

ANNUAL REPORT

2022/23



NALEDI LOCAL MUCIPALITY

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LIST OF ABBREVIATIONS

AC	Audit Committee
AFS	Annual Financial Statements
AG	Auditor-General of South Africa
AGSA	Audit of Performance Information
AOPO	Annual Financial Statements
APR	Annual Performance Report
AR	Annual Report
BAC	Bid Adjudication Committee
BCEA	Basic Conditions of Employment Act
BEC	Bid Evaluation Committee
BEP	Bucket Eradication Programme
BSC	Bid Specification Committee
BTO	Budget and Treasury Office
CBD	Central Business District
CBP	Community Based Plan
CC	Closed Corporation
CC	Council Committee resolution
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
COID	Compensation for Occupational Injuries and Diseases
COIDA	Compensation for Occupational Injuries and Diseases Act
CWP	Community Work Program
CPA	Community Property Association
DAMG	Disaster Assessment Management Grant
DBSA	Development Bank of South Africa
DCD	Director Community Development
DCS	Director Corporate Support
DEFF	Department of Environment, Forestry and Fisheries
DLCA	Driving License Card Account
DLED	Director Local Economic Development
DMRE	Department of Mineral Resources and Energy
DoRA	Division of Revenue Act
DPHS	Director Planning and Human Settlements
DPS	Director Public Safety
DRP	Disaster Recovery Plan
DRM	District Risk Management
DTI	Director Technical and Infrastructure
DTI	Department of Trade and Industry
DWAF	Department of Water Affairs
EECF	Employment Equity Consultative Forum
EEDSM	Energy Efficiency Demand Side Management
EFT	Electronic Fund Transfer
EPWP	Extended Public Works Programme
ERA	Electricity Regulatory Authority
FIFO	First-in, first-out

FMG	Financial Management Grant
FMG	Financial Markets Group
FNB	First National Bank
GAMAP	Generally Accepted Municipal Accounting Practice
GIS	Geographical Information System
G/L	General Ledger
GAAP	Generally Accepted Accounting Practice
HDF	Housing Development Fund
HHs	Households
IA	Internal Audit
IAS	International Accounting Standards
ICT	Information Communication Technology
IDP	Integrated Development Plan
IHRMS	Integrated Human Resources Management Strategy
IMFO	Institute of Municipal Finance Officers
INEP	Integrated National Electrification Program
IOD	Injury on Duty
JV	Joint Venture
LLF	Local Labour Forum
KPA	Key Performance Areas
KPI	Key Performance Indicators
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
LUMS	Land Use Management Scheme
mSCOA	Municipal Standard Chart of Accounts
ME's	Municipal Entities
MEC	Member of the Executive Council
MEGF	Municipal Employee Gratuity Fund
MCPF	Municipal Councilors Pension Fund
MIG	Municipal Infrastructure Grant
MISA	Municipal Infrastructure Support Agent
MFMA	Municipal Financial Management Act
MM	Municipal Manager
MSA	Municipal Systems Act
NERSA	National Energy Regulator of South Africa
NFMW	National Fund for Municipal Workers
NLM	Naledi Local Municipality
NRS	National Regulatory Standard
NW	North-West
OHC	Occupational Health Centre
OHS	Occupational Health and Safety
PAA	Public Audit Act of South Africa
PAC	Performance Audit Committee
PFMC	Pension Fund for Municipal Councilors
PGDS	Provincial Government Development Sector
PMS	Performance Management System
POE	Portfolio of Evidence

PPE	Personal Protective Equipment
PPPF	Public Private Partnership Forum
(Pty) Ltd	Proprietary Limited
RDP	Rural Development Plan
RMU	Ring Main Unit
ROI	Return on Investment
RTMC	Road Traffic Management Corporation
SAFA	South African Football Association
SALA PF	South African Local Authorities Pension Fund
SALGA	South African Local Government Association
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SETA	Sector Education and Training Authority
SITA	State Information Technology Agency
SMME	Small, Medium and Micro Enterprises
SLA	Service Level Agreement
SPLUMA	Spatial Planning and Land Use Management
STR	Small Town Regeneration
TLB	Tractor-Loader-Backhoes
UIFW	Unauthorized, irregular, fruitless and wasteful
VAT	Value Added Tax
VMR	Village Main Reef
WCA	Workers Compensation Assistance
WSP	Workplace Skills Plan
WWTP	Waste Water Treatment Plant

COMPONENT A: MAYOR'S FOREWORD



Cllr Clifton John Groep
Mayor: Naledi Local Municipality

Dear Stakeholders/Residents

I am pleased to present the annual report for 2022/2023 highlighting the significant achievements and milestones of the Naledi Local Municipality. Our vision is still to provide basic, quality, sustainable and equitable services to the whole community of Naledi through effective and efficient governance and financial management which is complementary to our mission which is to deliver adequate and sustainable services to communities

As we reflect on the past year, we are proud to share the progress made in various areas that contributed to the well-being and development of our community. The practice of good governance has assisted us with processes of producing the results that meet the needs of the society while making the best use of the resources at our disposal.

Key Achievements

We have witnessed notable accomplishments in areas such as infrastructure, community development. We can also report that the very first mall was completed and officially opened on the 26th of October 2023, which to us it is set to be a prodigious achievement for our communities as it also built in an area where it is accessible to the majority of our people and has also created more than 750 job opportunities. This Mall signifies more than just a retail hub but it is a testament to progress and a canal for transformation in Naledi local Municipality. These achievements are a testament to the dedication of our team and the collaborative efforts of the entire community.

Financial Overview

Our commitment to fiscal responsibility is reflected in the prudent management of resources. Despite the challenges posed by non-payment of services, we have maintained financial stability by ensuring that every rand is invested wisely for the benefit of our residents through the intervention of section 139(8) of the Municipal Finance Management Act of 2003 which is implemented with an objective to enhance the provision of democratic and accountable governance for our communities, promotion of social and economic development, ensuring an adequate and conducive environment as well as provision of all municipal services to communities.

Community Engagement

The active involvement of our community remains a cornerstone of our success. We appreciate the ongoing support, feedback, and participation of residents, businesses, and various stakeholders. Together, we can continue to shape a brighter future for Naledi.

Looking Ahead


As we embark on 2023/2024, our focus remains on improving service delivery, financial stability and strengthening our stakeholder relation which is inclusive of our communities. We are determined to build upon the successes of the past year and address emerging challenges to further enhance the quality of life for everyone in the Naledi Municipality.

Acknowledgments

I extend my gratitude to the Municipal manager, Directors and our committed officials and also our stakeholders, without whom these achievements would not have been possible. Their dedication and collaboration have been instrumental in our shared success with a common goal of working to build better communities.

In closing, I invite you to explore the detailed contents of this annual report, providing a comprehensive overview of our activities and accomplishments. We are committed to transparency and accountability, and we welcome your feedback and suggestions as we continue our journey towards a thriving and vibrant Municipality.

Thank you for your ongoing support.



Cllr C J Groep
Mayor



1.1 Municipal Manager's Overview

Naledi Local Municipality has prepared and presents the Annual Report 2022/2023 in terms of Section 121 of the Local Government Municipal Finance Management Act of 2003 as well as other Treasury circulars, templates and guidelines. The section 121 (1) states that every municipality and municipal entities must for each financial year prepare an Annual Report in accordance with the guidelines.

This report also seeks to report to Council the Municipality's Performance in terms of the five (5) National Government's Strategic Key Performance Areas for Local Government, which are (1) Basic Service Delivery; (2) Local Economic Development; (3) Municipal Institutional Transformation and Development; (4) Municipal Financial Viability and Management and (5) Good Governance and Public Participation.

The Integrated Development Plan and the Budget were adopted by Council after engaging the community and other stakeholders through public participation.

The municipality completed upgrading of three cemeteries, Huhudi Taxi Route Phase 1 and Extension 25 Taxi Route Phase 2 projects. We remain committed to delivering services to our communities and investing in infrastructure development. ***Our MIG performance remains the best in the Province; we received additional (bonus) funding like the year before.***

The municipality has received **adverse** opinion from the office of the Auditor General. The municipality is working tirelessly to address all issues raised on the Post Audit Action Plan of 2021/2022 to improve the audit opinion.

The municipality remains under the Financial Recovery Plan which continues to assist the municipality to improve on revenue strategy.

The municipality continues to encourage unemployed community members to register and keep their indigent information up to date.

The municipality has applied for the Eskom Debt Relief programme and the application was acknowledged by Eskom. The application was initiated after Council resolved that the

municipality should take advantage of this opportunity to have our debt written off. The application was submitted on time and it is still in progress.

We want to transform the Naledi Spatial Development environment into a more compact, liveable, integrated, inclusive, productive and sustainable place.

I sincerely appreciate the Mayor of Naledi Local Municipality, the Executive and Councillors for their support and strategic direction. I also want to extend my heartfelt gratitude to the dedicated staff members of Naledi Local Municipality who ensure the effective day-to-day running of our activities.

A handwritten signature in black ink, appearing to read 'MT Segapo', is written over a horizontal line.

Mr. MT Segapo
Municipal Manager

FUNCTIONS OF A MUNICIPAL COUNCIL

The following table outlines the function of the municipal council as applicable to Naledi Local Municipality in accordance with relevant legislation:

Functions performed	Dr RSM District Municipality	Naledi Local Municipality
Governance and Administration	Yes	Yes
Water Services	Yes	Yes
Municipality is water services authority	Yes	No
Municipality is water services provider	No	Yes
Electricity and Gas Reticulation	No	Yes
Electricity	No	Yes
Street lighting	No	Yes
Municipal Transport	Yes	Yes
Municipal public transport	Yes	Yes
Municipal airports	No	Yes
Waste Management	Yes	Yes
Refuse removal	No	Yes
Refuse dumps/solid waste disposal	No	Yes
Cleansing	No	Yes
Roads and Storm water Systems	Yes	Yes
Municipal roads	No	Yes
Storm water systems in built-up areas	Yes	Yes
Municipality performs the 'District' roads function	Yes	No
Community and Social Services	No	Yes
Local amenities: Regulation & facilitation	No	Yes
Local amenities: Service provision	No	Yes
Local sports facilities: Regulation & facilitation	No	Yes
Local sports facilities: Service provision	No	Yes
Municipal parks and recreation: Regulation & facilitation	No	Yes
Municipal parks and recreation: Service provision	No	Yes
Public places: Regulation & facilitation	No	Yes
Public places: Service provision	No	Yes
Child care facilities: Regulation & facilitation	No	Yes
Child care facilities: Service provision	No	No
Cemeteries, funeral parlours and crematoria: Regulation & facilitation	No	Yes
Cemeteries, funeral parlours and crematoria: Service provision	No	Yes
Libraries: Regulation & facilitation	No	No
Libraries: Service provision	No	Yes
Museums: Regulation & facilitation	No	No
Museums: Service provision	No	Yes
Planning and Development	Yes	Yes
Municipal planning	Yes	Yes
Building regulations	No	Yes
Land-use management	Yes	Yes

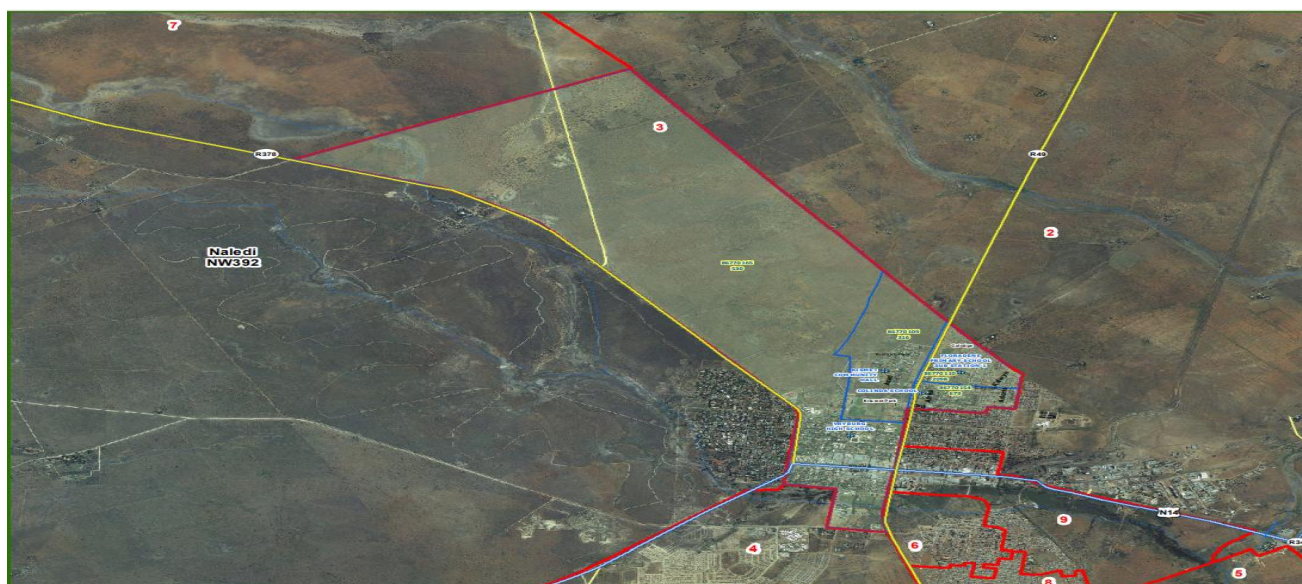
Property development (non-municipal property)	No	No
Emergency Services	Yes	Yes
Firefighting: Authority	Yes	No
Firefighting service provision	No	Yes
Rescue services	Yes	Yes
Disaster management	Yes	Yes
Municipal Health	Yes	Yes
Municipal health: Regulation & facilitation	Yes	No
Municipal health: Service provision	No	Yes
Licensing and control of undertakings that sell food to the public: Regulation	No	No
Licensing and control of undertakings that sell food to the public: Service provision	No	No
Noise pollution: Regulation & facilitation	No	No
Noise pollution: Service provision	No	No
Pounds: Regulation & facilitation	No	Yes
Pounds: Service provision	No	No
Accommodation, care and burial of animals: Regulation & facilitation	No	Yes
Accommodation, care and burial of animals: Service provision	No	No
Licensing of dogs: Regulation & facilitation	No	Yes
Licensing of dogs: Service provision	No	No
Primary Health Care	No	No
Primary Health Care	No	No
Environmental Management	Yes	Yes
Environmental planning	Yes	Yes
Bio-diversity management	Yes	Yes
Climate change interventions	No	Yes
Alternative energy planning	No	Yes
Air pollution	Yes	No
Economic Development	Yes	Yes
Local tourism: Regulation & facilitation	Yes	No
Local tourism: Service provision	No	No
Markets: Regulation & facilitation	No	No
Markets: Service provision	No	No
Abattoirs: Regulation & facilitation	No	No
Abattoirs: Service provision	No	No
Trading regulations: Regulation & facilitation	No	Yes
Trading regulations: Service provision	No	No
Street trading: Regulation & facilitation	No	Yes
Street trading: Service provision	No	No
Billboards and the display of advertisements in public places: Regulation & facilitation	No	Yes
Billboards and the display of advertisements in public places: Service provision	No	No
Fences and fences: Regulation & facilitation	No	Yes
Fences and fences: Service provision	No	No
Control of undertakings that sell liquor to the public: Regulation & facilitation	No	Yes

Control of undertakings that sell liquor to the public: Service provision	No	No
Local economic development: Regulation & facilitation	Yes	Yes
Local economic development: Service provision	No	No
Housing	No	Yes
Housing facilitation (managing developers, housing lists etc.)	No	Yes
Acting as developer of housing	No	Yes
Landlord (owning and managing housing stock)	No	Yes
Traffic and Policing	No	Yes
Traffic and municipal police	No	Yes
Community safety	No	No
Control of public nuisances	No	Yes
Driver licensing	No	Yes
Motor vehicle licensing	No	Yes

POPULATIONS AND ENVIRONMENTAL OVERVIEW

Municipal Overview

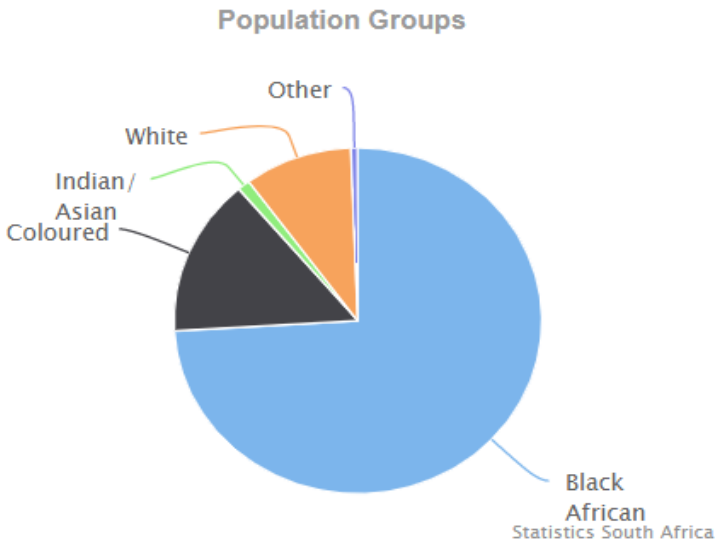
Naledi Local Municipality is a category B Municipality situated in the Dr Ruth Segomotsi Mompati District in the North West Province of South Africa. The Naledi Local Municipality is situated in the Dr Ruth S Mompati District of South Africa's North West Province. It covers an area of approximately 7 264 square kilometres with a total population of 68 803 – according to the Community Survey of 2016 by Statistics South Africa and is divided into 9 wards representing the interests of the communities of Vryburg, Kismet Park, Huhudi, Colridge, Dithakwaneng, Stella, Devondale, Broedersput and the newly developed extension 25/28.



