966	-	966	966
Absa Bank - 7 day notice account - 9355871747	-	20 779	19 384	-	20 779	19 384
Absa Bank - 7 day notice account - 9380541602	903 004	118 740	-	903 004	118 740	-
Cash in transit	54 439	54 439	54 439	54 439	54 439	54 439
Petty cash	119	600	-	119	600	-
Total	**1 413 857**	**1 086 754**	**733 583**	**1 413 857**	**1 086 754**	**733 583**

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	21 079 462	-	21 079 462	25 007 500	-	25 007 500

Reconciliation of investment property - 2025

	Opening balance	Disposals	Total
Investment property	25 007 500	(3 928 038)	21 079 462

Reconciliation of investment property - 2024

	Opening balance	Total
Investment property	25 007 500	25 007 500

Pledged as security

There are no investment properties 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 municipality.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows.

8. Investment property (continued)

Deemed cost

Deemed cost was determined using fair value.

Land owned by the municipality which are not under the control of the municipality

In a number of instances, the municipality are not able to illustrate a substantive right over the land parcels as a result of social housing development, development of educational facilities and incompleted ownership transfers.

As a result, 120 land parcels are retained in a listing of land, but considered to carry no fair value in the hands of the municipality.

Key judgments made and assumptions applied to conclude that the municipality does not controls such land include:

Custodianship taken over by another organ of state for the social housing development.

The municicality does not have access to the land, nor is it able to restrict or deny access of other parties to the land.

The municipality has not implimented any action or remedial measures to regain access to the land for a significant period of time.

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	87 070 463	-	87 070 463	87 070 463	-	87 070 463
Buildings	62 598 514	(30 641 966)	31 956 548	62 469 353	(28 765 237)	33 704 116
Other assets	17 740 416	(12 182 219)	5 558 197	16 435 569	(10 824 171)	5 611 398
Infrastructure	451 360 000	(304 565 128)	146 794 872	445 654 066	(292 597 673)	153 056 393
Landfill sites	2 055 999	(1 047 548)	1 008 451	3 319 907	(946 703)	2 373 204
Work in progress	224 929 730	-	224 929 730	167 720 512	-	167 720 512
Total	**845 755 122**	**(348 436 861)**	**497 318 261**	**782 669 870**	**(333 133 784)**	**449 536 086**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Transfers from Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	87 070 463	-	-	-	-	-	87 070 463
Buildings	33 704 116	129 161	-	-	(1 634 541)	(242 188)	31 956 548
Other property, plant and equipment	5 611 398	1 304 848	-	-	(1 289 828)	(68 221)	5 558 197
Infrastructure assets	153 056 393	721 000	4 984 934	-	(11 381 683)	(585 772)	146 794 872
Landfill sites	2 373 204	-	-	(1 263 908)	(100 845)	-	1 008 451
Work in progress	167 720 512	62 194 152	(4 984 934)	-	-	-	224 929 730
	449 536 086	**64 349 161**	**-**	**(1 263 908)**	**(14 406 897)**	**(896 181)**	**497 318 261**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers from Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	87 070 463	-	-	-	-	-	-	87 070 463
Buildings	28 181 545	-	(742 522)	9 177 444	-	(1 666 684)	(1 245 667)	33 704 116
Other property plant and equipment	5 319 846	1 751 349	(3 583)	-	-	(1 441 014)	(15 200)	5 611 398
Infrastructure assets	167 027 628	1 570 441	(3 489 937)	1 771 107	-	(13 668 666)	(154 180)	153 056 393
Landfill sites	2 949 811	-	-	-	(339 287)	(237 320)	-	2 373 204
Work in progress	127 078 391	51 590 672	-	(10 948 551)	-	-	-	167 720 512
	417 627 684	**54 912 462**	**(4 236 042)**	**-**	**(339 287)**	**(17 013 684)**	**(1 415 047)**	**449 536 086**

Pledged as security

No property, plant and equipment has been pledged as security for any financial liability at year-end.

Assets subject to finance lease (Net carrying amount)

Other property, plant and equipment	335 378	351 049

Included in other property, plant and equipment are the following categories of assets:

Computer equipment	1 477 552	1 424 922
Office equipment	121 071	31 338
Plant and equipment	602 073	481 457
Furniture and fittings	216 849	205 437
Vehicles	3 140 653	3 468 244
	5 558 198	**5 611 398**

Figures in Rand	2025	2024

9. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Water Infrastructure	224 929 730	167 720 512

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Upgrading of water treatment works (RBIG) project in Warrenton: BK092 - Reason for delay: The supplier was terminated and the project was re-advertised as Upgrading and extention of WTP (Tech Bid 03/19/20)/(01/19/20)	85 024 142	85 024 142
Ikutseng Bulk water (MIG)) - Phase 2 TECH07/17/18. Reason for delay: There is currently a dispute between the municipality and the supplier, the matter is still unresolved	20 271 703	20 271 703
Refurbishment of Warrenton waste water treatment plant and N12 pump station. Reason for delay: Water pumps purchased and awaiting installation	273 252	273 252
Upgrade and extention of Warrenton WTP (Tech Bid 03/19/20)/(01/19/20). Reasons for delay: Project restarted in the 2025 financial year	-	10 927 414
	105 569 097	**116 496 511**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Total
Opening balance	167 720 512	167 720 512
Additions/capital expenditure	62 194 152	62 194 152
Transferred to completed Items	(4 984 934)	(4 984 934)
	224 929 730	**224 929 730**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	127 078 391	-	127 078 391
Additions/capital expenditure	42 413 228	9 177 444	51 590 672
Transferred to completed items	(1 771 107)	(9 177 444)	(10 948 551)
	167 720 512	**-**	**167 720 512**

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		
Inventory, spares and parts consumed	2 818 686	1 570 984

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 312 974	(1 482 202)	1 830 772	3 312 974	(886 060)	2 426 914

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	2 426 914	(596 142)	1 830 772

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	9 895	2 427 730	(10 711)	2 426 914

Pledged as security

No intangible assets were pledged as security for any financial liability at year-end.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	370 999	-	370 999	370 999	-	370 999

Reconciliation of heritage assets 2025

	Opening balance	Total
Art Collections, antiquities and exhibits	370 999	370 999

Reconciliation of heritage assets 2024

	Opening balance	Total
Art Collections, antiquities and exhibits	370 999	370 999

Restrictions on heritage assets

There are no restrictions on the realisability of heritage assets or the remittance of revenue and proceeds of disposal.

Pledged as security

There are no heritage assets pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Heritage assets (continued)

Revaluations

Art collections

The effective date of the revaluation was 2017/06/30.

No revaluations were performed during the year as there were no significant changes in the market.

12. Finance lease obligation

	2025	2024
Minimum lease payments due		
- within one year	303 176	316 129
- in second to fifth year inclusive	135 321	343 545
	438 497	659 674
less: future finance charges	(90 799)	(250 762)
Present value of minimum lease payments	**347 698**	**408 912**
Present value of minimum lease payments due		
- within one year	224 723	140 157
- in second to fifth year inclusive	122 975	268 755
	347 698	**408 912**

	2025	2024
Non-current liabilities	122 975	268 755
Current liabilities	224 723	140 157
	347 698	**408 912**

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 2-3 years and the average effective borrowing rate was 11.25% (2024: 11.75%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.

13. Payables from exchange transactions

	2025	2024
Trade payables	308 641 473	278 713 633
Payments received in advanced	4 140 799	4 230 219
Deferred revenue	210 179	185 058
Unknown deposits	6 481 315	6 223 522
Salary control	2 324 340	6 344 927
Retention creditor	13 689 867	12 617 139
Sundry creditors	121 220	(305)
	335 609 193	**308 314 193**

14. Consumer deposits

	2025	2024
Electricity	283 257	243 765
Water	679 554	676 411
Land sales	130 322	130 322
	1 093 133	**1 050 498**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Employee benefit obligation - current

Staff bonuses	1 702 238	1 538 905
Staff leave	5 725 539	5 123 040
Current Portion of Post Retirement Benefits - Note 17	260 000	250 000
Current Portion of Long-Service Provisions - Note 17	409 000	480 000
	8 096 777	**7 391 945**

Staff Bonuses		
Balance at the beginning of the year	1 538 905	1 456 875
Contribution to current portion	2 962 568	2 789 842
Expenditure incurred	(2 799 235)	(2 707 812)
	1 702 238	**1 538 905**

Bonuses have been paid to all Municipal staff including the Section 57 Managers as per their package structures. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement

Staff Leave		
Balance at the beginning of the year	5 123 040	4 849 990
Contribution to current portion	694 501	656 772
Expenditure incurred	(92 002)	(383 722)
	5 725 539	**5 123 040**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Library Development Fund	325 331	300 413
Municipal Infrastructure Grant (MIG)	545 629	505 040
Regional Bulk Infrastructure Grant (RBIG)	518	-
Water Services Infrastructure Grant (WSIG)	579 235	-
	1 450 713	**805 453**

Movement during the year

Balance at the beginning of the year	805 453	9 019 446
Additions during the year	148 250 355	125 633 394
Income recognition during the year	(147 605 095)	(131 956 662)
Funds forfeited	-	(1 890 725)
	1 450 713	**805 453**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 28 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2 492 000)	(2 340 000)
Present value of the defined benefit obligation-partly or wholly funded	(3 148 000)	(2 780 000)
	(5 640 000)	**(5 120 000)**

Non-current liabilities	(4 971 000)	(4 390 000)
Current liabilities	(669 000)	(730 000)
	(5 640 000)	**(5 120 000)**

Benefits

Post-retirement medical aid benefit	(2 232 000)	(2 090 000)
Long service awards	(2 739 000)	(2 300 000)
	(4 971 000)	**(4 390 000)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Employee benefit obligations (continued)

Post retirement benefits

Post Retirement Medical Aid Benefit		
Balance 1 July	(2 340 000)	(2 266 000)
Interest cost	(240 000)	(240 000)
Benefits paid during the year	366 266	336 011
Actuarial gains/(losses)	(278 266)	(170 011)
.	(2 492 000)	(2 340 000)
Less: Transfer to current portion	260 000	250 000
	(2 232 000)	**(2 090 000)**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Members		
Current (In service) members	-	-
Continuation members (pensioners)	5	5
	5	**5**

The liability in respect of past service has been estimated to be as follows:

Liability		
Current (In service) members	-	-
Continuation members (pensioners)	2 492 000	2 340 000
	2 492 000	**2 340 000**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
- LA Health
- Keyhealth
- Bonitas
- Hosmed
- Samwumed

Key actuarial assumptions used:

Discount rate	9,60%	10,83%
CPI (Consumer Price Inflation)	3,60%	4,98%
Health Care Cost Inflation Rate	5,40%	6,48%
Net discount rate	4,00%	4,09%

It is difficult to predict future investment returns and inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at this valuation for the period over which the DBO is to be settled.

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 post-employment DBO. However, where there is no deep market in government bonds with sufficiently long maturity to match the estimated term of the benefit payments, current market rates of 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 9.60% per annum has been used. The corresponding index-linked yield at this term is 5.30%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

17. Employee benefit obligations (continued)

Yields were determined by looking at the duration of the DBO and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the DBO, which in turn depends on the yields). The DBO’s duration has been estimated to be 7.5 years.

Medical Aid Contribution Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A medical aid contribution inflation rate of 5.4% per annum has been assumed. This is 1.8% in excess of expected consumer price index (CPI) inflation over the expected term of the DBO, namely 3.6% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 4.0% per annum which derives from ((1+9.6%)/(1+5.4%))-1.

The CPI inflation assumption of 3.6% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.3%) and those of fixed interest bonds (9.6%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

The next contribution increase was assumed to occur with effect from 1 January 2026.

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of retirees who are eligible for the post-employment medical aid subsidy.

Post-Employment Mortality:

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from [1 - (1 - 1%)2], and so on.

Family Profile

It has been assumed that female spouses will be five years younger than their male counterparts. Actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Sensitivity analysis

The liability at the Valuation Date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed medical aid contribution inflation rate;
- a one percentage point increase and decrease in the discount rate; and
- a one-year age increase and decrease in the assumed rates of post-employment mortality.

Sensitivity Analysis on the Accrued Liability

17. Employee benefit obligations (continued)

Assumption	Change	% Change	Continuation members
Central assumptions			2 492 000
Medical aid contribution inflation rate	+1%	7%	2 678 000
Medical aid contribution inflation rate	-1%	-7%	2 326 000
Discount rate	+1%	-6%	2 333 000
Discount rate	-1%	7%	2 672 000
Post-employment mortality	+1yr	-4%	2 392 000
Post-employment mortality	-1yr	4%	2 593 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2025:

Assumption	Change	% Change	Interest cost
Central assumptions			226 000
Medical aid contribution inflation rate	+1%	8%	244 000
Medical aid contribution inflation rate	-1%	-7%	211 000
Discount rate	+1%	2%	233 000
Discount rate	-1%	-2%	218 000
Post-employment mortality	+1yr	-4%	217 000
Post-employment mortality	-1yr	4%	236 000

Long service award

Long service award	2025	2024
Balance 1 July	(2 780 000)	(2 932 000)
Current service cost	(257 000)	(294 000)
Interest cost	(279 000)	(130 000)
Benefits paid during the year	190 453	230 842
Actuarial gains/(losses)	(22 453)	345 158
Subtotal	(3 148 000)	(2 780 000)
Less: Transfer to current portion	409 000	480 000
Balance 30 June	**(2 739 000)**	**(2 300 000)**

The Long Service Award is a defined benefit plan, of which the members are made up as follows:

Total eligible	2025	2024
As at year end, the following number of employees were eligible for long service bonuses	133	126

Key actuarial assumptions used:

	2025	2024
Discount rate	9,7%	10,97%
General earnings inflation rate	4,8%	6,14%
Net Effective Discount Rate	4,7%	4,55%

In estimating the LSA net defined benefit liability of the Municipality a number of actuarial assumptions are required. The GRAP 25 standard places the responsibility on management to set these assumptions, as guided by the principles set out in the standard and in discussion with the actuary.

17. Employee benefit obligations (continued)

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the DBO and current service costs are recognised over time.

Key Demographic assumations

Table below summarises the key demographic assumptions used

Mortality during employment: SA 85-90

Age Band	Withdrawal rate males	Withdrawal rate females
20	9%	9%
30	6%	6%
40	5%	5%
50	3%	3%
55	0%	0%

Sensetivity analysis

The results presented in Section 6 are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- the general earnings inflation rate assumption;
- the discount rate assumption;
- the average retirement age of employees; and
- assumed rates of withdrawal of employees from service.

The liability at the Valuation Date was recalculated to show the effect of:

- a one percentage point increase and decrease in the assumed general earnings inflation rate;
- a one percentage point increase and decrease in the discount rate;
- a two-year increase and decrease in the assumed average retirement age of eligible employees; and
- a two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

Sensitivity Analysis on the Accrued Liability

Assumption	Change	% Change	Liability
Central assumptions			3 148 000
General earnings inflation rate	+1%	5%	3 312 000
General earnings inflation rate	-1%	-5%	2 996 000
Discount rate	+1%	-5%	2 992 000
Discount rate	-1%	5%	3 320 000
Average retirement age	+2yrs	8%	3 400 000
Average retirement age	-2yrs	-12%	2 778 000
Withdrawal rates age	x2	-17%	2 622 000
Withdrawal rates age	x0,5	11%	3 496 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2025:

17. Employee benefit obligations (continued)

Assumption	Change	% Change	Current service cost	Interest cost	Total liability
Central assumptions			257 000	279 000	536 000
General earnings inflation rate	+1%	6%	275 000	295 000	570 000
General earnings inflation rate	-1%	-6%	241 000	265 000	506 000
Discount rate	+1%	-1%	243 000	288 000	531 000
Discount rate	-1%	1%	273 000	269 000	542 000
Average retirement age	+2yrs	8%	275 000	304 000	579 000
Average retirement age	-2yrs	-10%	235 000	246 000	481 000
Withdrawal rates	x2	-21%	196 000	228 000	424 000
Withdrawal rates	x0,5	15%	301 000	313 000	614 000

18. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in discount factor	Interest	Total
Environmental rehabilitation	4 819 576	(1 263 908)	344 900	3 900 568

Reconciliation of provisions - 2024

	Opening Balance	Change in discount factor	Interest	Total
Environmental rehabilitation	4 708 803	(339 287)	450 060	4 819 576

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

The change in estimate is mainly due to the following reasons:

- Decrease in the inflation rate 2.8% in 2025 and 5.1% in 2024.
- Increase in the upgrading and rehabilitation costs from R6 425 410.73 at 30 June 2024 to R6 604 886.04 at 30 June 2025.
- Increase in the post closure monitoring costs from R5 901 857.74 at 30 June 2024 to R6 067 109.76 at 30 June 2025.