Demographics

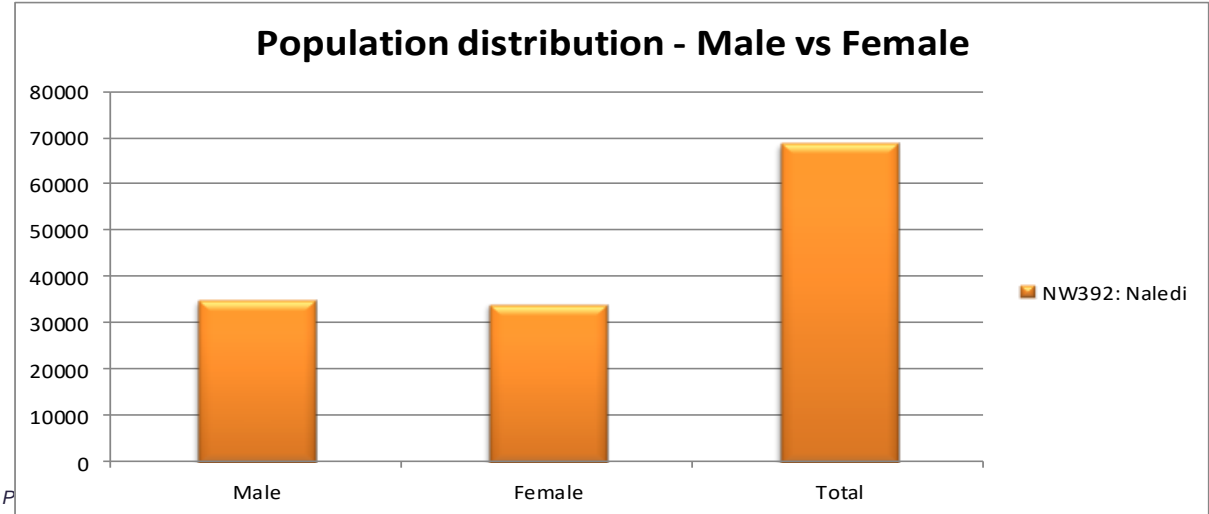
The characteristics mentioned below include population information, household data and growth rates, gender and age profiles, education levels, income levels, employment figures and skills levels amongst the employed workforces.

This is strengthened by a fact file that reports on the economic characteristics of the national economy, regional and the local economies. The aim of this section is to identify the extent to which key drivers of the national economy have an impact on the local economy of Naledi. This will allow the municipality to align its funding requirements according to the various strategic objectives that will support future local economic development initiatives. The macro-economic outlook also allows the municipality to focus on the key drivers that will impact on local growth and future employment opportunities.



Population and household facts

- The total population of the Naledi Municipal area was 66 781 in 2016.
- The average growth rate of the population from 2011 to 2016 was 2.94%
- The total number of households in the Naledi Municipal Area was 20692 in 2016.
- The average growth rate of households from 2011 to 2016 was 10.24%
- Naledi’s population gender is as follows: male 34771 female 34032.

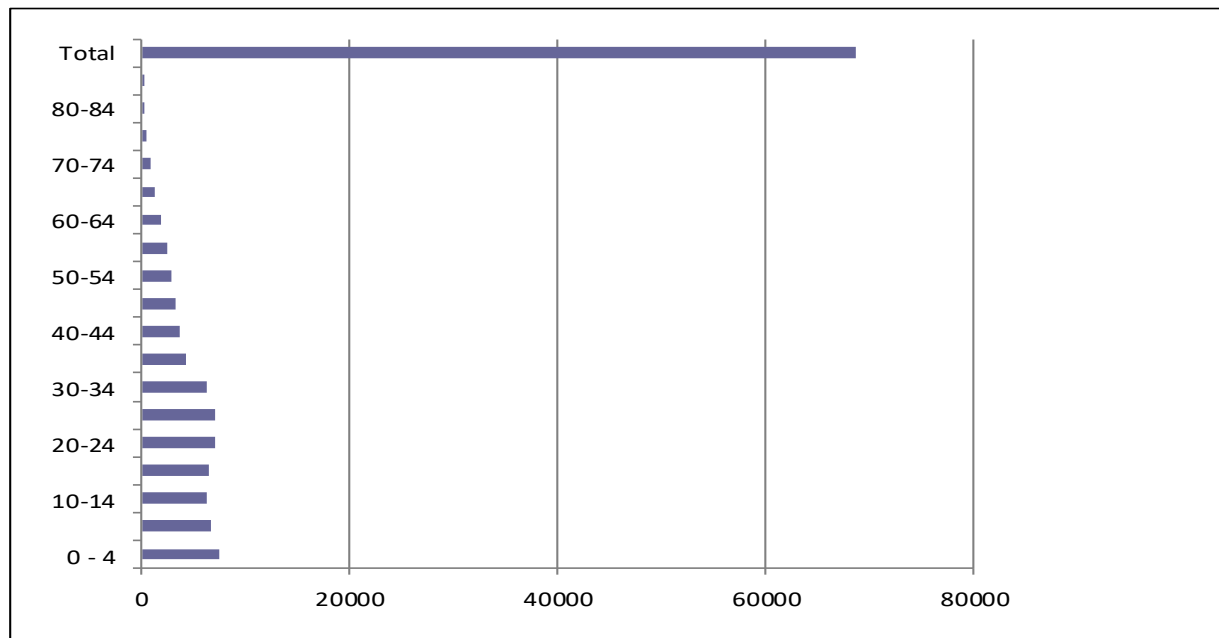


Population race groups against total population

Population groups	Black African	Coloured	Indian/Asian	White	Total
Number	51726	8042	520	8515	68803

Population race groups against the total population (Source: Community survey of 2016 by Statistics South Africa)

Age profile



Population distribution by age group (Source: Community survey of 2016 by Statistics South Africa)

Education profile

Type of Education	Number of people
Development Phase	11785
Primary	22052
Secondary	30631
FET-(N1-N6)	499
Tertiary Education	2836
Unspecified	1000
Total	68 803

Highest Level of education against total population (Source: Community survey of 2016 by Statistics South Africa)

Macro-economic and local economic development outlook

According to research and development, Naledi main macro-economic activities are that of agriculture and hunting which are the strongest contributors to the municipality's economy. Other important job creating sectors are finance and insurance, public administration, health and social and transport.

Naledi Local Municipality aims to tap into this industry through Local Economic objectives and strategies and is broadly explained under development strategies further in the document.

Employment Status	Number of people
Employed	18201
Unemployed	6415
Discouraged work seeker	1780
Not economically active	16344
Not applicable	24040
Total	66781

Employment status against the total population (Source: Census 2011 by Statistics South Africa)

Employment by Sector	
Sector	Number of people
Formal	10710
Informal	3508
Private Household	4041
Do not know	416
Not applicable	48106
Total	66781

Employment by sector against the total population (Source: Census 2011 by Statistics South Africa)

1.3 Service Delivery Overview

- Waste Collection: The municipality ensures that waste collections are done on a daily.
- Roads and Storm Water: New roads have been build and old roads are continually being maintained to improve roads infrastructure.
- Community Services: Parks and Recreation Department maintains parks, playgrounds, and community centres.
- Public Safety: Naledi Local Municipality ensures that there is law enforcement and community safety.

Fire Services provides firefighting and emergency response services.

The municipality has made inroads in terms of services delivery and will continue to improve and to the needs of the community.

1.4 Financial Health Overview

Financial Recovery Plan

- The quality of the existing Budget Funding Plan to move the municipality to a funded budget needs significant work and Provincial Treasury ought to assist with this.
- Limited tax base potential of some R 250 000 000 plus, per annum of the municipality's catchment area is a significant risk to the continued stability of the municipality to remain a going concern.
- Cost containment measures are not implemented aggressively, and this is exacerbated by a poor internal control environment. The current municipal debt is standing over R800 million.
- Revenue improvement efforts need to be galvanized – the identification and liquidation of non-core assets is urgently required.
- Debt restructuring – the municipality is technically insolvent. As a result, the successful implementation of any financial recovery plan will be hinged upon its ability to successfully pursue an MFMA Section 155 Termination of Debt court application process.
- Cost-reflective tariffs and activities for basic services need to be investigated as current tariffs are insufficient to maintain sustainable provision of basic services.
- Haphazard and low revenue reported on the enforcement of By-Laws except for Traffic Fines the municipality.
- The municipality's operational budget deficit indicates that the municipality is unable to collect revenue as anticipated and inability to generate sufficient revenue to create reserves for assets replacement and augment capital grant funding.
- The municipality is also faced with a dire liquidity challenge emanating from low collection rates, long debtors' payment periods and a weak revenue base, this has resulted in growing payables balance over the years which now sits at close to R1, 1 billion as well a high creditors payment period further resulting in non-compliance with the expenditure management prescripts of the MFMA.
- The municipality has been experiencing challenges with billing module for the past financial year and relied on estimates to bill consumers as a reason for the underperformance. Therefore, the underperformance is as a result of incomplete and inaccurate billing by the municipality which adversely impact on the ability of the municipality to collect revenue.

Audit Report 2022-23 (Refer to Chapter 6 for detail report)

The municipality for the financial year 2022-23 has received an adverse audit opinion which is as a result of the following among 17 audit paragraphs:

1. Consumer debtors
2. Receivables from non - exchange transactions
3. Cash and Cash equivalents
4. Payables from Exchange Transactions
5. VAT Payables
6. Property Plant and Equipment

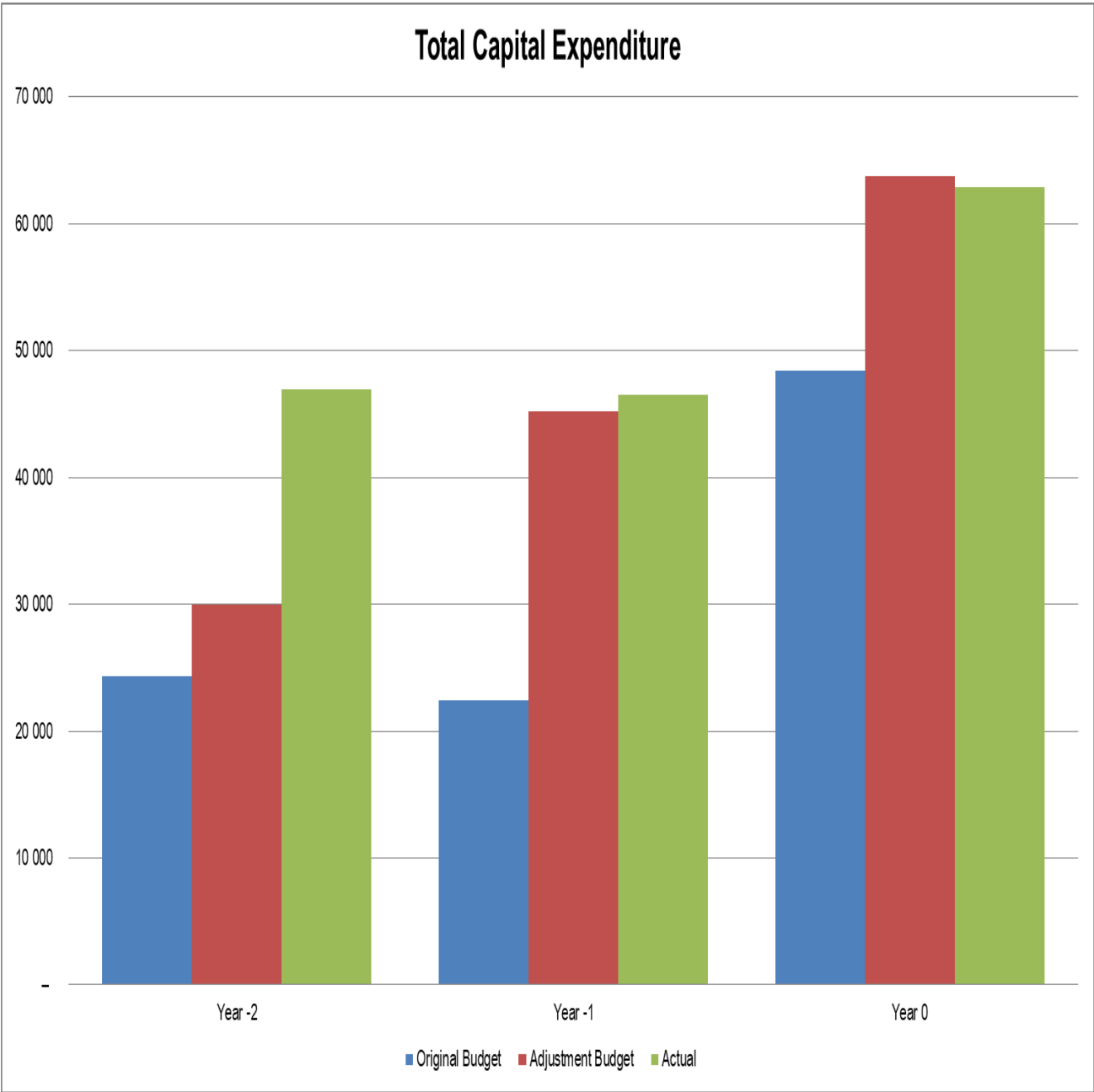
This above was major contributor to the opinion, municipality has since developed an action plan to address the control deficiency as identified by AGSA.