Warrenton	Cost of rehabilitation	Cost of rehabilitation
Rehabilitation costs at estimated decommission date - 2033	8 705 555	10 566 425
Post closure monitoring - 2064	18 310 763	43 161 584
	27 016 318	**53 728 009**

Warrenton		
Area of landfill site consumed	17,00%	17,00%
Discount rate used	9,70%	10,30%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. The rate is considered appropriate given the municipality is in the government sector.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Service charges

Sale of electricity	17 730 314	14 585 611
Sale of water	4 867 558	3 510 578
Sewerage and sanitation charges	13 237 910	8 829 943
Refuse removal	3 014 002	6 518 433
Other service charges	(375 326)	(1 359 862)
	38 474 458	**32 084 703**

20. Interest received (trading)

Electricity	1 642 876	1 619 863
Water	7 346 891	7 065 016
Sewerage	7 533 819	6 561 840
Refuse	5 146 430	4 519 923
	21 670 016	**19 766 642**

21. Agency services

Licences and other	58 118	75 602

22. Other revenue

Rental income	38 983	14 448
Commission received from third parties	49 839	43 318
Other income	1 017 885	1 404 311
	1 106 707	**1 462 077**

23. Other income

Valuation services	623 470	9 530
Burial fees	110 950	109 685
Clearance certificates	41 773	30 661
Sale of goods	23 500	250 500
Recovery of unauthorised debit orders	218 192	1 003 935
	1 017 885	**1 404 311**

24. Investment revenue

Interest revenue		
Bank	384 513	357 474

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Property rates

Rates received

Residential	5 574 147	5 339 526
Commercial	2 082 112	1 986 965
State	2 466 271	2 667 444
Small holdings and farms	3 124 097	2 921 571
	13 246 627	**12 915 506**

Valuations

Residential	520 135 500	519 288 500
Commercial	111 032 010	93 402 010
State	124 589 000	125 360 000
Municipal	108 121 400	108 121 400
Small holdings and farms	960 743 000	938 213 000
Acquired - communal property association	23 620 000	23 620 000
PBO - Public Benefit Organisations	49 530 000	49 530 000
	1 897 770 910	**1 857 534 910**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis and payable within 30 days. Interest at 12.75% per annum (2024: 12.75%) is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2025.

26. Licences and permits (non-exchange)

Road and Transport	472 649	178 782

27. Interest from non-exchange receivables

Property rates	6 680 562	5 530 323

Figures in Rand	2025	2024

28. Government grants & subsidies

Operating grants		
Equitable share	65 001 000	59 940 725
Finance Management Grant	3 000 000	3 000 000
Frances Baard District Municipality Operating Grant	3 199 284	6 220 682
Municipal Disaster Relief Fund	-	5 145 000
SETA Grant	64 518	-
Library Development Fund	1 174 082	1 180 026
Expanded Public Works Programme (EPWP)	1 242 000	712 000
	73 680 884	**76 198 433**
Capital grants		
Municipal Infrastructure Grant	22 197 411	18 764 242
Francis Baard District Municipality Capital Grant	2 000 000	4 745 000
Regional Bulk Infrastructure Grant (RBIG)	25 306 036	12 733 469
Water Services Infrastructure Grant (WSIG)	24 420 765	19 515 000
	73 924 212	**55 757 711**
	147 605 096	**131 956 144**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	82 604 096	37 306 969
Unconditional grants received	65 001 000	57 991 452
	147 605 096	**95 298 421**

Equitable share

Current-year receipts	65 001 000	58 050 000
Conditions met - transferred to revenue	(65 001 000)	(59 940 725)
Surrendered	-	1 890 725
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Finance Management Grant (FMG)

Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(3 000 000)	(3 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Finance Management Grant also pays for the cost of the Financial Management Internship Programme (eg: salary costs of the Financial Management Interns).

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

Frances Baard District Municipality Capital and Operating Grant

Current-year receipts - capital	1 900 000	4 492 055
Current-year receipts - O&M	3 168 804	6 220 682
Conditions met - transferred to revenue	(5 199 284)	(10 965 682)
Raised to grants receivable	130 480	252 945
	-	-

Conditions still to be met - remain liabilities (see note 16).

The Frances Baard Operational Grant is paid by Frances Baard District Municipality to the municipality to subsidise operational maintenance of infrastructure. Furthermore the Frances Baard District Municipality is co-funding certain infrastructure projects.

Municipal Disaster Relief Grant (MDR)

Balance unspent at beginning of year	-	5 145 001
Conditions met - transferred to revenue	-	(5 145 001)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Library Development Fund

Balance unspent at beginning of year	300 413	333 439
Current-year receipts	1 199 000	1 147 000
Conditions met - transferred to revenue	(1 174 082)	(1 180 026)
	325 331	**300 413**

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Expanded Public Works Programme (EPWP)

Current-year receipts	1 242 000	712 000
Conditions met - transferred to revenue	(1 242 000)	(712 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The EPWP grant was used for road infrastructure development in the Warrenton area.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	505 040	1 650 282
National Revenue Fund allocation correction	22 238 000	17 619 000
Conditions met - transferred to revenue	(22 197 411)	(18 764 242)
	545 629	**505 040**

Conditions still to be met - remain liabilities (see note 16).

The Municipal Infrastructure Grant (MIG) is a conditional grant to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily benefiting poor households.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

28. Government grants & subsidies (continued)

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	25 306 554	12 010 804
Conditions met - transferred to revenue	(25 306 036)	(12 733 987)
Raised to grants receivable	-	723 183
	518	**-**

Conditions still to be met - remain liabilities (see note 16).

The Regional Bulk Infrastructure Grant is a conditional grant to supplement financing for the development of the regional bulk water infrastructure and regional bulk sanitation collection as well as regional water and waste water treatment works.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	-	1 890 725
Current-year receipts	25 000 000	19 515 000
Conditions met - transferred to revenue	(24 420 765)	(19 515 000)
Surrendered	-	(1 890 725)
	579 235	**-**

Conditions still to be met - remain liabilities (see note 16).

The Water Services Infrastructure Grant (WSIG) is a conditional grant to assist water services authorities to reduce water and sanitation backlogs.

SETA Grant

Current-year receipts	64 518	-
Conditions met - transferred to revenue	(64 518)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

29. Fines, Penalties and Forfeits

Traffic fines	225 450	394 732

30. Services in-kind

Frances Baard District Municipality	252 086	207 600

Frances Baard District Municipality provided internal audit services to Magareng Local Municipality at no cost to the municipality.

31. Public contributions and donations

1% Audit fee assistance	2 160 282	-

The municipality received assistance during the period under review relating to payments made to the Auditor-General by the Northern Cape Provincial Treasury.