AGSA has also identified the following main controls that must be prioritized ASAP;

- Inadequate review of the financial statements before submitted for an audit
- No appropriate recordkeeping for financial statement items and performance information related schedules
- Adequate reconciliations were not performed for payables, receivables accounts and certain bank accounts
- Inconsistencies between evidence submitted for audit and portfolio of evidence planned to be collected to confirm achievement of the indicator as per the SDBIP
- No strict monitoring of compliance resulting in unauthorized, fruitless and wasteful and irregular expenditure.

Financial Overview: Year 0			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	67 297	67 297	119 303
Taxes, Levies and tariffs	340 071	357 348	323 241
Other	52 377	54 251	49 421
Sub Total	459 745	478 896	491 965
Less: Expenditure	524 593	555 528	574 709
Net Total*	(64 848)	(76 632)	(82 745)
* Note: surplus/(deficit)			T 1.4.2

Total Capital Expenditure: Year -2 to Year 0			
			R'000
Detail	Year -2	Year -1	Year 0
Original Budget	24 352	22 436	48 417
Adjustment Budget	29 991	45 201	58057
Actual	46 948	46 546	62 888
			T 1.4.4



1.5 Organizational Development Overview

Effectiveness in Municipal Transformation

As at the end of June 2023 the Naledi Local Municipality had 1400 people which can be classified as:

- 1x Municipal Manager
- 1x CFO
- 3X Departmental Directors
- 707 Permanent employees
- 46 Interns
- 18 Councilors
- 86 Ward Committee Members
- 537 EPWP's
- 6 Contract Workers

TYPE OF EXIT	NUMBER	TYPE OF APPOINTMENT	NUMBER
Resignation	12	Permanent	13
Retirement	0	Contact (Intern)	8
Deceased	5	Contact (Senior Manager)	0
Contact end	0	Contract (Settlement Agreements)	3
Contact Termination	8	Total Appointment	24
Total Exit	25	-	-

1.6 Auditor General's Report

Auditor General's Report – 2022/23 Financial 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 (Act No. 25 of 2004), 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 Accounting Standards.

The Naledi Local Municipality has received an adverse audit conclusion for the financial year which ended on 30 June 2023 on the financial statements.

The Auditor-General report for the financial year ended 30 June 2023 is included under Chapter 6 of this report.

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	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	January

CHAPTER 2 – GOVERNANCE

2.1 Political Governance

According to section 18 of Municipal Structures Act 117 of 1998 as amended, the municipality must have a council which must meet on quarterly basis. It is the highest decision-making authority in the institution. It has executive and legislative authority.

Council has 20 seats (10 proportional representatives - PR Councillors); 10 councillors are from the different wards within the municipality. The Mayor is Cllr CJ Groep and the Speaker is Cllr P Gulane.

Naledi Local Municipality is governed in terms of an Executive Committee system. Executive Committee comprises of 3 (three) Chairpersons of section 80 Committees.

The following are Mayoral Executive Committees of Naledi Local Municipality: Infrastructure, LED & Town Planning, Community Services and Human Settlement, Finance and Corporate Services and Executive Committee.

Section 80 Committee	Chairperson
Executive Committee	Cllr CJ Groep
Finance and Corporate Services	Cllr H Van Huyssteen
Infrastructure, LED & Town Planning	Cllr ME Letshwene
Community Services and Human Settlement	Cllr FD Mgida

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

Section 79 Committee	Chairperson
Municipal Public Accounts Committee	Cllr PI Selotlego

The municipality has established a Municipal Public Accounts Committee (MPAC) which serves as an Oversight Committee and is comprised by non-executive councillors who's responsibilities is to provide Council with recommendations on the Annual Report and other In year Reports that may be referred to it by Council.

The cores of MPAC's functions are to contribute towards good governance of the municipality. Through its review of the annual report and various other reports, MPAC contribute to governance by providing assurance (on behalf of Council) on various issues pertinent to the Municipality and specifically the administration of the municipality.

Reports considered by MPAC are referred to it by Council and after scrutinising them and conducting investigations where necessary, recommendations are referred to Council for decision making.

The MPAC Annual Work Plan 2022/2023 was approved by council and consists of the terms of reference and monthly programs for MPAC activities as per approved council calendar.

The reconfiguration of Municipal Public Accounts Committee during financial year under review has impacted the effectiveness oversight by council committees.

During the financial year under review, MPAC has engaged with Provincial Public Accounts, SALGA, COGHTA and other stakeholders to improve on its oversight function.

MPAC conducted inspection on the Capital Projects funded through MIG to verify progress on service delivery.

During the oversight process MPAC placed its emphasis on matters relating to credible financial reporting & performance reporting, non-compliance with legislation, governance and internal controls as well as lack of consequence management on the unauthorised, irregular fruitless and wasteful expenditure.

The municipality has not adequately implemented its audit action plan in order to do away with repeat findings. The lack of progress that has been reflected in the AG's report has translated in the municipality not being able to provide adequate basic service delivery. Therefore, urgent interventions, formulation internal controls and the implementation any rigorous corrective measures from the political and administrative leadership of Naledi are needed to vigorously address institutional challenges.

The MPAC remains committed to building a clean, effective, efficient, responsive and accountable municipality through good governance and transparency by ensuring value for money in the use of municipal resources.

Audit, Risk and Performance Committee

- *REFER TO APPENDIX G*

POLITICAL DECISION-MAKING

The council adopted and approved the Rules of Order in 2016. All council meetings and those of all its committees are conducted according to the approved Standing Rules of Order. Standing Rules of Order sets out how the council meeting should be conducted, how motions are proposed or resolutions passed and how decisions will be made.

The Speaker or Chairperson ensures that the meetings are conducted in order.

Council's political decision-making is conducted in the following manner:

1. The Corporate Services Department is charged with the responsibility of ensuring that the agendas is prepared before meetings and any committee reports, petitions or motions have to appear on an agenda before they can be discussed and must be received by all Councilors at least seven (7) days before.

2. When an issue comes up for discussion at a council meeting it is often referred to a committee or to the Executive Committee for further discussion and a deadline is given for when the report should be made.
3. If the matter is referred to a committee the committee will report to the Executive Committee. The Executive Committee will consider the issue and either support their recommendations or put opposing recommendations forward to the Council meeting.
4. Council will then resolve on the matter; most Council decisions are taken after a portfolio committee or Executive Committee held its meeting and recommend to council. When council agrees by a majority resolution, the recommendation becomes a resolution of council.

Councilors are at any stage allowed to put forward motions to call for or propose something emanating from any decision taken by the administration or council itself. It is a useful tool to use especially if the administration is not co-operating with council, since council motions cannot be ignored.

Any Councilor may propose a motion in council and in some cases the motion may be passed without being referred for further discussion.

In 2022, the council adopted and approved the standing rules and order and rules for virtual meetings and sittings.







Council's political decision-making is conducted in the following manner:



1. That Council takes note of the amended policy on Standing Rules and Orders.
2. That the policy on virtual meetings of council will be annexed to the Policy on Standing Rules and Orders and from now will read in conjunction with the latter.
3. That Council Resolution No. 640/2018 that dealt with adoption of the previous policy on Standing Rules and orders is hereby rescinded.
4. That council Resolution No. 249/2020 that dealt with the adoption of rules for virtual meetings and sittings is hereby rescinded.
5. That council adopts the recently amended Policy on Standing Rules and Orders which incorporates the policy on virtual meetings and sittings of council as its annexure.
6. That the adopted policy on Standing rules and Orders together with its annexure will be implemented with effect from date of its adoption by Council with the additions that has been raised by council.
7. That the following additions be incorporated:
 - 7.1 In the case where the Speaker is unable to preside an ordinary Councilor must be nominated to sign on his behalf.
 - 7.2 Rules committee on absenteeism of Councilor must recommend to council to obtain a resolution and forward it to the MEC for implementation.
 - 7.3 In an event of disaster council may be convened within 5 hours.

The table depicts all Councilors and their Roles within the current Council.

Pictures and Names		Type and Position of Councilor	Political Party	Ward Represented	Role
	Cllr C.J Groep	PR Councilor	ANC	N/A	Mayor Chairperson of the Executive Committee.
	Cllr P.C.G Gulane	Ward Councilor	ANC	Ward 5	Speaker of Council
	Cllr H Van Huyssteen	PR Councilor	DA	Ward 7	Chairperson of Finance/Budget, Treasury office and Corporate Services portfolio Member of the Executive Committee.
	Cllr E.M Letswene	Ward Councilor	ANC	Ward 1	Chairpersons of Infrastructure Development and Town Planning Portfolio Committee. Portfolio Committee Member of the Executive Committee

	Cllr F.D Mgida	Ward Councilor	ANC	Ward 3	Chairpersons of Community Services and Local Economic Development Portfolio.
	Cllr J.G Brand	P.R Councilor	DA	N/A	Member of Finance/Budget, Treasury office and Corporate Services Portfolio.
	Cllr P.I Selotlego	Ward Councilor	ANC	Ward 9	Member Of the Municipal Public Accounts Committee Chairperson(MPAC)
	Cllr D.O Koepile	PR Councilor	EFF	N/A	Member of Member Of Municipal Public Accounts
	Cllr K.S Wilson	Ward Councilor	ANC	Ward 4	Member of Infrastructure Development and Town Planning Portfolio Committee.
	Cllr V.R Morakile	Ward Councilor	ANC	Ward 6	Member of Community Services and Local Economic Development Portfolio Committee

	Cllr R Molehe	Ward Councilor	ANC	Ward 2	Member of Community Services and Local Economic Development Portfolio Committee
	Cllr N.P Tunyiswa	PR Councilor	EFF	N/A	Member of Finance/Budget, Treasury office and Corporate Services Portfolio.
	Cllr L.C Jacobs	Ward Councilor	ANC	Ward 8	Member of the Municipal Public Accounts Committee(MPAC)
	Cllr K.D Tshite	P.R Councilor	EFF	N/A	Member of Member of Infrastructure Basic Services and Economic Development
	Cllr J Adonis	PR Councilor	DA	N/A	Member of Community Services and Local Economic Development Portfolio Committee
	Cllr W Brits	PR Councilor	VF	N/A	Member of Member of Infrastructure Basic Services and Economic Development

	Cllr L Stevens	PR Councilor	AICM	N/A	Member of Municipal Public Accounts Committee Chairperson (MPAC)
	Cllr L.V Setlhake	PR Councilor	ANC	N/A	Member of Member of Infrastructure Basic Services and Economic Development

2.2 Administrative Governance

The Municipal Manager is the head of administration and Managers Directly Reporting to the Municipal Manager (Section 56 Managers) are Heads of Departments, who meet on frequent basis. This team is processing items that are submitted to the Executive Committee and Council in accordance with the delegated powers.

In terms of part 7 section 82 of the Local Government: Municipal Structures Act 117 of 1998, as amended, the municipality must appoint the Municipal Manager, who is the head of administration and therefore the Accounting Officer. In terms of section 55 of the Local Government: Municipal Systems Act 32 of 2000, as amended, the Municipal Manager as head of administration is subject to policy directives of the Municipal Council and is 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 the Local Government: 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 and who must have relevant and requisite skills, expertise and competencies 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.

Senior managers or directors who report directly to the Municipal Manager are delegated such functions as 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, together with compliance with all legislation governing local government, its policies, and by-laws.

The Municipal Manager and directors form the senior management core and all directors are accountable to the Municipal Manager for the strategic management and oversight of their departments. All budget expenditure in each directorate is managed by the relevant director to ensure that service delivery matters are handled speedily.

The following structure and functions are applicable in the municipality:

Section 57: Municipal Manager:

As head of administration and accounting officer of the municipality the Municipal Manager is subject to the policy directions of the Municipal Council and is responsible and accountable for duties and responsibilities outlined under Section 55 of the Local Government: Municipal Systems Act 32 of 2000, as amended and any other relevant duties as may be delegated from time to time to the Municipal Manager by the Executive Mayor and Council. The Municipal Manager is also responsible for duties outlined under sections 60 to 75 of the Municipal Finance Management Act.

Section 56: Budget & Treasury Office:

The office is responsible for ensuring compliance with the Municipal Finance Legislation and Regulations. The integration of the financial management system of the municipality. Manage all financial functions; analysis and interpretation of financial costing information to identify trends, make forecasts and recommendations. Plan, direct and co-ordinate the planning and preparation of annual and long-term capital and operating budgets and submit these to management and Council for approval. The development of the effective and efficient systems of financial, risk management and internal control. Compliance with MFMA and other statistical returns; Asset & Liability Management; Revenue Management; Expenditure Management; Salaries; Monthly budget statement. Responsibilities include inter alia estimates and budgeting, income control, expenditure control, credit control, insurance, grants, loans and indigent relief administration services.

Section 56: Corporate Services:

Responsible for ensuring effective and efficient strategic management which includes security management, legal services, human resources, administration and facilities management and fleet management.

Section 56: Technical Services:

The director is responsible for providing water, roads, storm-water drainage, and sanitation through well-established and well-maintained infrastructure that will stimulate growth, resulting in a broader income base and that will encourage taxpayers to sustain payments because of well-established and well-maintained infrastructure.

Section 56: Community Services:

The director community services are responsible for the following units which provide basic services directly to the communities within the jurisdiction of the municipality:

- Waste management
- Environmental management
- Property management
- Housing development and human settlements
- Sports, libraries, parks, and cemeteries
- Traffic and licensing
- Fire and disaster management

2.3 Intergovernmental relations**INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS**

Chapter 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.

Inter-Governmental Relations is the organisation 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. Despite the fact that 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.

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 Integrated Development Plans (IDP) of local municipalities.

Hon. G Nkwinti (Minister of Water & Sanitation) visited Naledi Local Municipality to intervene on matter of Water and Sanitation.

At meetings of the IGR, the municipalities discuss the implementation of national policy and legislation that affect the district and discuss upcoming national policy and legislation that will affect the district.

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

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The Naledi Local Municipality participated in joint provincial intergovernmental programmes that seek to improve the quality of the life in its area of jurisdiction.

The Mayor and the Municipal Manager participate on the North West Premiers' Coordinating Council (NWGCC). The purpose of the Lekgotla is to consolidate and align the Premier's vision for the province.

DISTRICT INTERGOVERNMENTAL STRUCTURES

The following structures existed at district level:

- Mayor's Forum
- Municipal Manager's Forum
- LED Forum
- CFO's Forum
- One District Development Model
- Risk Shared Service
- Internal Audit Shared Services

The main function of the forums is to convene and discuss issues that concern their municipalities and the progress they have achieved with regard to service delivery.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Overview of Public Accountability and Participation

Community participation in local government affairs gives expression to the democratic principles and values of our Constitution together with Chapter 4 of Municipal Systems Act 32 of 2000. The Municipal Council encourages participation of the community and community organizations in local government matters through: - Preparation, implementation and review of the IDP - Preparation of the municipal budget - Establishment, implementation and review of performance management system - Service Delivery Matters

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

Council fosters transparency by providing the public with timely, accessible and accurate information by publishing information in the local newspapers using three predominant officials' languages of Setswana, Afrikaans and English. The Municipal Council engaged the community in consultation in matters such as the IDP, budget, performance management, provision of services etc.

Mayoral outreach programs whereby the Mayor on his capacity visited individual communities to listen to their needs and problems they are encountering in their different wards.