Figures in Rand	2025	2024

32. Debt relief

Department of Water and Sanitation	-	5 936 376

33. Employee related costs

Basic	38 507 552	35 984 263
Bonus	2 962 568	2 789 840
Medical aid - company contributions	2 617 791	2 319 139
UIF	314 250	315 410
SDL	386 949	369 137
Other payroll levies	16 348	14 930
Leave pay provision charge	694 501	656 773
Pension contributions	6 398 556	6 151 655
Travel, motor car, accommodation, subsistence and other allowances	1 051 433	926 262
Overtime payments	1 131 935	996 686
Long-service awards	257 000	130 000
Acting allowances	142 109	253 841
Housing benefits and allowances	78 505	70 383
	54 559 497	**50 978 319**

Remuneration of acting municipal manager - TM Thage (1 July 2022 - 30 June 2024)

Acting allowance	105 771	105 258

Remuneration of acting Chief Financial Officer - KV Khaziwa (13 December 2022 to 30 June 2024)

Acting allowance	23 992	71 976
Annual Remuneration	471 000	-
Car Allowance	108 170	-
Remote Allowance	24 372	-
Contributions to UIF, Medical and Pension Funds	60 745	-
	688 279	**71 976**

Remuneration of the HOD Corporate Services - CD Lentsoe (1 July 2022 to 30 June 2024)

Annual Remuneration	771 733	717 555
Travel allowance	178 788	204 435
Contributions to UIF, Medical and Pension Funds	194 401	177 620
	1 144 922	**1 099 610**

Remuneration of the HOD Technical Services - TM Thage (1 July 2022 to 30 June 2024)

Annual Remuneration	709 340	689 000
Travel allowance	467 937	448 146
Remote allowance	46 363	44 747
Contributions to UIF, Medical and Pension Funds	14 619	14 191
Cell phone	13 500	9 000
	1 251 759	**1 205 084**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Remuneration of councillors

Annual remuneration	5 282 655	5 262 464
	5 282 655	**5 262 464**

Remuneration of Mayor- NL Mase

Councillor salary	567 171	561 290
Medical aid contributions	41 446	37 862
Pension contributions	81 642	76 187
Travel allowance	229 431	227 582
Cellphone allowance	43 200	45 600
	962 890	**948 521**

In-kind benefits

The mayor is provided with an office at the cost of the Council.

The Mayor has the use of Council owned vehicles and a driver for official duties.

Remuneration Councillor - WJ Potgieter

Councillor salary	252 385	250 368
Pension contributions	36 421	33 943
Travel allowance	96 748	95 974
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
Contributions to pension, medical and SDL	3 434	3 456
	435 992	**433 349**

Remuneration of Councillor - BC Mahapa (from October 2023)

Councillor salary	270 483	177 866
Pension contributions	39 390	25 913
Cellphone allowance	43 200	32 400
Data allowance	3 804	2 853
Contributions to pension, medical and SDL	-	177
	356 877	**239 209**

Figures in Rand	2025	2024

34. Remuneration of councillors (continued)

Remuneration of Councillor - LR Namelang (July 2023 to September 2023)

Councillor salary	-	68 624
Medical aid contributions	-	14 319
Cellphone allowance	-	13 200
Data allowance	-	1 155
Other contributions	-	1 682
	-	**98 980**

Remuneration of Councillor - JC Isaacs (March 2025 to June 2025)

Councillor salary	62 594	-
Pension contributions	9 389	-
Travel allowance	23 994	-
Cellphone allowance	14 400	-
Data allowance	1 268	-
Other contributions	889	-
	112 534	**-**

Remuneration of Councillor - KC Mekhoa

Councillor salary	254 527	252 491
Pension contributions	36 730	34 231
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	338 261	**336 330**

Remuneration of Councillor - L Valtyn

Councillor salary	308 908	324 030
Pension contributions	44 477	43 930
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	400 389	**417 568**

Remuneration of Councillor - MF Mokitimi

Councillor salary	326 643	324 030
Pension contributions	47 137	43 030
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	420 784	**416 668**

Remuneration of Councillor - B Mokomela

Councillor salary	252 385	250 368
Pension contributions	36 421	33 943
Travel allowance	96 748	95 974
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	432 558	**429 893**

Figures in Rand	2025	2024

34. Remuneration of councillors (continued)

Remuneration of Councillor - LO Amose

Councillor salary	326 643	324 030
Medical contributions	-	-
Pension contributions	47 137	43 930
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	420 784	**417 568**

Remuneration of Councillor - CM Mere

Councillor salary	244 982	243 023
Pension contributions	35 353	32 948
Travel allowance	93 910	93 159
Cellphone allowance	43 200	45 600
Data allowance	3 804	4 008
	421 249	**418 738**

Remuneration of Councillor - D Watson (July 2024 to January 2025)

Councillor salary	112 652	189 368
Pension contributions	15 811	25 674
Travel allowance	43 163	72 591
Cellphone allowance	25 200	45 600
Data allowance	2 219	4 008
	199 045	**337 241**

Remuneration of Councillor - BG Plata

Councillor salary	608 273	608 839
Medical aid contributions	40 427	30 502
Pension contributions	87 578	82 556
Cellphone allowance	43 200	45 600
	779 478	**767 497**

35. Depreciation and amortisation

Property, plant and equipment	14 406 897	17 013 684
Intangible assets	596 142	10 711
	15 003 039	**17 024 395**

36. Finance costs

Trade and other payables	4 312 918	973 442
Employee benefit liability	1 009 077	534 000
Landfill rehabilitation provision	344 900	450 060
	5 666 895	**1 957 502**

37. Debt impairment

Contributions to debt impairment provision	50 155 967	63 729 369

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Bulk purchases

Electricity	31 321 989	26 694 259
Water	8 572 334	3 384 765
	39 894 323	**30 079 024**

39. Contracted services

Outsourced Services		
Burial Services	-	5 000
Business and Advisory	4 577 484	1 293 911
Catering Services	358 167	171 526
Printing services	73 236	228 975
Security Services	4 307 418	4 185 299
Consultants and Professional Services		
Business and Advisory	5 170 617	2 467 760
Legal Cost	464 941	-
Contractors		
Event Promoters	113 476	122 317
Medical Services	-	65 307
	15 065 339	**8 540 095**

40. General expenses

Advertising	98 787	88 318
Auditors remuneration	3 788 986	2 709 970
Bank charges	375 156	345 741
Bursaries	98 636	424 959
Commission paid	4 932 923	3 801 640
Communication	977 235	1 072 937
Computer expenses	534 757	1 970 585
Drivers licences and permits	252 601	175 056
Gifts	25 000	31 700
Hire	3 656	10 573
Insurance	1 478 553	839 694
Internal audit	247 018	203 300
Postage and courier	236	11 414
Printing and stationery	403 512	348 405
Protective clothing	282 348	629 242
Subscriptions and membership fees	630 950	634 196
Training	442 238	86 420
Travel and accomodation	1 083 214	477 645
Utilities - Other	-	501 391
	15 655 806	**14 363 186**

Figures in Rand	2025	2024

41. Inventory consumed

Materials and spares	1 446 605	1 112 742
Cleaning materials	3 026	7 271
Building and structures	-	167 000
Maintenance of assets	495 978	-
Water chemicals	2 741 726	1 498 264
Fuel and oil	675 304	695 026
Motor vehicle spares	499 976	291 242
Water tanker services	-	4 340 400
Stationery	990	417
Office equipment	376 127	20 352
	6 239 732	**8 132 714**

42. Auditors' remuneration

Fees	3 788 986	2 709 970

43. Going concern

We draw attention to the fact that at 30 June 2025, a the following factors were considered by management in their assessment of the ability of the municipality to continue as a going concern.

Factors that indicate an uncertainty regarding the municipality to continue as a going concern:
- Provision for landfill site and employee benefits not cash backed;
- Increase in payables from exchange transactions;
- The municipality experienced cash flow problems during the year, which resulted in certain creditors not being paid on time;
- Debtors are outstanding for 2,496 days (2024: 2,486 days); and
- Significant increase in the deficit report from the prior financial year.
- Electricity distribution losses (technical and non-technical) have increased to 41% (2024: 33%) and the water distribution losses has decreased to 96% from (2024: 97%).

Due to the fact that there is no material uncertainty about the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

It should, however, be noted that the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality. Furthermore the municipality should ensure that they embark on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection (credit control and cost containment measures), minimising distribution losses and Council approved initiatives.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Cash generated from operations

Surplus	20 249 129	6 489 830
Adjustments for:		
Depreciation and amortisation	15 003 039	17 024 395
(Profit) / loss on disposal of property, plant and equipment	3 928 038	4 236 042
Contributed PPE	(560 754)	-
Interest on investments	(384 513)	-
Impairment loss	896 179	1 415 047
Debt impairment	50 155 967	63 729 369
Movements in retirement benefit assets and liabilities	1 285 832	277 079
Movements in provisions	344 900	450 060
Changes in working capital:		
Inventories	(1 076)	(5 238)
Receivables from exchange transactions	(41 223 715)	(44 492 583)
Statutory receivables from non-exchange transactions	(13 566 470)	139 463
Statutory receivables from exchange transactions	(317 242)	-
Payables from exchange transactions	27 295 000	23 494 437
VAT	-	(7 164 538)
Unspent conditional grants and receipts	645 260	(8 213 994)
Consumer deposits	42 635	23 158
	63 792 209	**57 402 527**

Figures in Rand	2025	2024

45. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivable from exchange transactions	7 667 012	7 667 012
Cash and cash equivalents	1 413 857	1 413 857
	9 080 869	**9 080 869**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	335 609 193	335 609 193
Consumer deposits	1 093 133	1 093 133
	336 702 326	**336 702 326**

2024

Financial assets

	At amortised cost	Total
Receivable from exchange transactions	4 617 564	4 617 564
Cash and cash equivalents	1 086 754	1 086 754
	5 704 318	**5 704 318**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	308 314 193	308 314 193
Consumer deposits	1 050 498	1 050 498
	309 364 691	**309 364 691**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	62 805 833	84 739 299
Total capital commitments		
Already contracted for but not provided for	62 805 833	84 739 299

Total commitments

Total commitments		
Authorised capital expenditure	62 805 833	84 739 299

This committed expenditure relates to property and will be financed by government grants.