WARD COMMITTEES Ward committees are managed by respective Ward Councilors comprising of 09 ward committee members per ward. A Ward Committee is set up for each ward councilor to assist and advise the councilor and improve public participation in wards. The municipal council adopts the guidelines for the Ward Committees.

The purpose of a ward committee is to:

- Get better participation from the community to inform council decisions. - Make sure that there is more effective communication between the council and the community.
- Assist the ward councilor with consultation and report-back to the community.
- Advise the ward councilor on issues and development in the community.

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, KPI's, development strategies?	Yes
Does the IDP have multi-year targets?	No
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPI's in strategic plan?	Yes
Do the IDP KPI's align to the Section 57 Managers?	Yes
Do the IDP KPI's lead to the functional area KPI's as per SDBIP?	Yes
Do the IDP KPI'S align with the provincial KPI's on the 12 outcomes?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

Functionality of the IDP Representative Forum

- The IDP is central to a municipality's ability to deliver on its mandate.
- It is recognized as a business plan for the municipality and determines projects that a municipality may or may not undertake.
- Thus the IDP formulation process is required to be a transparent and inclusive one and the content of the IDP must be representative of the needs and aspirations of all interest groups in the ward.
- An IDP representative forum is one of the vehicles utilized to promote inclusivity and transparency during the IDP process.
- This forum should be inclusive of all stakeholders in the ward and should serve as a platform for stakeholders to advance and defend the inclusion of their interests in the IDP.

Community Involvement in Municipal Processes

- In addition to establishing structures and forums public participation, municipalities are expected to create other platforms for broad community engagement
- This may not be through structures but rather ad-hoc and spontaneous invitations to ordinary members to contribute in municipal decision making regarding various municipal processes.
- In this regard, municipalities may publish proposed decisions on various issues through mediums such as websites; newspapers etc. and invite members of the public to offer their inputs

Feedback to communities

- Various methods were supposed to be done through Ward Public meetings conducted by the Ward Committees in providing feedback to communities on the activities of the municipal council and municipalities in general.
- Mayoral and Ward Councilor Reports can also be used. Municipalities can also use community radio stations to provide information to the community on a regular basis, and in a specified time slot.
- A municipality can also place suggestion boxes at frequently used customer care center's for community feedback.

Mechanisms for Promoting Participation by Marginalized and Vulnerable Groups

- Situational circumstances that marginalized and vulnerable groups find themselves in tend to be an inhibition to their participation in municipal processes.
- This category of society is mainly comprised of individuals living with disabilities, and people who cannot easily defend their interest in society because of age, gender and socio-economic circumstances they are in.
- Municipalities need to design mechanisms that facilitate the inclusion of these groups in municipal decision-making processes.
- A person's literacy levels have a potential to determine the ability and depth of their participation in municipal processes. Illiterate people are likely to participate less in municipal process especially if the mechanisms used by the municipality to promote public participation require levels of literacy such as reading and writing.
- Their literate counterpart would thrive in those circumstances. Yet the correlation between illiteracy levels and low-income capabilities imply high dependence on municipal services. As a result, it is important that participatory mechanisms be tailored to increase accessibility to municipal decision making and service delivery by illiterate people.

COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is a set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate Governance also includes the relationship among the many stakeholders involved and the goals for the

institution is governed and is also governed by King II & III Code of Practice applicable to local government sphere.

2.6 RISK MANAGEMENT

Risk Management Governance

The Dr. Ruth S. Mompoti District Municipality Risk Management Unit Shared Services has adopted the Risk Management Manual 2020/2021, which is applicable for all the Local Municipalities within Dr Ruth S. Mompoti District Municipality. The said manual is in line with the Public Sector Risk Management Framework as its risk management standard. The Risk Management Manual, 2020/2021 which consist of the Framework, Policy, Strategy & Risk Management Committee Charter. This Manual forms the uniformed standard to be used in all Municipalities within the District.

The Internal Audit Unit facilitates and co-ordinate with the Management of the Naledi Local Municipality to review the risk register annually and update this risk registers quarterly and develops a risk management strategy to direct the institution's risk management priorities. The Risk Registers are aligned to the Top Institutional Risks and each Department's Operational Risks with reference to their respective Key Performance Targets.

Line management are responsible for identifying, evaluating and managing both risks and opportunities in their responsibility areas, with technical and operational support provided by the Internal Audit Unit.

The Dr. Ruth S. Mompoti District Municipality's Risk Management Unit Shared Services also maintains the consolidated institutional risk register and reports thereon. The District Risk Management Committee was launched in August 2015 and commenced in 2019/2020 with a Risk Management Committee for each Municipality within the District Demarcation.

Risk Management, Fraud and Anti-Corruption Committee

Dr. Ruth S. Mompoti District Municipality has established a District Risk Management, Fraud and Anti-Corruption Committee in terms of the Local Government: Municipal Finance Management Act 56 of 2003. The Risk Management, Fraud and Anti-Corruption Committee

are guided by the Committee Charter in conjunction with the Public Sector Risk Management Framework from the National Treasury Department and the adopted Risk Management Manual 2020/2021. The committee operates under terms of reference as per adopted Dr. Ruth Segomotsi Mompati District Risk Management Charter.

The primary objective of the Risk Management, Fraud and Ant-corruption Committee is to assist the Accounting Officer in discharging his accountability for risk management by reviewing the effectiveness of the Municipality risk management systems, practices and procedures, and providing recommendations for improvement.

The Risk Management, Fraud and Anti-Corruption Committee consist of standing members representing each department and/or unit within the Naledi Local Municipality. The Standing members are the following officials:

- Municipal Manager
- Section 56/57 Managers
- Performance Management System Manager
- Integrated Management Planning Manager
- Legal Manager / advisor
- ICT Manager / Technician
- Political Office Officials (Manager in the Office of the Mayor and/or Speaker; and the
- Risk Management Unit's Officials.

The Committee is chaired by an appointed external professional expert who also represents the Risk Management Committee at the Audit and Performance Committee. The Risk Management, Fraud and Ant-corruption Committee meet on a quarterly basis and the members, as a collective, shall possess the blend of skills, expertise and knowledge of the Municipality, including familiarity with the concepts, principles and practice of risk management, such that they can contribute meaningfully to the advancement of risk management within the Municipality.

Risk management process

During the period under review, Naledi Local Municipality compiled an assessment register on the Top Institutional Risks. The Risk Assessment based on each Department and/or Unit were facilitated and coordinated.

Both internal and external conditions that may impede the achievement of the goals expressed in the strategic plans were identified and evaluated. Based on the risk registers Naledi Local Municipality Risk Management Report containing a strategy to manage the factors, which absent a deliberate and conscious strategy to manage them, could increase the institution's risk profile.

The internal audit plan for the Municipality included audits designed to test the adequacy, effectiveness and economy of the internal control systems to counteract the effects of the significant risk factors.

Risk Management Objectives

The following risk index is used during the risk assessments when assessing inherent risk: *It is important to note that the results of the risk assessment process represent the participants' interpretation and perception of the nature and quantum of the risks impacting the organization. The quality of the results therefore depends on the knowledge, experience and quality of input of the participant. In conclusion the participants involved are the Risk Owners and not the Risk Management Unit.*

Risk Index	Risk Magnitude	Acceptability	Proposed actions
20-25	Maximum risk	Unacceptable	Take action to reduce risk with highest priority, accounting officer and executive authority attention.
15-19	High risk	Unacceptable	
10-14	Medium risk	Unacceptable	Take action to reduce risk, inform senior management.
5-9	Low risk	Acceptable	No risk reduction - control, monitor, inform management.
1-4	Minimum risk	Acceptable	No risk reduction - control, monitor, inform management

Impact on institutional performance

During the period under review, Naledi Local Municipality in co-ordination with the Internal Audit Unit assessed the effectiveness of its system of risk management. The areas requiring improvement are receiving the required attention.

2.8 SUPPLY CHAIN MANAGEMENT

The SCM policy was adopted in May 2019 during the budget process. The Accounting officer appointed SCM Bid committees (Specification, Evaluations and Adjudication) in compliance with the legislative requirements. The competitive bidding process for

procurement of goods and services is promoted through advertisement in local newspaper and public notices.

The other internal control mechanism such as request for formal written price quotations which will appear on the municipal offices notice boards for period of seven days.

The procurement plans as per user departments are not adequately prepared that affect the process of effective SCM. Capacity in SCM unit and other BTO units contribute to effective operations.

The municipality has amended the SCM policy in line with the regulation that was issued on the 16 January 2023 Gazette No 2721 of the MFMA Preferential Procurement Policy Framework Act.

2.9 WEBSITES

The page below provides a table with detail of the content and supporting information available in the municipal websites.

Municipal Website: Content and Currency of Material	
Documents published on the Municipality's/Entity's Website	Yes/No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual report (Year -1)	Yes
The annual report (Year 0) published/to be published	Yes
All service delivery agreements (Year 0)	No
All long-term borrowing contracts (Year 0)	No
All supply chain management contracts above a prescribed value (give value) for Year 0	No
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in Year 0	No
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	No
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	Yes

2.10 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

For the period reviewed, the municipality has not engaged in the Public Satisfaction survey to extent that feedback can be incorporated in the corporate image of the organization.

However; the municipality has complaints and complements box where community members can submit their comments about the standard of service delivery.

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

3.1 WATER PROVISION

Naledi Local Municipality is appointed as the water Services Provider by the Dr. RS Mompoti District Municipality who is the Water Services Authority.

The task to be performed by the Naledi Local Municipality is to maintain the water network and associated installations on behalf of the District Municipality. All water assets belong to the District Municipality. The District Municipality is responsible for the supply of bulk water that is in turn distributed by the Naledi Local Municipality.

Vryburg, Kismet Park and Colridge are being supplied with water derived from a total of 20 boreholes. Demand during summer months outstrips supply by approximately 22.5%. Estimates made and measurements taken on the level control at the reservoir shows that when all pumps are running, 7200 000 liters of water is pumped from the boreholes each day. Usage amounts to approximately 8 820 000 liters per day. The fact of the matter is that there is an additional 19 liters per second to the main reservoir to supply (breakeven) in the need of Vryburg, Coleridge, and Kismet Park.

Hushed is supplied with water from Uptime purification plant. The plant has a capacity of purifying in excess 7 500 000 liters of water per day. To ensure that Huhudi will have a constant supply of water 24H per day, minimum of 5 500 000 liters of water is needed per day. The water storage capacity in different reservoirs amount to 18MI in Vryburg, 10MI at extension 25 and 4.5MI at Huhudi. Total capacity is 32.5MI.

Stella and Rekgaratlile consist of 460 formal and 680 informal households in Rekgaratlile, while Stella consists of 600 units. A new housing project for 1000 housing units in Rekgaratlile is under way. Water is supplied from a network of boreholes, consisting of 9 boreholes currently in operation. Water is first pumped into a reservoir situated on the farm Middelkop 450k situated 14km outside Stella. From Middelkop water is pumped via a pipeline to Stella reservoir. According to information, more than 20 boreholes situated in and around Stella are not in use. These boreholes need to be tested and if a borehole proves to be productive enough, should be introduced into the system. An existing concrete reservoir was decommissioned for reasons unknown. No leaks or major defects can be detected. This reservoir can easily be re-introduced into the network to act as back up for the other reservoirs.

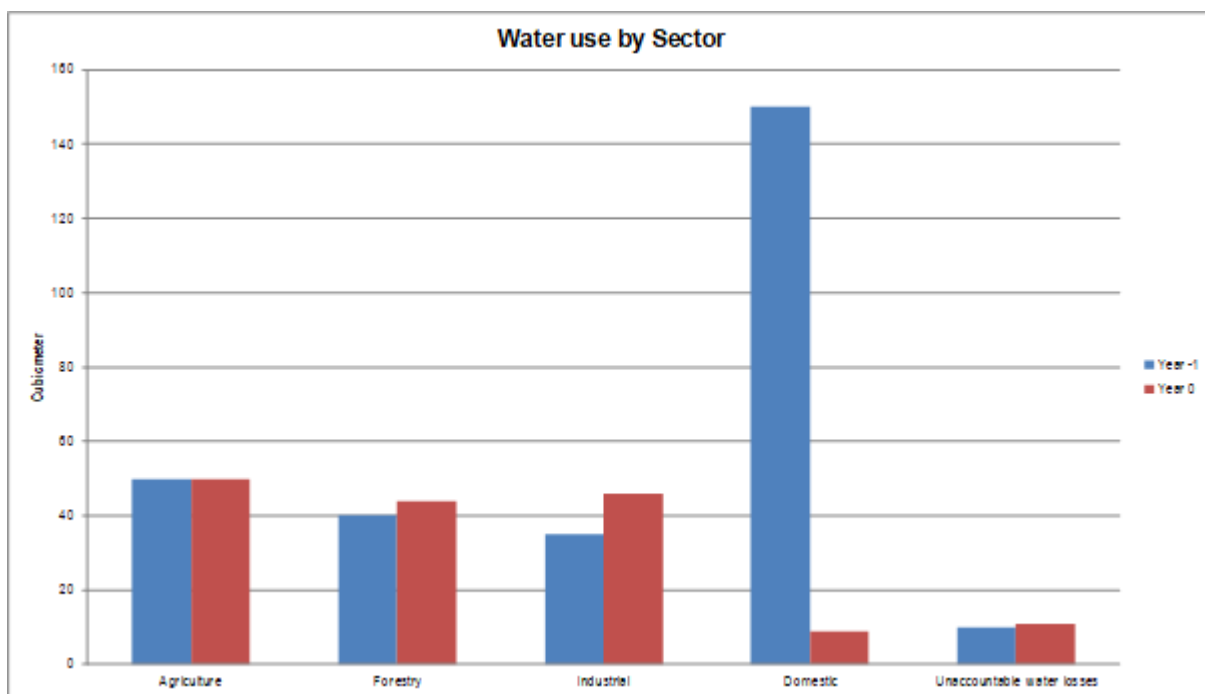
Devondale is supplied by one borehole into a reservoir of 27KI. A second borehole was recently equipped to act as a standby. A pump operator sees to it that the pumps are started when necessary and to report any problems experienced. Devondale residents are supplied with water via standpipes. An additional 15 standpipes need to be provided in the new extension.

Dithakwaneng is supplied from one borehole and one reservoir. A backup pump exists but need to be connected to the network. Dithakwaneng is now supplied with 600 new standpipes in the yards of residents which mean that the demand will increase significantly. Additional boreholes and meters for demand management should be supplied.

Geduldspan consists of approximately 250 households and is supplied from two boreholes.

Broedersput water service delivery is from 2 boreholes. Only about half of the village is reticulated with water pipes and standpipes. Storage is adequate to provide in sustainable water supply to the community. The standard is 200L per household per day. This means that at least 76000L water need to be produces per day. On top of this the standard is that enough water should be stored to last a period not less than 72 hours.

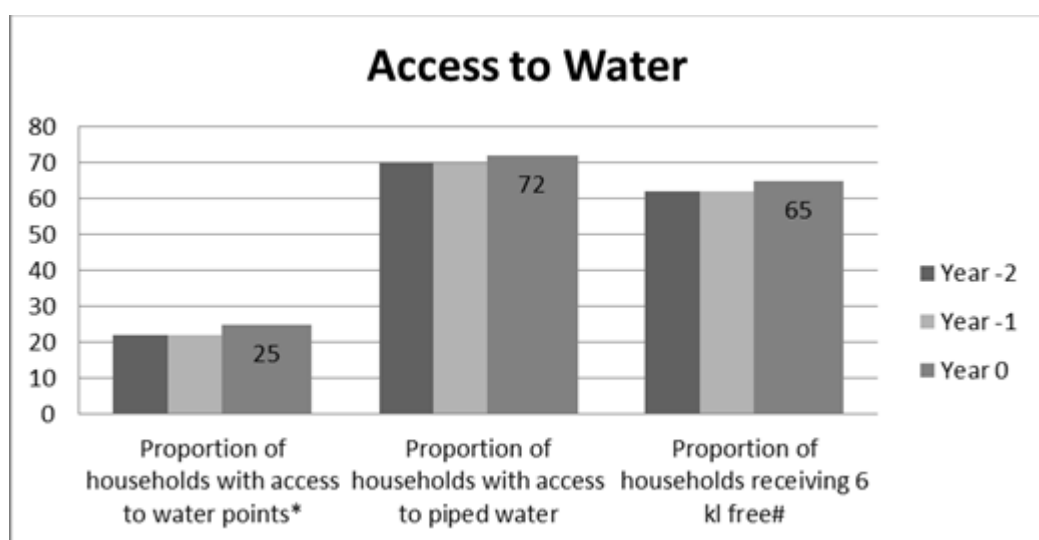
Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
Year -1	50	40	35	150	10
Year 0	50	44	46	9	11
					T 3.1.2



Water Service Delivery Levels				
Description	Households			
	Year -3	Year -2	Year -1	Year 2023
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Water: (above min level)</u>				
Piped water inside dwelling	13	546	655	846
Piped water inside yard (but not in dwelling)	14	865	456	486
Using public tap (within 200m from dwelling)	2	486	465	546
Other water supply (within 200m)				
<i>Minimum Service Level and Above sub-total</i>	29	1 898	1 576	1 879
<i>Minimum Service Level and Above Percentage</i>	77%	80%	76%	79%
<u>Water: (below min level)</u>				
Using public tap (more than 200m from dwelling)	9			
Other water supply (more than 200m from dwelling)		486	486	486
No water supply				
<i>Below Minimum Service Level sub-total</i>	9	486	486	486
<i>Below Minimum Service Level Percentage</i>	23%	20%	24%	21%
Total number of households*	38	2 384	2 062	2 365
* - To include informal settlements				T 3.1.3

Households - Water Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	13	100 000	100 000	100 000	100 000	100 000
Households below minimum service level		25 000	25 000	25 000	25 000	25 000
Proportion of households below minimum service level	0%	25%	25%	25%	25%	25%
Informal Settlements						
Total households	11	100 000	100 000	100 000	100 000	100 000
Households below minimum service level	9	25 000	25 000	25 000	25 000	25 000
Proportion of households below minimum service level	83%	25%	25%	25%	25%	25%

T 3.1.4



Access to Water			
	Proportion of households with access to water points*	Proportion of households with access to piped water	Proportion of households receiving 6 kl free#
Year -2	22	70	62
Year -1	22	70	62
Year 0	25	72	65

T 3.1.5

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

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T3.1

Financial Performance Year 0: Water Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	34 642	40 840	40 840	37 634	-9%
Expenditure:					
Employees	14 786	14 799	14 299	13 629	-9%
Repairs and Maintenance	3 268	–	–	1 868	100%
Other	16 208	17 002	18 030	1 085	-1467%
Total Operational Expenditure	34 262	31 801	32 329	16 582	-92%
Net Operational Expenditure	380	9 039	8 511	21 051	57%

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.

T 3.1.8

Capital Expenditure Year 0: Water Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	
Project A	–	–	–	-	280
Project B	–	–	–	-	150
Project C	–	–	–	-	320
Project D	–	–	–	-	90

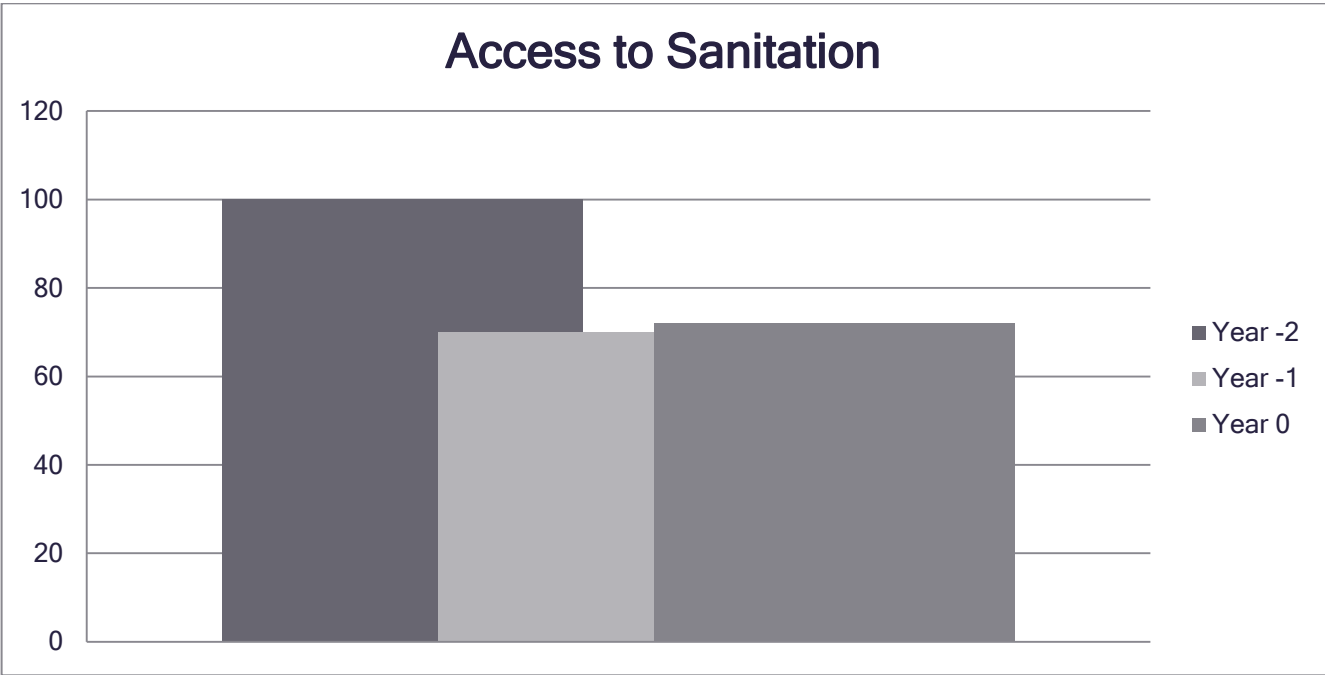
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.

T 3.1.9

3.2 WASTE WATER SANITATION

Sanitation Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Year 0
	Outcome	Outcome	Outcome	Actual
	No.	No.	No.	No.
<u>Sanitation/sewerage: (above minimum level)</u>				
Flush toilet (connected to sewerage)	13	600	720	930
Flush toilet (with septic tank)	0	952	502	535
Chemical toilet	0	535	511	601
Pit toilet (ventilated)	11	135	103	100
Other toilet provisions (above minimum service level)		13	15	11
<i>Minimum Service Level and Above sub-total</i>	24	2 236	1 851	2 178
<i>Minimum Service Level and Above Percentage</i>	99,5%	59,9%	55,5%	63,1%
<u>Sanitation/sewerage: (below minimum level)</u>				
Bucket toilet	0	952	938	720
Other toilet provisions (below minimum service level)		535	535	535
No toilet provisions		11	12	15
<i>Below Minimum Service Level sub-total</i>	0	1 498	1 485	1 271
<i>Below Minimum Service Level Percentage</i>	0,5%	40,1%	44,5%	36,9%
Total households	24	3 734	3 336	3 449
*Total number of households including informal settlements				T 3.2.3

Households - Sanitation Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	100 000	100 000	100 000	100 000	100 000	100 000
Households below minimum service level	25 000	25 000	25 000	25 000	25 000	25 000
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
Informal Settlements						
Total households	100 000	100 000	100 000	100 000	100 000	100 000
Households below minimum service level	25 000	25 000	25 000	25 000	25 000	25 000
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
						T 3.2.4



Access to Sanitation	
	Proportion of households with access to sanitation
Year -2	100
Year -1	70
Year 0	72

Employees: Sanitation Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.					

T 3.2.7

Financial Performance Year 0: Sanitation Services					
					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	31 209	34 307	34 307	32 609	-5%
Expenditure:					
Employees	13 649	8 341	8 341	8 487	2%
Repairs and Maintenance	114	–	–	–	–
Other	2 127	5 086	5 327	895	-468%
Total Operational Expenditure	15 891	13 427	13 668	9 382	-43%
Surplus/ (Deficit)	15 318	(20 880)	(20 639)	(23 227)	10%
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 Adjustment Budget by the Actual.					T 3.2.8

Capital Expenditure Year 0: Sanitation Services					
					R' 000
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	
Project A	–	–	–	–	280
Project B	–	–	–	–	150
Project C	–	–	–	–	320
Project D	–	–	–	–	90
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					

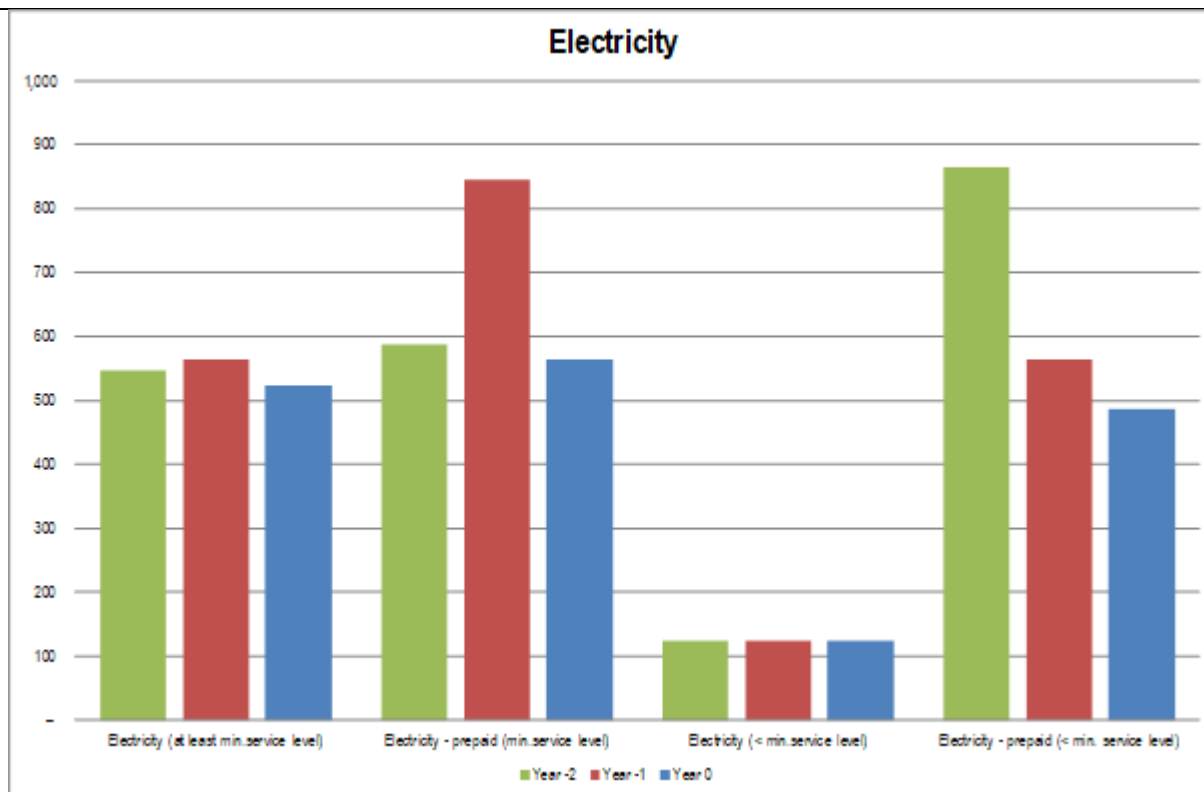
T 3.2.9

3.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

The Naledi Local Municipality is an Electricity distribution licence holder with licence number NER/D/NW392. According to Schedule 1 of the distribution licence, its areas of electricity supply are: Stella, Vryburg (excluding Huhudi Township) and Farming areas. It has three bulk supply points with an installed capacity of 22MVA and a Maximum demand of 18MVA. The three intake points are Naledi Main with an installed capacity of 5MVA, Stella Main with an installed capacity of 2MVA (however with contracted capacity of only 1MVA with Eskom) and Vryburg Main with an installed capacity of 15.3MVA.

Funds are made available on an annual basis by the Department of Mineral Resources and Energy (DMRE), through Integrated National Electrification Program (INEP) to deliver services to the Naledi Local Municipality community. There is no backlog in Naledi; it's only new extensions that are developing.



Electricity Service Delivery Levels				
Description	Households			
	Year -3	Year -2	Year -1	Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Energy: (above minimum level)</u>				
Electricity (at least min.service level)	0	0	0	0
Electricity - prepaid (min.service level)	814	400	160	115
<i>Minimum Service Level and Above sub-total</i>	814	400	160	115
<i>Minimum Service Level and Above Percentage</i>	100%	100%	100%	100%
<u>Energy: (below minimum level)</u>				
Electricity (< min.service level)	–	–	–	
Electricity - prepaid (< min. service level)	–	–	–	–
Other energy sources	–	–	–	–
<i>Below Minimum Service Level sub-total</i>	–	–	–	–
<i>Below Minimum Service Level Percentage</i>	0,0%	0,0%	0,0%	0,0%
Total number of households	1	0	0	0

T 3.3.3

Households - Electricity Service Delivery Levels below the minimum						
Description	Households					
	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	0	15	21	184	184	184
Households below minimum service level	0	15	21	184	184	184
Proportion of households below minimum service level	0	100%	100%	100%	100%	100%
Informal Settlements						
Total households	0	814	400	0	0	0
Households below minimum service level	0	814	400	0	0	0
Proportion of households below minimum service level	-	100%	100%	-	-	-

T 3.3.4

Employees: Electricity Services					
Job Level	Year -1	Year 2023			
	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	2	6	6	0	0%
7 - 9	6	12	12	2	17%
10 - 12	11	4	7	8	200%
13 - 15	9	15	9	6	40%
16 - 18	-	-	-	-	-
19 - 20	-	-	-	-	-
Total	-	-	-	16	-

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.3.6

Financial Performance Year 2023: Electricity Services					
					R'000
Details	Year -1	Year 2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	130 643	197 291	205 107	137 427	-44%
Expenditure:					
Employees	7 322	11 531	11 031	10 795	-7%
Repairs and Maintenance	2 208	1 430	4 030	2 498	43%
Other	120 749	119 254	121 202	121 941	2%
Total Operational Expenditure	130 279	132 216	136 263	135 234	2%
Net Operational Expenditure	(364)	(65 075)	(68 844)	(2 194)	-2867%
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.					
					T 3.3.7

Capital Expenditure Year 0: Electricity Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	8277	9641	6498	-27%	
TRANSFORMER	700	700	–	-	280
Electrification of Vryburg Extension 17 Colridge	1832	1832	2393	0	150
Electrification of Rekgarathile Phase 3 Pre engineering	4625	5309	4099	(0)	320
BRUSH CUTTERS & TLB	1120	1800	6	(0)	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					
T 3.3.8					

3.4 WASTE REMOVAL (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

INTRODUCTION TO WASTE MANAGEMENT

Refuse Removal

The waste collection in the Municipality is governed by the National Domestic Waste Collection Standard, 2013, and its main purpose is to address the past imbalances in the provision of waste collection services, whereby it has become imperative that acceptable, affordable and sustainable waste collection services will improve the quality of life for all the residents and to ensure that the residents are living in a clean and more acceptable environment.