47. Contingencies

Contingent liabilities

Mokgwaro Electrical vs Magareng LM This relates to non-payment for work done.	2 232 300	-
Manuael Soares t/a Imperial Supermarket vs LM - This relates to billing dispute, the applicant is challenging method of calculating the amount owed.	173 615	-
Exellent Minds vs LM - This relates to oder termination dispute relating to MFMP training.	187 450	-
Imperial Supermarket vs Magareng LM Applicant refuting the accounts of services owed to the Municipality	-	50 000
IS Kgadiete vs Magareng LM A lawsuit from Mr IS Kgadiete against the Municipality as a second respondent claiming unlawful detention, for loss of money allegedly stolen from the taxi and loss of income	-	198 000
	2 593 365	**248 000**

48. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

The correction of the error(s) results in adjustments as follows:

48.1. Prior period error - Misstatement in the commitments disclosure::

During the period under review it was noted that commitments were understated due to omitted contract and incorrect value used in the year ended 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Commitments disclosure	
Commitments - as previously stated	35 847 993
Correction of error	48 891 306
Restated	**84 739 299**

Figures in Rand	2025	2024

48. Prior period errors (continued)

48.2. Prior period error - General expenditure misallocations:

During the period under review it was noted that various items were misposted in the general ledger at 30 June 2023. The comparative statements for 2022/23 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in statutory receivables from exchange transactions - VAT control	514

Statement of financial performance	
Increase in contracted services	11 295
Decrease in general expeses - advertising	(12 886)
Decrease in general expenses - entertainment	(8 505)
Increase in general expenses - travel and accomodation	8 694
Increase in general expenses - Gifts	31 700
Decrease in general expenses - Hire	(31 700)
Increase in general expenses - Postage and courier	435
Increase in general expenses - Printing and stationery	1 440
Increase in general expeses - subscriptions	41
	514

48.3. Prior period error - Contracted services misallocations:

During the period under review it was noted that various items were misposted in the general ledger within contracted services at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in payables from exchange transactions	(2 757)
Increase in statutory receivables from exchange transactions - Vat control	360
Decrease in accumulated surplus	2 397
	-

Statement of financial performance	
Increase in general expenses - Printing and stationery	1 995
Increase in general expenses - Travel and accomodation	56 266
Increase in general expenses - Subscriptions and membership fees	3 032
Increase in general expenses - Communication	3 327
Increase in general expenses - qualifications verification	6 261
Decrease in contracted services	(70 881)
	-

48.4. Prior period error - Petty cash transactions not accounted for in the accounting records:

During the period under review it was noted that expenditure incurred via the petty cash register was not recorded in the accounting records at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in cash and cash equivalents - Cash on hand	(17 400)
Increase in statutory receivables from exchange transactions - Vat control	785
	(16 615)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Prior period errors (continued)

Statement of financial performance	
Increase in inventory consumed - Fuel	7 842
Increase in inventory consumed - Spares and materials	4 814
Increase in inventory consumed - Motor vehicle expenses	3 255
Increase in general expenses - Stationery	416
Increase in general expenses - entertainment	288
	16 615

48.5. Prior period error - Consumer deposits misstated:

During the period under review it was noted that Housing rental deposits were misstated at 30 June 2023 due to the incorrect recgonition of rental revenue.The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in consumer deposits - Housing rentals	12 598
Increase in accumulated surplus	(12 598)
	-

48.6. Prior period error - Capital work in progress misstated:

During the period under review it was noted that retention withheld on the Ikhutseng Sports Complex Project was not correctly recorded in the general ledger at 30 June 2024. Furthermore Capital work in progress was overstated with a capital grant receivable from Frances Baard Districy Municipality.The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase property, plant and equipment - Capital work in progress	41 203
Increase in statutory receivables from exchange transactions - Vat control	6 180
Increase in payables from exchange transactions - Retention creditor	(338 270)
Increase in statutory receivables from non-exchange transactions - Vat control	290 887
	-

48.7. Prior period error - Land misstated

During the period under review it was noted that the Land Asset Register was misstated due to the incorrect inclusion of certian land parcels at 30 June 2023. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in property, plant and equipment - Land	(5 773 339)
Decrease in accumulated surplus	5 773 339
	-

48. Prior period errors (continued)

48.8. Prior period error - Investment property misstated

During the period under review it was noted that the Investment Property Register was misstated due to the incorrect exclusion of certain vacant erven at 30 June 2023. Furthermore Capital work in progress was overstated with a capital grant receivable from Frances Baard Districy Municipality.The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in Investment property	140 000
Increase in accumulated surplus	(140 000)
	-

48.9. Prior period error - Revenue and receivables from exchange transactions misstated

During the period under review and in reponse to various finding raised in the 2024 year end audit the Municipality performed a detaield CAATS audit on the entire municipal debtors database and billing. Various misstatements were indentified in the service charges levied at 30 June 2024.The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in receivables from exchange transactions	(23 417)
Increase in statutory receivables from exchange transactions - Vat control	3 054
	(20 363)
Statement of financial performance	
Decrease in service charges	20 363

48.10. Prior period error - Buildings FAR mistated

During the period under review it was noted that a Council Resolution to derecognise certain properties was not accruately accounted for in the fixed asset register at 30 June 2024.Furthermore it was noted that retention withheld on the Ikhutseng Sports Complex Project was not correctly recorded in the general ledger at 30 June 2024 and this had an impact on the value capitilised in 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in property, plant and equipment - buildings	(448 870)
Increase property, plant and equipment - capital work in progress	(294 148)
	(743 018)
Statement of financial performance	
Increase in depreciation and amortisation	6 442
Decrease in impairment loss	(4 730)
Increase in loss on disposal of assets	741 306
	743 018

48.11. Prior period error - Inventory Unsold Properties Held for Resale misstated

During the period under review it was noted that a Unsold Properties Held for Resale was misstated as a deeds search performed indicated that teh ownership of these properties had transferred from the municipality at 30 June 2024.Furthermore it was noted that retention withheld on the Ikhutseng Sports Complex Project was not correctly recorded in the general ledger at 30 June 2024 and this had an impact on the value capitilised in 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

48. Prior period errors (continued)

Statement of financial position	
Decrease in Inventories - unsold properties held for resale	(115 736)
Decrease in accumulated surplus	115 736
	-

48.12. Prior period error - Contracted services misstated due to expenditure not capitalised

During the period under review it was noted that expenditure incurred to implement an MSCOA aligned financial system was incorrectly expensed as contracted services at 30 June 2024.Furthermore it was noted that retention withheld on the Ikhutseng Sports Complex Project was not correctly recorded in the general ledger at 30 June 2024 and this had an impact on the value capitilised in 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in Intangible assets	2 414 135

Statement of financial performance	
Decrease in contracted services - consulting and professional services	(2 414 135)

48.13. Prior period error - Regional Bulk Infrastructure Grant (RBIG) revenue misstated

During the period under review it was noted that payment number 77009642 for RBIG project expenditure was not recognised as conditional revenue from government grants & subsidies at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in Statutory receivables from non-exchange transactions - Government grants and subsidies	722 665

Statement of financial performance	
Increase in revenue from non-exchange transactions - government grants and subsidies	(722 665)