As part of the National Waste Legislation, policies and guidelines, Waste Management Section has the responsibility to implement the mechanisms for waste management services which includes collection, storage and disposal. The Municipality is also required to facilitate recycling and manage waste information system appropriately. The Waste Management Section is expected to report on number of household provided with basic refuse removal service, with a baseline of 14588 once a week, number of household provided with free basic refuse removal, with a baseline of 1106 once a week.

Waste is removed five (05) times a week in households in Huhudi, four (04) times a week for households in Vryburg town, once a week for households in Kismet, three (03) times a week for households in Colridge, and four times a week for households in Extension 25 and 28.

Waste is collected once a week from the industrial area, three times a week from businesses and seven times a week from food outlets within the NLM. The main commercial centres within the NLM are based in Vryburg and Stella. Waste collection rates are based on the generation of waste by various businesses and the area which businesses have available for the storage of waste.

Due to the shortcoming in the refuse removal collection infrastructure, there are about 249 households in Ext 17 using communal collection point service. Areas like Dithakwaneng, Devondale, Broedersput and Geduldspan do not have waste disposal facility therefore use own backyard disposal.

The municipal waste Management division is underpinned by the following Waste Management objectives:

1. To render acceptable, affordable, and sustainable waste collection services to the community of Naledi
2. To redress past Imbalances in the provision of waste collection services.
3. To reduce lack or poor-quality waste collection services that may result in several environmental and human health problems.
4. To ensure that waste is collected promptly, within the timeframe as specified by the Municipality.

There is a service delivery schedule for refuse collection and also Job cards implemented as a tool of data Collection. Every truck servicing a specific area has an Administrator to ensure that all households are serviced as scheduled.

The Supervisor will do daily monitoring of all the serviced area to ensure that waste is collected as scheduled and the Assistant Manager will also do weekly monitoring to close off the week.

Waste Disposal Infrastructure

Naledi landfill site management and operations are not in line with regulations. There is non-compliance to the license conditions and requirements for waste disposal by landfill. There are signage boards erected on site for information. The Municipality has gone out on tender for the Management of the landfill site to ensure that the site is rehabilitated and compliant as permitted.

The following constitute key challenges in respect of waste management

Waste Collection

1. Poor or lack of waste collection services result in a number of Environmental and human health problems

1. Shortage of vehicles leads to other areas not being serviced like Dithakwaneng, Devondale, Geduldspan and Broederspuit.

2. The landfill site is not operating as per the prescripts of the law such as National Environmental Management Act, 1989 (Act No: 107/1998) as well as the Regulations for Management of Landfill Sites. This is due to the cash flow challenges.

3. Insufficient number of transfer Stations for easy accessible disposal to areas like Devondale, Dithakwaneng, Geduldspan and Tlhakeng.

T 3.4.1

Solid Waste Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Households Year 2023
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Solid Waste Removal: (Minimum level)</u>	14588	14588	14588	14588
Removed at least once a week	2 895	2 685	2 846	2 235
<i>Minimum Service Level and Above sub-total</i>	2 895	2 685	2 846	2 235
<i>Minimum Service Level and Above percentage</i>	81,4%	82,9%	83,3%	80,8%
<u>Solid Waste Removal: (Below minimum level)</u>				
Removed less frequently than once a week	655	547	565	523
Using communal refuse dump	249	249	249	249
Using own refuse dump	4311	4311	4311	4311
Other rubbish disposal	249	249	249	249
No rubbish disposal	2310	2310	2310	2310
<i>Below Minimum Service Level sub-total</i>	662	554	572	531
<i>Below Minimum Service Level percentage</i>	18,6%	17,1%	16,7%	19,2%
Total number of households	3 557	3 239	3 418	2 766

T 3.4.2

Households - Solid Waste Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original	Adjusted	Actual
	No.	No.	No.	Budget	Budget	No.
Formal Settlements						15185
Total households	100 000	100 000	100 000	100 000	100 000	100 000
Households below minimum service level	25 000	25 000	25 000	25 000	25 000	25 000
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
Informal Settlements						2558
Total households	100 000	100 000	100 000	100 000	100 000	100 000
Households below minimum service level	25 000	25 000	25 000	25 000	25 000	25 000
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
T 3.4.3						

Employees: Solid Waste Management Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	80	43	0	0%
4 - 6	3	1	5	0	0%
7 - 9	6	6	2	0	0%
10 - 12	3	3	0	0	0%
13 - 15	49	0	0	0	0%
16 - 18	0	2	2	0	0%
19 - 20	0	0	0	0	0%
Total	62	92	52	0	0%
<p><i>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i></p> <p>T3.4.5</p>					

Employees: Waste Disposal and Other Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	3	3	0	0%
4 - 6	0	1	1	1	100%
7 - 9	0	1	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	5	4	1	20%
<p>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</p>					

T3.4.6

Financial Performance Year 2023: Solid Waste Management Services						R'000
Details	Year - 2022	Year 2023				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	35409	31526597	31526597	32834428	4%	
Expenditure:						
Employees	19313	15144	15144	15284	1%	
Repairs and Maintenance	451	800	500	463	-73%	
Other	3820	619	204	216	-187%	
Total Operational Expenditure	23584	16563	15848	15963	-4%	
Net Operational Expenditure	11825	-31510034	-31510749	-32818465	4%	
<p>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.</p>						T 3.4.7

Financial Performance Year 2023: Waste Disposal and Other Services						R'000
Details	Year - 2022	Year 2023				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	35409	31526597	31526597	32834428	-32%	
Expenditure:						
Employees	19313	15144	15144	15144	1%	
Repairs and Maintenance	451	800000	500000	462918	-73%	
Other	3820	619	204	216	-187%	
Total Operational Expenditure	23584	16563	15848	15960	-4%	
Net Operational Expenditure	11825	-31510034	-31510749	-32818468	6%	
<p>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.</p>						T 3.4.8

3.5 HOUSING

INTRODUCTION TO HOUSING

INTRODUCTION TO HOUSING

Housing is a functional area of concurrent function of National and Provincial competency, the Department of Human Settlement both National and Provincial have the mandated to ensure effective management of beneficiary management, subsidy claim and also for provision of habitable and sustainable human settlement and upgrading of informal settlement

The municipality is responsible for coordination and monitoring of the housing provision between the community and the Provincial Department thus in line with existing beneficiary management system.

The municipality managed to have the beneficiary management system in place that is continuously updated. The following is the number of potential beneficiaries in demand / waiting list per wards in all Naledi Local Municipality for the 2022/23 financial year.

Beneficiary Management Register provides guidelines to be followed in identifying potential beneficiaries, breakdown of cohabiting relationship and deal with duplicate dependants and to register rightful heirs upon the death of beneficiaries and also in the tracing and deregistering of missing or untraceable beneficiaries.

Below table illustrate the beneficiary management (waiting list) as per Wards within the municipality:

T 3.5.1

The following housing projects are currently commissioned in the 2022/23 financial year:

Provision of Low-Cost Housing

1. Stella four hundred (400) Low-Cost Houses (On-going from previous financial year).
2. Stella 245 low-cost houses (On-going from previous financial year).
3. Gedultspan three hundred (300) Low-Cost Houses (On-going from previous financial year).
4. Boerdersput three hundred eighty three (383) Low Cost Houses (New Project) and previously three hundred (300) houses were completed and handed over to beneficiaries.
5. Devondale four hundred (400) Low Cost Houses (17 houses were built still waiting to be handed over to beneficiaries but however the project was relocated to Boerdersput due to land un-availability).

PROGRESS ON LOW-COST HOUSING DELIVERY

BROEDERSPUT 383:

The project is new and only twenty (20) foundations are constructed / completed to date.

GEDULDSPAN 300:

Hundred and Ninety One (191) houses were completed and handed over to the beneficiaries in the 2022/23 financial year

STELLA 400:

Two Hundred (200) houses are completed and handed over to the beneficiaries in the 2022/23 financial year.

STELLA 245:

Forty (100) houses were completed and handed over to the beneficiaries in the 2022/23 financial year

DEVONDALE 400:

Out of four hundred (400) houses, seventeen (17) houses are completed still waiting to be handed over to the approved beneficiaries but however the project was relocated to Broerdersput due to land un-availability meaning three hundred and eighty three (383) houses will be constructed in Broerdersput.

CHALLENGES

- Delays in payment of the Contractors by the Department which results in Contractors abandoning the site, the heavy rains and weather conditions
- The processes of the Department Of Human Settlement for allocating housing projects takes long and the community members in waiting list are agitated with the process.
- Beneficiaries that are reselling their RDP houses and moving to the informal settlements.
- Devondale 400 project is relocated to Broerdersput due to land un-availability.

Employees: Housing Services					
Job Level	2021-2022	2022 – 2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	2	2	0	0%
4 – 6	2	3	3	0	0%
7 – 9	2	3	3	0	0%
10 - 12	0	4	4	0	0%
13 - 15	0	34	34	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	5	46	46	0	0%

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Section 27 of the South African Constitution provides that: “Everyone has the right to have access to social security, including, if they are unable to support themselves and their dependents, appropriate social assistance. The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights”. In terms of Schedule 4 and 5 of the Constitution, the municipality is enjoined to provide services, which may be delegated by National and Provincial Government.

Based on the definition of indigent, and the extent to which this translates to local government, as described in Section 3.1, local government is responsible for indigents with respect to the following essential household services:

Water supply

1. Sanitation
2. Refuse removal
3. Assisting in the housing process

For each of these services there are a range of service levels which can be provided with the following categories typically being applied:

1. Basic service level: This is required in order to maintain basic health and safety.
2. Intermediate service level
3. Full-service level: the highest level of service that is traditionally applied in South African Municipalities.

From the point of view of a municipality indigent policy, where the aim is to provide essential services free to the indigent, the basic service level is of primary importance. Therefore, it is imperative that the municipality strives to support poor households through funding from the national fiscus i.e. equitable share of free basic services.

This is meant for households earning the total household income of less than R1100 per month that translate into equal maximum old age grant, are eligible to apply for indigent support.

The annual target of registering 12000 households from all our wards around Naledi we managed to reclassify the old register from previous financial years to ensure that all completed applications are captured.

Ward 1 **TOTAL= 664**

Stella : 551 Approved and processed: not yet captured : 82
Gedulspan:93 Not approved:20

Ward 2 **TOTAL= 1246**

COLRIDGE : 848 Approved and processed: not yet captured : 45
BROEDESUIT: 248
DEVONDALE: 103 Not approved:47

Ward 3 **TOTAL= 947**

COLRIDGE: 835 Approved and processed:112 not yet captured : 102

Ward 5 **TOTAL= 1171**

DITHAKWANENG:918 Approved and processed: not yet captured : N/A
HUHUDI : 253 not approved: N/A

Ward 6 **TOTAL= 380**

HUHUDI:354 Approved and processed:26 not yet captured : 116

Ward 7 **TOTAL= 80**

VRYBURG: 57 Approved and processed:23 not yet captured : 25

Ward 4 **TOTAL= 2217**

HUHUDI & COLOUR BLOCKING: 2169 Not approved:48

Ward 8 **TOTAL= 549**

HUHUDI: 531 Approved and processed: 18 not yet captured : 56

Ward 9 **TOTAL= 381**

HUHUDI:357 Approved and processed: 24 not yet captured : 21

Note: All applicants that are not yet captured and not processed is because there are outstanding documents. The following challenges were noted during the blitz to register the indigents and update the register.

We have rural residential houses Dithakwaneng, Devindale, Geduilsdspan, broederspuit and Kameelboom.

We have still households in extension 25 and 28 that are not yet registered.

Ward committess don't encourage or play role to ensure community participate during registration and assist pensioners and child headed family's beneficiaries.

The mushrooming informal settlement sections like Monoto(Colridge), Monoto(Huhudi) and also Phola Park.

Financial Performance Year 0: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	Year -1	Year 0			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	1 226	1 234	1 234	1 534	20%
Waste Water (Sanitation)	6 560	6 593	6 593	9 501	31%
Electricity	(6 218)	115	115	(2 911)	104%
Waste Management (Solid Waste)	6 444	6 512	6 512	9 137	29%
Total	8 013	14 455	14 455	17 260	16%
					<i>T 3.6.4</i>

COMPONENT B: ROAD TRANSPORT

3.7 ROADS

INTRODUCTION TO ROADS

This section is tasked with ensuring goods roads conditions and storm water drainage for safe travelling of motorists and pedestrians within Naledi Local Municipality. The Roads section is relying on contract workers to assist with the maintenance of the roads and the storm water channels. We assisted by Afri-Forum, Vryburg unite and Public Works with roads patching material.

Construction equipment, material and transport are still the major challenge, there is no maintenance of gravel roads.

T 3.7.1

Gravel Road Infrastructure

Kilometers

	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
Year -2	160	20	12	120
Year -1	166	25	14	140
Year 0	166	30	0	30

T 3.7.2

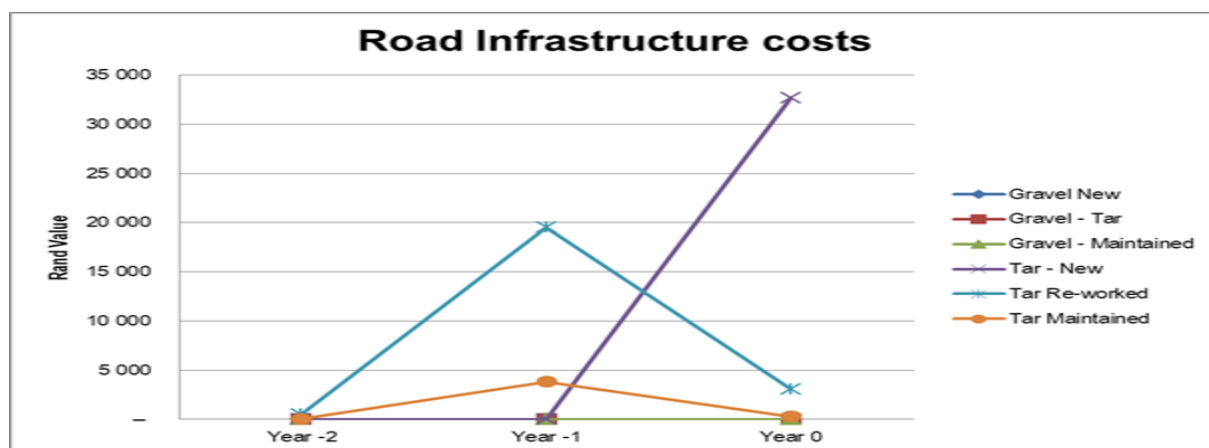
Tarred Road Infrastructure

Kilometres

	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
Year -2	98	14	25	15	120
Year -1	114	20	20	0	140
Year 0	116	5	5	2	140

T 3.7.3

Cost of Construction/Maintenance						
R' 000						
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
Year -2	-	-	-	-	553	32
Year -1	-	-	-	-	19 523	3 821
Year 0	-	-	-	32 642	3 071	298
T 3.7.4						



Financial Performance Year 0: Road Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	8294	9586	17516	39239	76%
Expenditure:					
Employees	23052	23816	23316	22163	-7%
Repairs and Maintenance	4631	460	400	298	-54%
Other	2564	39527	36345	6538	-505%
Total Operational Expenditure	30247	63803	60061	28999	-120%
Net Operational Expenditure	(21954)	(54217)	(42544)	10239	630%
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.					
T 3.7.8					

Capital Expenditure Year 0: Road Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	8 438	5 430	4 530	-86%	
RESEALING OF STREETS	2 000	–	–	0	280
Upgrading of Huhudi Taxi Route: Phase 1	6 438	2 361	2 062	-212%	150
REHABILITATION OF STREETS IN COLRIDGE	–	3 069	2 468	100%	320
Project D	–	–	–	0	90
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					
T 3.7.9					

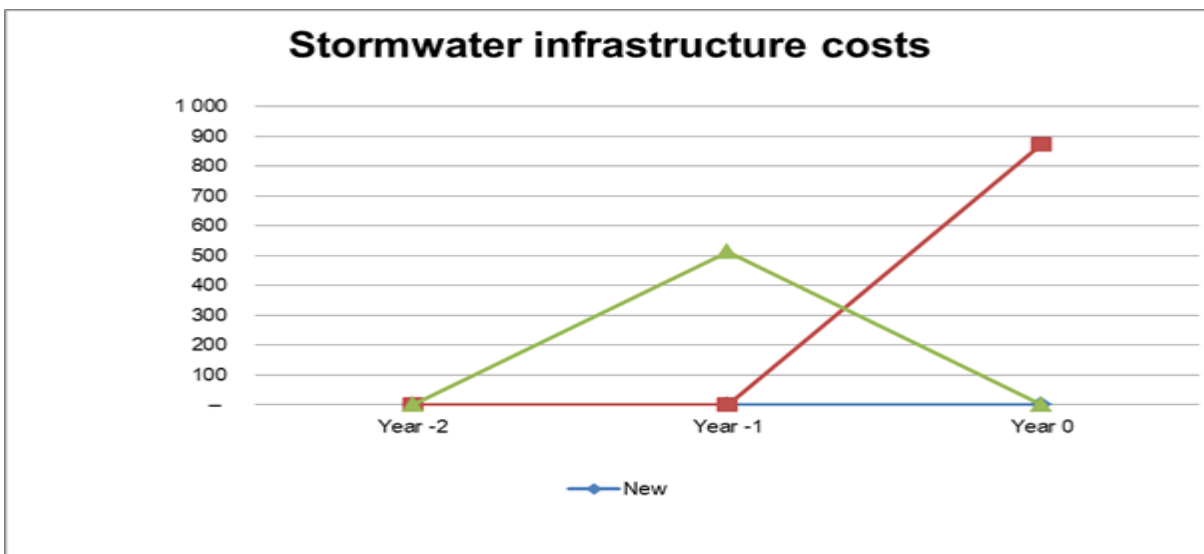
3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

INTRODUCTION TO TRANSPORT
Licensing and Registration Service is a division within the Community Services and Human Settlement Department. The primary function is to provide Registration and Licensing Services of motor vehicles within the areas of Naledi Local Municipality.
T 3.8.1

3.9 WASTE WATER (STORMWATER DRAINAGE)

INTRODUCTION TO STORMWATER DRAINAGE
Storm water management is based on the need to protect the health, welfare and safety of the public, and to protect property from flood hazards by safely routing and discharging storm water from developments; the quest to improve the quality of life of affected communities; the opportunity to conserve water and make it available to the public for beneficial uses; the responsibility to preserve the natural environment; the need to strive for a sustainable environment ,while pursuing economic development; and the desire to provide the optimum methods of controlling runoff in such a way that the main beneficiaries pay in accordance with their potential benefits.
T 3.9.1

Stormwater Infrastructure				
	Total Stormwater measures	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
Year -2	160	20	12	120
Year -1	166	25	14	140
Year 0	166	0	0	140
T 3.9.2				



Capital Expenditure Year 0: Storm water Services					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	2 000	000 1	874	-129%	
UPGRADING OF STORM WATER CHANNELS	2 000	000 1	874	-129%	280
Project B	-	-	-	-	150
Project C	-	-	-	-	320
Project D	-	-	-	-	90
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					
T 3.9.8					

COMPONENT D: PLANNING AND DEVELOPMENT

3.10 PLANNING

INTRODUCTION TO PLANNING

The Municipal Spatial Development Framework is a core component of, and part of the Integrated Development Plan as stipulated in section 26(e) of the Local Government: Municipal Systems Act 32 of 2000 and section 20(2) of the Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA).

The spatial planning system at local sphere of government consists of the following components:

- Spatial development frameworks embodying development principles to guide land development decisions.
- Land use scheme regulating the use of land; and
- Municipal planning bylaw establishing land development decision-making bodies and setting out procedures to adjudicate planning applications.

Section 8 of SPLUMA stipulates that the norms and standards must, but are not limited:

- Promote social inclusion, spatial equity, and desirable settlement patterns, rural revitalisation, urban regeneration and sustainable development;
- Ensure that land development and land use management processes, including applications, procedures and timeframes are efficient and effective;

• Include: -

- (i) A report on and on analysis of existing land use patterns;
- (ii) A framework for desired land use patterns;
- (iii) Existing and future land use plans, programmes and projects relative to key sectors of the economy; and
- (iv) Mechanisms for identifying strategically located vacant or under-utilised land and for providing access to and the use of land.

The Municipality in its 2020–2021 FY Service Delivery and Budget Implementation plan and IDP adopted Strategies that emphasizes Spatial Development and Local Economic Development. As a result, a wall-to-wall land use scheme was adopted and proclaimed as per SPLUMA. It should be mentioned that no achievement could be cited with regards to LED because of the unavailability of the LED Policy and Strategy. Spatial Development Framework of the Municipality is currently under review to bring it in line with SPLUMA. The Municipality has, through implementation of its planning bylaw read with SPLUMA, embarked on formalization of informal settlements in Huhudi and Stella.

T 3.10.1

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

Financial Performance Year 0: Planning Services					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	575	401	2 238	589	32%
Expenditure:					
Employees	3 525	5 568	5 568	5 252	-6%
Repairs and Maintenance	–	–	–	–	-
Other	28	179	188	109	-64%
Total Operational Expenditure	3 553	5 747	5 756	5 361	-7%
Net Operational Expenditure	2 978	5 346	3 518	4 772	-12%
<i>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.</i>					

T 3.10.5

Capital Expenditure Year 0: Planning Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	17 927	37 815	46 507	61%	
Construction of extension 25 road phase 1 & internal streets in Huhudi & Huhudi taxi routes	2 760	17 787	26 691	90%	280
Construction of Community Hall Broedersput & Colridge	–	3 386	2 222	100%	150
Vryburg, Huhudi & Colridge Cemetery	15 121	16 597	17 585	14%	320
Laptops, office space and furniture	45	45	9	-415%	90
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					<i>T 3.10.6</i>

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

Local Economic Development is a constitutional mandate bestowed on municipalities. This mandate refers to how municipalities prepare a suitable environment for economic activities. It further encourages community participation on matters that affect them.

Naledi Economic Sectors include Tourism, Hospitality, Agriculture, Retail, Services.

As it is common throughout the country, Naledi's unemployment rate is very high. As a result, the socio-economic ills are becoming rampant.

The Municipality's LED aging policy and strategy were last updated in 2014 and still needs to be reviewed.

T 3.11.1

Jobs Created during Year 0 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)				
Year -2021	78	0	78	Annual Reports sent to The Dept. of Public Works annually
Year 2022	375	0	375	Annual Reports sent to The Dept. of Public Works annually
Year 2023	669	0	669	Annual Reports sent to The Dept. of Public Works annually
Initiative A (2023)	Naledi Waste Removal	1-Jan-00	Not provided	Annual Project List sent The Dept. of Public Works
Initiative B (2023)	Naledi Cemetery	1-Jan-00	Not provided	Annual Project List sent The Dept. of Public Works
Initiative C (2023)	Building Maintenance of Stella Offices	1-Jan-00	Not provided	Annual Project List sent The Dept. of Public Works
Initiative D (2023)	Dithakwaneng Sports Facility	1-Jan-00	Not provided	Annual Project List sent The Dept. of Public Works

Job creation through EPWP* projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
Year 2021	3	78
Year 2022	4	375
Year 2023	4	669
* - Extended Public Works Programme		T 3.11.6

Employees: Local Economic Development Services					
Job Level	Year 2022	Year 2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	20	24	24	0	0%
4 - 6	1	1	1	0	0%
7 - 9	1	1	1	0	0%
10 - 12	1	1	1	0	0%
13 - 15	1	1	1	0	0%
16 - 18	1	1	1	0	0%
19 - 20	0	0	0	0	0%
Total	25	29	20	0	0%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Financial Performance Year 0: Local Economic Development Services					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	–	–	–	–	–
Expenditure:					
Employees	2 992	3 080	3 080	3 130	2%
Repairs and Maintenance	–	0	–	–	0%
Other	41	5	400	25	82%
Total Operational Expenditure	3 034	3 084	3 480	3 155	2%
Net Operational Expenditure	3 034	3 084	3 480	3 155	2%
<i>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.</i>					
					<i>T 3.11.9</i>

COMPONENT D: COMMUNITY & SOCIAL SERVICES

3.12 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

LIBRARIES

Naledi Local Municipality consists of six community libraries that are located at Vryburg, Colridge, Huhudi, Joe Morolong Hospital, Dithakwaneng, and Devondale. The four community libraries are functional; namely: Huhudi, Joe Morolong, and Devondale and Vryburg libraries.

Top three service delivery priorities:

1. Circulation of library items such as books, CD and DVD
2. Provision of information service to satisfy queries on research, projects and assignments
3. Free internet connection, WI FI and computer usage

Impact on service delivery priorities to public

Library section provides quality information services to members of the community for free. Members of the public, especially those that have applied for membership cards, enjoy privilege of borrowing library books and school project DVD lectures from all community libraries without being charged or requested to pay any amount. Penalties are only imposed to members who return library items late to libraries. The library services ensure that

unemployed young people who reside in poverty stricken areas like Dithakwaneng, Devondale access important information on job advertisements, learnership and internship programmes, government information, IDP and more other important documents.

A new Library was constructed in Stella and the municipality has allocated a site to the Department of Culture, Arts and Traditional Affairs for this project, the project is yet to be completed and handed over.

SERVICE STATISTICS FOR LIBRARIES

- The total amount of membership is 2050.
- The overall amount of circulated books is 3209.

CHALLENGES

- The municipality has not been receiving annual allocation from Department of Culture, Arts and Traditional Affairs in the form of Conditional Grant.
- The Colridge Library was declared unsafe and therefore closed for the public.
- Dithakwaneng Library is yet to be relocated to the new facility.

NATURE RESERVE LEON TALJAARD NATURE RESERVE AND SWARTFONTEIN RESORT

Naledi Local Municipality owns the Leon Taljaard Nature Reserve, which is a Proclaimed Protected Area in terms of the National Environmental Management: Protected Areas Act 2003, and Swartfontein Resort on the outskirts of Vryburg. Leon Taljaard Nature Reserve comprises some 2089 Hectares of Ghaap Vaalbosveld and houses various plains game species ranging from Square Lipped Rhino to Steenbok. It includes two of the Big 5 species namely Rhino and Buffalo. The Reserve caters for tourists through self-drive game viewing, guided game drives, and guided walking trails and mountain bike trails. Swartfontein Resort lies adjacent the reserve and offers a swimming pool, 10 four bed chalets, 4 two bed chalets and about 24 camping sites as well as a recreation hall.

ROLE OF THE RESERVE AND THE RESORT

1. The protection and conservation of the biodiversity in the Leon Taljaard Nature Reserve and the protection of the Protected Area status of the reserve.
2. The Reserve and Resort caters for tourists passing through Vryburg by supplying overnight facilities as well as a breakaway for residents of Vryburg over weekends and Public Holidays.
3. The Reserve and staff also supply a much needed environmental education and awareness to schools and crèches in the local and outlying communities as far as Taung and Ganyesa.
4. Swartfontein Resort currently acts as a base for the Naledi Working on Fire team.
 - Genetic Quality of breeding animals – longstanding inbreeding is affecting herds negatively.
 - Lack of key attraction species i.e. Rhino breeding herd, Giraffe, Hippo and Lion.
 - Insufficient numbers or lack of high value species ie.as Rhino, Buffalo, Sable Antelope.
 - Insufficient budget for operations and maintenance.
 - Non appointment of Protected Area Advisory Committee.
 - Insufficient marketing.

REMEDIAL ACTION

- Find a suitable and effective financial investor / partner with proven resources and experience management of this area.
- Appoint Protected Area Management Advisory Committee. (Mandatory
- Transfer management of all facilities to the private partner on a mutually agreed sustainable contract and within the prescripts of the law.
- Review organogram for section and appoint relevant and suitably qualified personnel in vacancies.
- Review and proclaim By-laws.
- Rebrand Nature Reserve and Swartfontein.
- Appropriate sustainable and sufficient budget.
- Procure and introduce High Value species in Reserve.

- Implement previous sustainable recommendations from reserve management in Swartfontein Resort.
- Deploy security personnel at Swartfontein 24/7.
- Sustainably market, manage and maintain all facilities

Employees: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Job Level	2021-22	2022-23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	2	1	1	50%
7 - 9	7	9	7	2	22%
10 - 12	0	3	3	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	18	0	0%
Total	8	11	29	3	27%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.

*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.12.4

Financial Performance Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	2 836	2 718	3 294	10 699	75%
Expenditure:					
Employees	5 061	4 246	4 246	2 077	-104%
Repairs and Maintenance	22	100	–	–	0%
Other	36 127	4 375	4 372	17	-25829%
Total Operational Expenditure	41 210	8 721	8 618	2 094	-316%
Net Operational Expenditure	38 374	6 003	5 324	(8 604)	170%
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.					

T 3.12.5

3.13 CEMETORIES AND CREMATORIUMS

INTRODUCTION TO CEMETORIES & CREMATORIUMS

Naledi Local Municipality is currently having 14 cemeteries in its area of jurisdiction, and eleven of these cemeteries are in use. People have been burying loved ones following their tradition and customs. As the municipality management, maintenance, record keeping and environmental issues relating to cemetery management becomes our key area of concern.

Top delivery priorities

1. Provision of graves for funerals
2. Provision of graves for paupers funeral
3. Provision of indigent funeral
4. Cleaning and maintaining of all cemeteries
4. Administration of the erection of tombstones

The impact on service delivery priorities to public

1. Well maintained and clean cemeteries
2. Access control cemeteries

Services Statistics for Cemeteries

1. Adult graves sold for the year under review is 422
2. Provision of indigent graves is setting at 10 for 2022/2023 financial year
3. Number of graves provided for children is 36
4. Number tombstones sold for 2022/2023 is 187.

Challenges

1. Shortage of grave diggers and Caretakers for all fenced Cemeteries

Achievements

1. Old Huhudi, Colridge and Vryburg Cemeteries are fenced during the financial year in review.
2. Municipality continues to provide graves for funerals on weekly basis
3. Provision of indigent and paupers funerals
4. Deployment of security officials on all (3) three fenced cemeteries.

Employees: Cemeteries and Crematoriums					
Job Level	2021-22	2022-23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	1	1	1	0	0%
10 - 12	0	0	0	0	0%
13 - 15	12	12	12	3	25%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	13	13	3	23%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.

**Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.*

T 3.13.4

3.21 TRAFFIC SERVICES

Introduction

Traffic Services is performing its functions as guided by the National Road Safety Strategy which its main objectives being to achieve traffic safety roads on the municipal roads including the functions as defined in the municipals Integrated Development Plan.