48.14. Prior period error - Infrastructure FAR misstated

During the period under review it was noted that the infrastructure asset register was misstated due to the incorrect treatment of various derecognitions at 30 June 2024. Furthermore infrastructure additions was misstated due to expenditure being incorrectly allocated to inventory consumed when such expenditure met the criteria for capitalisation at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in property, plant and equipment - Infrastructure assets	349 843
Increase in accumulated surplus	(53 636)
	296 207

Statement of financial performance	
Increase in depreciation and amortisation	15 065
Increase in loss on disposal of assets	389 393
Decrease in inventory consumed	(700 665)
	(296 207)

Figures in Rand	2025	2024

48. Prior period errors (continued)

48.15. Prior period error - Cancelled payment not reversed from expenditure

During the period under review it was noted a payment cancelled during the 2024 financial year was not correctly accounted for in the general ledger leading to an overstatment of inventory consumed at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Decrease in payables from exchange transactions - trade payables	21 549
Increase in statutory receivables from exchange transactions - Vat control	(2 811)
	18 738

Statement of financial performance	
Decrease in inventory consumed	(18 738)

48.16. Prior period error - Misstatement in irregular expenditure disclosure:

During the period under review it was noted that irregular expenditure was understated due certain expenditure qualifying as irregular not being included in the year ended 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Irregular expenditure disclosure	
Irregular expenditure - as previously stated	45 806 429
Correction of error	28 756 965
Restated	**74 563 394**

48.17. Prior period error - Other property, plant and equipment register misstated

During the period under review it was noted other property, plant and equipments additions was misstated due to expenditure being incorrectly allocated to inventory consumed when such expenditure met the criteria for capitalisation at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position	
Increase in other property, plant and equipment	1 673

Statement of financial performance	
Decrease in inventory consumed	(1 730)
Increase in depreciation and amortisation	57
	(1 673)

48.18. Prior period error - Misstatements inventory consumed

During the period under review it was noted that various items of expenditure had been incorrectly calssified and disclosed within the inventory consumed category at 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial performance	
Decrease in inventory consumed	(452 526)
Increase in general expenditure - printing and stationery	106 211
Increase in contracted services - labour for maintenance	203 262
Increase in general expenditure - training	1 295
Increase in general expenditure - postage and courier	9 000
Increase in depreciation and amortisation	124 835

48. Prior period errors (continued)

Increase in general expenditure - hire	10 573
Increase in other income - clearance certificates	(2 650)
	-

48.19. Prior period error - Misstatement in unauthorised expenditure disclosure:

During the period under review it was noted that unauthorised expenditure was understated due certain expenditure qualifying as unauthorised not being included in the year ended 30 June 2024. The comparative statements for 2023/24 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Unauthorised expenditure disclosure	
Unauthorised - as previously stated	33 782 010
Correction of error	3 320 397
Restated	**37 102 407**

49. Comparative figures

Certain comparative figures have been reclassified.

During the year under review it was noted that the prior year account balances and totals were misstated due missmapping of various general ledger account. That error has since been rectified in the current year.

The effects of the reclassification are as follows:

Statement of financial position - extract	Comparative figures previously reported	Reclassification	After reclassification
Receivables from non-exchange transactions	9 989 223	290 885	10 280 108
Payables from exchange transactions	(308 311 078)	(3 115)	(308 314 193)
Statutory receivables from exchange transactions - VAT	42 678 853	(287 770)	42 391 083
	(255 643 002)	**-**	**(255 643 002)**

Statement of financial performance - extract	Comparative figures previously reported	Reclassification	Total
Employee related costs	(51 783 046)	804 726	(50 978 320)
Remuneration of councillors	(4 457 738)	(804 726)	(5 262 464)
Contracted services	(8 428 937)	(111 158)	(8 540 095)
General expenses	(14 474 759)	111 574	(14 363 185)
Inventory consumed	(8 132 298)	(416)	(8 132 714)
	(87 276 778)	**-**	**(87 276 778)**

Notes to the Annual Financial Statements

Figures in Rand

50. Change in estimate

Property, plant and equipment

A change in estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year.

Other property, plant and equipment	2025
Infrastructure assets	1 600 747
Land, buildings and community assets	4 381
	1 605 128

The change in estimate effect amount relating ot future periods is not disclosed, as it is impracticable to do so. (GRAP 3.42)

51. Related parties

Relationships	
Interest in related parties	Councillors and /or management of the municipality 6
Services rendered to related parties	The services rendered to related parties are charged at the approved tarrifs that were advertised to the public. We have disclosed this information under the heading councillors arrear consumer accounts. Refer to 57
Compensation of related parties	Compensation of key management personnel. Refer to note 33
Compensation of related parties	Compensation of councillors. Refer to note 34
Joint ventures	Municipality has no joint venture arrangement
Associates	Municipality has no associates in their business arrangement
Related party relationship	The municipalities officials declared the following reationship with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality
Mayor	No business interest, shares and / or directorships held
Speaker	No business interest, shares and / or directorships held
Councillors	No business interest, shares and / or directorships held
Acting Municipal Manager	No business interest, shares and / or directorships held
Chief Financial Officer	No business interest, shares and / or directorships held
HOD Corporate Services	No business interest, shares and / or directorships held

Related party balances

2025 **Councillors**	Rates - Levied	Service charges	Other - Levied	Outstanding balance
WJ Potgieter	19	(333)	86	585
L Valtyn	(388)	(555)	(86)	30 430
N Mase	44	(668)	96	1 036
KC Mekhoa	-	2 866	1 875	18 598
LO Amose	-	(2 785)	(184)	2 263
CM Mere	327	4 223	18 153	267 422
MF Mokitimi	-	(2 304)	(831)	23 676
BC Mahapa	391	4 223	4 855	61 353
JC Isaacs	2 242	1 080	283	5 855
	2 635	**5 747**	**24 247**	**411 218**

51. Related parties (continued)

2024 **Councillors**	Rates - Levied	Service charges	Other - Levied	Outstanding balance
D Watson	(1 520)	-	12	20
WJ Potgieter	4 544	16 705	2 506	814
L Valtyn	4 171	2 884	437	31 458
N Mase	4 918	4 530	733	1 563
KC Mekhoa	-	2 732	1 501	13 856
LO Amose	-	4 026	641	5 232
CM Mere	311	4 026	17 561	244 719
MF Mokitimi	-	4 026	604	26 812
BC Mahapa	374	4 026	4 255	51 883
	12 798	**42 955**	**28 250**	**376 357**

2024 **Municipal Manager and Section 57 Employees**	Rates - Levied	Service charges	Other - Levied	Outstanding balance
C Lentsoe (HOD Corporate services)	4 046	1 869	-	1 032

51. Related parties (continued)

Remuneration of management

Management class: Executive management

2025

Name	Annual remuneration	Acting allowance	Travel allowance	Contribution to UIF, Medical and pension funds	Remote allowance	Other	Total
Senior Management	1 952 073	129 763	754 895	269 765	70 735	13 500	3 190 731

2024

Name	Annual remuneration	Acting allowance	Travel allowance	Contribution to UIF, Medical and pension funds	Other benefits received	Total
Senior Management	1 451 302	177 234	652 581	191 811	9 000	2 481 928

Notes to the Annual Financial Statements

52. Risk management

Financial risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

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

2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	335 609 193	-	-	-
Consumer Deposits	1 093 133	-	-	-
Employee benefit obligations	8 096 777	-	-	-
	344 799 103	**-**	**-**	**-**

2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	308 314 193	-	-	-
Consumer Deposits	1 050 498	-	-	-
Employee benefit obligations	7 391 945	-	-	-
	316 756 636	**-**	**-**	**-**

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

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

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in term of Council's Credit Control and Debt Collection Policy.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Risk management (continued)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk

The municipality does not hedge foreign exchange fluctuations.

Price risk

The municipality is not exposed to price risk as the municipality does not own any equity securities.

53. Events after the reporting date

The accounting officer is not aware of any material event which occured after the reporting date and up to the date of this report.

54. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	264 091 139	226 988 732
Add: Unauthorised expenditure - current	33 142 722	37 102 407
Closing balance	**297 233 861**	**264 091 139**

Operating expenditure per vote

	2025	2024
Vote 01 - Executive & council	-	1 961 341
Vote 04 - Financial services	9 873 258	-
Vote 05 - Municipal infrastructure	23 269 464	35 141 066
	33 142 722	**37 102 407**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

	2025	2024
Non-cash	22 757 523	33 814 340
Cash	24 119 557	8 186 526
	46 877 080	**42 000 866**

Analysed as follows: non-cash

	2025	2024
Losses on disposal of assets	3 928 038	4 236 042
Debt impairment	18 290 967	28 338 398
Other losses	538 518	1 239 900
	22 757 523	**33 814 340**

Analysed as follows: cash

	2025	2024
Bulk purchases	17 154 323	6 229 024
Finance costs	4 251 895	1 957 502
Contracted services	2 713 339	-
	24 119 557	**8 186 526**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	26 527 410	25 553 968
Add: Fruitless and wasteful expenditure identified - current	4 344 997	973 442
Closing balance	**30 872 407**	**26 527 410**

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2025	2024
Interest on late payments - suppliers	Awaiting council decision	4 278 644	559 343
SARS interest & penalties - PAYE	Awaiting council decision	66 353	414 099
		4 344 997	**973 442**

56. Irregular expenditure

	2025	2024
Opening balance as previously reported	212 570 943	129 519 806
Add: Irregular expenditure - current	77 638 293	83 051 137
Add: Irregular expenditure - prior period	578 395	-
Closing balance	**290 787 631**	**212 570 943**

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2025	2024
Various contraventions of procurement transcripts	Awaiting council desicion	77 638 293	83 051 137
Various contraventions of procurement transcripts - prior year identified in the current year	Awaiting council desicion	578 395	-
		78 216 688	**83 051 137**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	628 520	750 272
Current year subscription / fee	625 763	628 520
Amount paid - current year	(628 520)	(750 272)
	625 763	**628 520**

Material losses

Electricity distribution losses (KWh)		
KWh purchased	11 093 704	9 993 626
KWh sold	(6 561 271)	(6 720 741)
KWh losses	**4 532 433**	**3 272 885**
% losses	41	33
Average cost per KWh unit	2,63	2,43
Loss in Rand value	**4 532 432**	**7 948 018**

Water distribution losses (Mega litres)		
Mega litres purchased	1 574 897	1 579 660
Mega litres sold	(64 334)	(41 794)
Mega litres losses	**1 510 563**	**1 537 866**
% losses	96	97
Average cost per unit	4,05	1,92
Loss in Rand value	**6 116 015**	**2 949 455**

Audit fees

Opening balance	2 333 175	3 372 972
Current year subscription / fee	4 606 305	3 404 150
Amount paid - current year	(2 677 161)	(1 070 975)
Amount paid - previous years	(2 333 175)	(3 372 972)
	1 929 144	**2 333 175**

PAYE and UIF

Opening balance	1 167 871	651 708
Current year subscription / fee	7 622 403	7 310 429
Amount paid - current year	(6 998 831)	(6 142 558)
Amount paid - previous years	(1 167 937)	(651 708)
	623 506	**1 167 871**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

	2025	2024
Opening balance	4 462 590	4 179 562
Current year subscription / fee	15 446 184	14 484 604
Amount paid - current year	(14 159 925)	(9 749 606)
Amount paid - previous years	(4 454 991)	(4 451 970)
	1 293 858	**4 462 590**

VAT

	2025	2024
VAT receivable	42 708 325	42 391 083

VAT output payables and VAT input receivables are shown in note 5.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mayor N Mase	1 036	-	1 036
Councillor WJ Potgieter	585	-	585
Councillor L Valtyn	2 952	27 478	30 430
Councillor KC Mekhoa	1 621	16 977	18 598
Councillor LO Amose	1 689	575	2 264
Councillor CM Mere	7 632	259 790	267 422
Councillor MF Mokitimi	405	23 272	23 677
Councillor BC Mahapa	3 222	58 131	61 353
Councillor JC Isaacs	2 180	3 675	5 855
	21 322	**389 898**	**411 220**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mayor N Mase	1 563	-	1 563
Councillor D Watson	20	-	20
Councillor WJ Potgieter	814	-	814
Councillor L Valtyn	1 580	29 878	31 458
Councillor KC Mekhoa	1 450	12 407	13 857
Councillor LO Amose	1 566	3 666	5 232
Councillor CM Mere	7 361	237 359	244 720
Councillor MF Mokitimi	757	26 055	26 812
Councillor LR Mamelang	2 947	48 936	51 883
	18 058	**358 301**	**376 359**

58. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Regulation 36(2) - Details of deviations (amounts include Value added tax) approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b):

2025	Amount	Single supplier	Impractical	Emergency
July	16 320	1	-	1
September	53 960	-	1	1
October	702 455	2	1	2
November	60 452	-	2	4
January	399 856	-	-	1
February	24 966	2	-	-
March	9 204	1	-	-
April	253 264	-	-	1
May	378 010	1	-	2
June	51 845	-	-	1
	1 950 332	**7**	**4**	**13**

2024	Amount	Single supplier	Impractical	Emergency
July	248 400	-	-	1
August	1 386 086	4	-	3
September	14 055	2	-	-
October	64 557	1	-	-
November	25 953	3	-	1
December	132 444	2	-	1
January	8 191	2	-	-
March	4 825	1	-	-
April	213 736	-	-	1
	2 098 247	**15**	**-**	**7**

59. Contributed Property, Plant and Equipment

	2025	2024
Computer equipment	-	790 801
Transport assets	220 809	336 078
Tools and equipment	339 945	40 000
	560 754	**1 166 879**

Figures in Rand	2025	2024

60. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Principal in other Principal-Agent Arrangements (non-material)

Magareng Municipality is the Principal in arrangements with various service providers who sell prepaid electricity on their behalf. Prepaid vendors earn commission on the value of each transaction.

Compensation paid for agency activities

Commission	2 708 249	3 801 640

Magereng Municipality paid 6% commission to various service providers for acting as an agent on its behalf during the financial year.

Agent in arrangement

Magareng Municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Agency Fees income in the Statement of Financial Performance. The amounts due to the Provincial Department at year end is included in the balances reported as Trade and Other Payables from Exchange Transactions in the Statement of Financial Position.

The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and municipal cashier collection points. No resources are held on behalf of the Provincial Department (other than the receipts).

Magareng Municipality is also the Agent in the Principal-Agent arrangements with various third parties for authorised salary deductions from officials. The municipality receives commission on the total funds deducted on a monthly basis. The amount received is recorded Operational Revenue in the Statement of Financial Performance.

In determining whether the municipality is the agent or if not, by default the principal, in the arrangement is evaluated in terms of the specific criteria set out in GRAP 109. The municipality does not have the power to determine significant terms and conditions of the transaction, does not have the ability to use all, or substantially all of the resources resulting from the transaction for its own benefit and is not exposed to variability in the result of the transaction.

Compensation received for agency activities		
Commission	49 839	43 318
Agency services	58 118	75 602
	107 957	**118 920**

Magareng Municipality received 12% commission from the Provincial Department of Transport for acting as an agent on their behalf during the financial year. The municipality also receives commission based on third parties.

There are no resources under the custodianship of Magareng Municipality, nor have they been recognised as such.

61. Segment information

General information

Identification of segments

The municipality is organised according to functions and reports on a monthly basis on their actuals. Decisions are made regularly regarding resources to be allocated to different functions. Segments are therefore identified as the different municipal functions as on Schedule B of the budget.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the Warrenton area. Segments have been aggregated based on the organisational structure as on the budget.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Executive and Council	Governing the municipality
Office of the Municipal Manager	Head of administration
Corporate Services	Providing support functions such as Human resources to the municipality
Financial Services	Providing support functions to the municipality
Municipal Infrastructure	Providing basic services to the community such as water, electricity, sewerage and refuse
Community Services	Providing other services to the community
Public Safety and Transport	Ensuring public safety and providing services such as traffic law enforcement
Sports, Arts, Parks, Culture	Providing cultural activities for the community
Planning & Development	Town planning, economic development etc

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Executive & Council	Office Of The Municipal Manager	Corporate Services	Financial Services	Municipal Infrastructure	Community Services	Planning & Development	Total
Revenue								
Revenue from exchange transactions	-	-	-	1 034 583	34 637 994	3 966 706	-	39 639 283
Interest received - investment	-	-	-	384 513	-	-	-	384 513
Interest received (trading)	-	-	-	-	18 764 376	2 905 640	-	21 670 016
Revenue from non-exchange transactions	66 243 000	-	64 518	18 967 664	79 197 564	50 199	-	164 522 945
Interest - Taxation revenue	-	-	-	6 680 562	-	-	-	6 680 562
Total segment revenue	**66 243 000**	**-**	**64 518**	**27 067 322**	**132 599 934**	**6 922 545**	**-**	**232 897 319**
Entity's revenue								**232 897 319**
Expenditure								
Remuneration of Council	5 282 655	-	-	-	-	-	-	5 282 655
Salaries and wages	5 744 199	754 204	8 275 908	12 086 000	14 223 114	9 409 641	4 066 432	54 559 498
Bulk purchases	-	-	-	-	39 894 320	-	-	39 894 320
Debt impairment	-	-	-	11 823 034	38 332 933	-	-	50 155 967
Depreciation and amortisation	-	-	613 074	596 142	12 150 064	-	1 643 759	15 003 039
Contracted services	416 823	-	4 876 303	9 743 524	-	-	28 690	15 065 340
General expenses	1 181 126	94 629	2 548 743	11 768 562	(110 201)	51 748	121 199	15 655 806
Finance costs	-	-	-	5 321 996	344 900	-	-	5 666 896
Gains and losses	-	-	300 719	-	4 824 218	-	-	5 124 937
Inventory consumed	-	-	1 255 936	-	4 511 754	472 042	-	6 239 732
Total segment expenditure	**12 624 803**	**848 833**	**17 870 683**	**51 339 258**	**114 171 102**	**9 933 431**	**5 860 080**	**212 648 190**
Total segmental surplus/(deficit)	**53 618 197**	**(848 833)**	**(17 806 165)**	**(24 271 936)**	**18 428 832**	**(3 010 886)**	**(5 860 080)**	**20 249 129**

Management does not evaluate the assets and liabilities of the relevant sections, nor makes decisions about allocating resources, therefore assets and liabilities do not meet the definition of a segment in terms of GRAP 18.

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

2024

	Executive & Council	Office Of The Municipal Manager	Corporate Services	Financial Services	Municipal Infrastructure	Community Services	Public Safety & Transport	Planning & Development	Total
Revenue									
Revenue from exchange transactions	-	-	-	1 309 074	32 313 309	-	-	-	33 622 383
Interest received - investment	-	-	-	357 474	-	-	-	-	357 474
Interest received (trading)	-	-	-	-	19 766 642	-	-	-	19 766 642
Revenue from non-exchange transactions	65 797 725	-	-	29 004 369	63 939 533	-	-	-	158 741 627
Interest - Taxation revenue	-	-	-	(455 286)	-	-	-	-	(455 286)
Total segment revenue	**65 797 725**	**-**	**-**	**30 215 631**	**116 019 484**	**-**	**-**	**-**	**212 032 840**
Entity's revenue									**212 032 840**
Expenditure									
Remuneration of Council	5 262 464	-	-	-	-	-	-	-	5 262 464
Salaries and wages	6 383 463	687 818	7 463 285	10 829 288	21 691 778	-	126 438	3 796 249	50 978 319
Bulk purchases	-	-	-	-	30 079 024	-	-	-	30 079 024
Debt impairment	-	-	-	5 478 893	58 250 476	-	-	-	63 729 369
Depreciation and amortisation	-	-	-	10 711	13 905 986	-	-	3 107 698	17 024 395
Contracted services	298 843	-	4 485 841	3 755 409	-	-	-	-	8 540 093
General expenses	1 187 420	24 869	2 848 115	9 976 628	253 018	10 573	-	62 565	14 363 188
Finance costs	-	-	-	1 507 442	450 060	-	-	-	1 957 502
Gains and losses	-	-	(175 147)	-	5 651 089	-	-	-	5 475 942
Inventory consumed	-	(50)	793 817	-	7 341 047	-	-	(2 100)	8 132 714
Total segment expenditure	**13 132 190**	**712 637**	**15 415 911**	**31 558 371**	**137 622 478**	**10 573**	**126 438**	**6 964 412**	**205 543 010**
Total segmental surplus/(deficit)	**52 665 535**	**(712 637)**	**(15 415 911)**	**(1 342 740)**	**(21 602 994)**	**(10 573)**	**(126 438)**	**(6 964 412)**	**6 489 830**

Management does not evaluate the assets and liabilities of the relevant sections, nor makes decisions about allocating resources, therefore assets and liabilities do not meet the definition of a segment in terms of GRAP 18.

62. Budget differences

Material differences between budget and actual amounts

All variances greater / less than 10% will be explained on the final Annual Financial Statements for the year ended 30 June 2025.

X1: The municipality used the prior year actuals as base and applied the CPI as per Treasury circular.

X2: The municipality used the prior year actuals as base and applied the CPI as per Treasury circular.

X3: The municipality did not budget for this line item because there was no actuals in the prior finanacial year, and approvision was made rather for the fines, penalties and forfeits.

X4: The municipality used the prior year actuals as base and applied the CPI as per Treasury circular

X5: The municipality did not budget for this line item.

X6: The municipality used the prior year actuals as base and applied the CPI as per Treasury circular.

X7: The variance on this line item was based on the prior actuals, this is the call account for traffic fines which was closed due to end of contract and no colleaction rate.

X8: The budget projection was influenced by the actual of the 2023/24 financial year.

X9: The municipality did not budget for this line item because there was no actuals in the prior finanacial year, and approvision was made rather for the fines, penalties and forfeits.

X10: The budget projection was influenced by the actual of the 202324 financial year.

X11: The municipality had an unspent of 1.4 million and the RBIG allocation was R32 million but only R24 million was received.

X12: The municipality did not have actuals on this line item in 2023/24, thus it was not budgeted for in the 202425 financial year.

X13: The budget projection was influenced by the actual of the 202324 financial year.

X14: This line item was not budgeted .

X15: This line item was not budgeted .

X16: The variance on this line item is due to unfilled budgeted vacant posts.

X17: The municipality used the prior year actuals as base and applied the CPI as per Treasury circular.

X18: The budget projection was influenced by the actual of the 202324 financial year. Refer to the annual financial statements for 2324 financial year.

X19: This line item was not budgeted for due to unfunded budget.

X20: The budget projection was influenced by the actual of the 202324 financial year. Refer to the annual financial statements for 2324 financial year.

X21: The budget projection was influenced by the actual of the 202324 financial year. Refer to the annual financial statements for 2324 financial year.

X22: The variance on this line item is due to misclassification corrections from the prior and current year.

X23: The municipality under budgeted this line item due to unfunded budget.

X24: The variance on this line item is due to misclassification corrections from the prior and current year.

62. Budget differences (continued)

X25: The variance on this line item is due to misclassification corrections from the prior and current year.

X26: Due to an unfunded budget, the municipality took the 22/23 audited actuals and divided it by four.

X27: The municipality budgeted for this line item in line with the prior year actuals.

X28: The municipality over budgeted on this line item.

X29: The municipality over budgeted on this line item.

X30: The municpality under budgeted,the budget projection was influenced by the actual of the 202324 financial year.

X31: The municipality over budgeted on this line item.

X32: The municipality over budgeted on this line item.

X33: Financial System mapping issues.

X34: The budget projection was influenced by the actual of the 2023/24 financial year.

X35: The budget projection was influenced by the actual of the 202425 financial year.

X36: The variance on this line item is due to the upgrade on the financial system from Evenus to Solar.

X37: Rounding.

X38: Financial System mapping issues.

X39: The variance on this lineitem is due to the municipality not adhering to paying its creditors within 30 days.

X40: Financial System mapping issues.

X41: The budget projection was influenced by the actual of the 202324 financial year.

X42: Financial System mapping issues

X43: The variance on this lineitem is due to unspent on the following grants Library, MIG,RBIG and WSIG. The municpality budgeted for unspent grants under trade and other payables from non-exchange transactions.

X44: The municipality budgeted over budgeted on this line item.

X45: Financial System mapping issues.

X46: This line item was not budgeted for.

X47: The municipality budgeted over budgeted on this line item.