The National Road Safety Strategy provides all year-round road safety initiatives. The department has increased its enforcement strategy in collaboration with stakeholders and affected parties.

The Traffic Division are responsible for the following:

- Creation of safe road environment by reducing road accidents and fatalities;
- promotion of safer road traffic environment;
- reduction of road traffic violations;
- ensuring maximum collection of outstanding fines from offenders;
- ensuring traffic information management;
- ensuring road safety education campaigns;
- enforcing of the Road Traffic Act and Municipal By-laws.

Metropolitan Police Service Data					
	Details	Year 2022	Year 2023		Year 2024
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of road traffic accidents during the year	421,00	421,00	415,00	93,00
2	Number of by-law infringements attended	17,00	17,00	38,00	21,00
3	Number of police officers in the field on an average day	9,00	9,00	12,00	11,00
4	Number of police officers on duty on an average day	16,00	16,00	19,00	19,00
					T 3.20.2

COMPONENT G: SECURITY AND SAFETY

3.22 FIRE SERVICES

Introduction

Naledi is the only municipality in DRRSMDM that is providing Fire Services from its own revenue, all other municipalities in the District are supported by the District Municipality Fire and Disaster Department and this has serious financial challenges.

Employees: Fire Services					
Job Level	2021-22	2022-23			
Fire Fighters	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
Chief Fire Officer & Deputy					

Other Fire Officers					
0 - 3	2	2	2	0	0%
4 - 6	1	1	1	0	0%
7 - 9	5	8	5	3	38%
10 - 12	4	8	4	4	50%
13 - 15	12	24	12	12	50%
16 - 18	2	3	2	1	33%
19 - 20	0	0	0	0	0%
Total	26	46	26	20	43%

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.
Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.21.4

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

INTRODUCTION

Biodiversity includes all ecosystems- managed or unmanaged. Sometimes biodiversity is presumed to be a relevant feature of only unmanaged ecosystems, such as WILD LANDS, NATURE PRESERVES, open spaces that can be rezoned for recreational parks. While landscape can somehow complement the ecosystem where by a portion of land can be altered to be more attractive with addition of ornamental features, shrubs and trees.

Top three service priorities

1. To maintain and alter natural open space into recreational parks
2. To clean and maintain the existing recreational parks
3. To plant ornamental and edible plants as a gesture to reduce climate change and as part of food security across Naledi's jurisdiction.

The impact on service delivery priorities to public

1. Community has access to the well maintained and clean parks and recreations.
2. Provision of fruit and ornamental trees

Achievements

1. Continuous maintenance of the Hayes Park and Stellaland Park

2. Cleaning of the hotspots behind the newly developed Mompoti Mall was done.
3. Continuous maintenance of Warren road Buffer zone.
4. Continuous maintenance of open spaces such as Corner Oliver Tambo and Nelson Mandela road etc.

Challenges

1. Shortage of personnel due to ageing and retirement.
2. Lack of pooling vehicle and machinery
3. Insufficient funding for machinery for the section due to cash flow challenges.

Measures to improve performance

1. Sourcing of funds from relevant stakeholders for the development of parks and sports courts in open spaces.
2. Development of Business Plans for funding to resuscitate the Greenhouse and Stellaland Park.

COMPONENT H: SPORTS AND RECREATION

3.23 SPORT AND RECREATION

INTRODUCTION TO SPORT AND RECREATION

Naledi local municipality its role is to ensure that sports facilities are accessible and well maintained at all time for use by the community. It also to facilitate smooth and well run school programs in sports related activities.

Top three service priorities

1. Accessibility of the sports and recreational amenities
2. Provision of clean and well maintained sports and recreational amenities
3. Schools and local sports programs.

The impact on service delivery priorities to public

1. Sports and recreational amenities are always accessible at stipulated tariffs to the community.

2. The tariff paid by the community is used to keep the sports and recreational amenities clean and well maintained
3. More than a thousand learners have participated on the sports programs for 2022/2023 financial year.
4. Local teams are using the sport facilities weekly for home games

Measures to improve performance

1. Different age groups participating in the school program and local
2. Implementing weekly program to ensure that public amenities are well maintained at all times.
3. Trained local coaches who are placed at local schools to assist in their sports program.

Challenges

1. The delayed on the procurement processes
2. Permanent personnel

T 3.23

Employees: Sport and Recreation					
Job Level	Year 2022	Year 2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	2	0	2	100%
4 - 6	1	1	1	0	0%
7 - 9	2	2	2	0	0%
10 - 12	1	1	1	0	0%
13 - 15	17	30	15	15	50%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	21	36	19	17	47%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 3.23.3

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.24 EXECUTIVE AND COUNCIL

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

INTRODUCTION TO EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councillors; and municipal manager). In terms of Chapter 7 Section 151 (2) of the Constitution of the Republic of South Africa, 108 of 1996, the executive and legislative authority of a municipality is vested in its municipal council.

T 3.24.1

3.25 FINANCIAL SERVICES

Financial Performance Year 2023: Financial Services					
					R'000
Details	Year 2022	Year 2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	131 250	141 114	181 078	152 464	7%
Expenditure:					
Employees	57 807	59 913	58 913	63 669	6%
Repairs and Maintenance	2 047	1 650	1 500	884	-87%
Other	74 505	45 220	69 434	241 709	81%
Total Operational Expenditure	134 358	106 784	129 848	306 263	65%
Net Operational Expenditure	3 108	(34 331)	(51 230)	153 799	122%
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.					T 3.25.5

Capital Expenditure Year 2023 : Financial Services					
R' 000					
Capital Projects	Year 2023				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	1 248	1 448	1044	-20%	
Office space and furniture	1 048	1 048	946	-11%	280
Computers	200	200	98	-104%	150
FLEET ACQUISITION	–	200	–	-	320
Project D	–	–	–	-	90
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T 3.25.6

3.26 HUMAN REASOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

The Human Resource Unit at Naledi Local Municipality consists of 10 staff members, who are responsible for the administration of benefits, maintenance of files, stable labour relations, health and safety of staff and ensuring the Salary Unit is able to pay salaries on time each month.

SUCCESSSES OF THE DEPARTMENT

Successes of the HR Unit for the 2022/23 financial year include:

- 1) Seven (7) Human Resource Policies were reviewed and adopted
- 2) The organisational structure was reviewed and adopted.
- 3) The Job Evaluation process was finalised and all Evaluated Job Descriptions were audited by the Provincial Auditing Committee. This result was submitted to Management and Council and was adopted for implementation. Implementation will be finalised as soon as Placement on the new structure has been done.
- 4) Five (5) positions were filled through the recruiting process in the financial year of which four were in the Finance Department.
- 5) Council adopted STAFF REDUCTION STRATEGY to mitigate on bloated Organizational Structure.

6) Council adopted Performance Management System to evaluate performance of the employees reporting to Section 56 Managers.

CHALLENGES OF THE DEPARTMENT

Challenges experienced in the HR unit in the 2020/21 financial year include:

- 1) Late submission of overtime, timesheets etc. delays the finalisation of salary instructions and may cause unnecessary delays.
- 2) The IT infrastructure is causing tension in the unit as all information is kept on the server to be accessible by all HR staff. This information has been lost or corrupted on various occasions. The payroll information is also threatened as due to the size of the database, it can only be kept on a server.
- 3) Financial status of the municipality causes unrest as staff is unsure of their future, they are worried about losing their benefits from pension funds and their credit records have been jeopardised.

ACTIVITIES OF THE DEPARTMENT

The Human Resource Unit at Naledi Local Municipality has been tasked with the following activities;

- 1) Administering employee benefits
- 2) Maintaining and safekeeping of Files.
- 3) Facilitating the recruitment and selection process.
- 4) Administering the exit of employees.
- 5) Development, review and implementation of policies.
- 6) Development and review of Job Descriptions
- 7) Job Evaluation processes and implementation
- 8) Remuneration management
- 9) Development and reporting on the Workplace Skills Plan
- 10) Establishment and facilitation of learnerships
- 11) Development and reporting on the Employment Equity Plan.
- 12) Health and Safety
- 13) Maintenance of good labour relations.

Employees: Human Resource Services					
Job Level	2021-22	2022-23			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0-3	3	6	3	3	50%
4 - 6	1	3	1	2	67%
7 - 9	2	9	5	4	44%
10 - 12	2	7	2	5	0%
13 - 15	0	0	0	0	0%
16 -18	0	0	0	0	0%
19-20	0	0	0	0	0%
Total	8	25	11	14	54%

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June.

*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T3.26.4

Financial Performance Year 2023: Human Resource Services					
					R'000
Details	Year 2022	Year 2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%

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.

T 3.26.5

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Information & Communication Technology, also known as ICT, is a comprehensive term that includes all types of technology used to exchange, store, and use or create information. Commonly used Information Technology equipment includes Computers, Servers, Peripheral Devices, Internet, Connectivity Equipment and Phone Systems. From basic computer terminals to IP-based telephone systems, Information Technology is an integral part of most modern business operations. ICT makes an organisation more efficient, effective and prompt responses to customers' needs possible.

The strategically use of ICT in a Municipal Service Environment produces the following benefits –

- o Increase the speed or quality of Service Delivery;
- o Increase public access to Municipal Services;
- o Facilitate the use of remote communication and transactions; and
- o Enhance transparency.

ICT Services are often the part of an organization that is forgotten. However, most employees will need these services to ensure that their job tasks are running smoothly and at peak efficiency.

The ICT Section's functions include –

- o Technical Support, management and maintenance of the IT Infrastructure that includes hardware and software;
- o Upkeep and maintenance of the Local Area Network (LAN) and the Wide Area Network (WAN);
- o Administration of the Financial System (VENUS), the Active Directory System, the Firewall and the Anti-Virus System;
- o Project Management; and
- o Management of Service Providers for outsourced functions.

The access, installation, maintenance and support services that are granted to users on a need to use basis range from E-mail, Internet, Fax-to-email, Voice Over Internet Protocol (VOIP), Venus System, Cash Drawer System, Utilities World System, Payday System, Orbit System, Workflows System, etc.

Employees: ICT Services					
Job Level	Year 2022	Year 2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	5	5	5	0	0%
10 - 12	2	2	2	0	0%
13 - 15	1	1	1	0	0%
16 - 18	0	1	0	1	100%
19 - 20	0	0	0	0	0%
Total	8	9	8	1	11%
<p><i>Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</i></p> <p style="text-align: right;"><i>T3.27.4</i></p>					

3.28 PROPERTY, LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

INTRODUCTION TO PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

The Municipality has the obligation to local community in promoting local economic development. Amongst all the available strategies to be followed by the Municipality, and one of the most effective strategies would be to avail land for the development purpose both private and public.

Naledi Local Municipality has an obligation to manage its properties in an accountable and responsible manner, this within the prescripts of the applicable legislation such as MFMA and Assets Management Regulations as well as the Municipal Disposal Policy amongst others.

The following activities were performed by Property Management and Administration Unit for the financial year under review.

- Identification of land for disposal
- Perking of Erven
- Informal settlement
- Rental Stock of The Municipality

1) IDENTIFICATION OF LAND FOR DISPOSAL

In Terms Of Resolution Number 10/2022, the municipality invited interested and qualifying community members to submit their applications and proposals for the first phase of the disposal of residential and business erven.

Property Administration Unit is in line with Council's resolve towards improving the Municipality's finances which among others involves having administration to explore appropriate mechanisms to dispose of some of Municipal-Owned Properties.

PERKING OF ERVEN

Property Administration Unit embarked on the identification of Perks and boundary lines, this as per the request of the communities in the event of the renovation, new and old township, mostly conflicts over site boundaries or where the perks have been removed.

Number of households where perks have been identified

PLACE	NUMBER OF HOUSEHOLDS
Extension 25	78
Extension 28	62
Huhudi	88
Kismet	12
Colridge	24
Stella	30
TOTAL	294

INFORMAL SETTLEMENT (UPGRADE)

Property Administration Unit, its main objective is to integrate Informal Settlement into the broader urban fabric to overcome Spatial, Social and Economic exclusion.

This objective can only be achieved through number of Short Term and Long Term processes by means of interim relief, incremental upgrades, as well as proper planning and Management of Informal Settlement. Currently there are Informal Settlements or Dwelling at Phola Park, Monoto Mosetlha (Extension 1), Monoto Mosweu and Stella (Extension 2, Rekgarathhile).

There is a proposed Township Establishment, Subdivision and Extension of boundaries of an approved Township Huhudi, Extension 1 on a portion of the remaining Extent of Portion 8 of the Farm Rosendal, and also Subdivision and Rezoning of Erf 3364, VRYBURG by DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY, this would eventually result in the integration of the residents to the formalized area when the process is completed.

The process of upgrading the beneficiaries to the sites is ongoing of the above-mentioned Informal Settlements; there have been engagements with the stakeholders regarding installation of Services for this area.

RENTAL STOCK OF THE MUNICIPALITY

The Municipality has Rental Stock that is been leased out, the unit went through the process of identifying the Lease Contracts that has been lapsed and that can be reviewed by means of Contract Management.

Challenges

- Capacity in the Unit
- Illegal Land Occupation / Invasion
- Asset Register – there is no accurate Land Register

Remedial

- Capacity building to be prioritised in this unit
- Measures to be in place for the immediate curbing of land
- Land Audit to be prioritised as this has a bearing to the Audit Outcomes

IMPACT DURING THE YEAR (PRIORITIES)

The Municipality has a responsibility to our Local Community to promote Local Economic Development. Amongst all the available strategies to be followed by the Municipality, one of the most effective strategies would be to avail Land for development purposes, both Private and Public.

MEASURES TAKEN TO IMPROVE PERFORMANCE AND THE MAJOR EFFICIENCIES ACHIEVED BY PROPERTY ADMINISTRATION UNIT

The purchase of this erven was in line with the stipulation of the Constitution of South Africa Municipal Finance Management Act (Act No.56 of 2003), SCM Regulation and Municipal Policy on Disposal Of Immovable Assets, thus in order to promote competitive bidding, and ensure that disposal is in a transparent, fair for all the interested parties.

COMPONENT J: MISCELLANEOUS

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

The municipality is not providing the any of the services provided above. However the municipality has infrastructure to provide Airport services at a very small scale.

The infrastructure referred to in this case is currently in a state of dilapidation and unlicensed.

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD



NALEDI LOCAL MUNICIPALITY

ANNUAL PERFORMANCE REPORT
2022/23

SECTION 46 OF THE MUNICIPAL SYSTEMS ACT

1. Legislative requirements

Outlined in section 40 of the Municipal Systems Act 32 of 2000, Municipalities must establish mechanisms to monitor and review its performance management systems (PMS) to measure, monitor, review, evaluate and improve performance at organizational, departmental and employee levels. Section 34 of the Municipal Systems Act 32 of 2000 further indicate that the Integrated Development Plan (IDP) has to be reviewed on an annual basis and that during the IDP review process the key performance areas (KPAs), key performance indicators (KPIs) and performance targets be reviewed, and this review will form the basis for review of the organizational performance management and performance contracts of the senior managers.

The Municipal Planning and Performance Management Regulations (2001) stipulates that "municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players" (Chapter 3, section 7, Municipal Planning and Performance Management Regulations, 2001).

Section 46 of the Municipal Systems Act 32 of 2000, amongst others stipulates the following:

"Annual reports

46. (1) A municipality must prepare for each financial year an annual report consisting of –

(a) a performance report reflecting;

(i) the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;

(ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year;

(iii) measures that were or are to be taken to improve performance; "

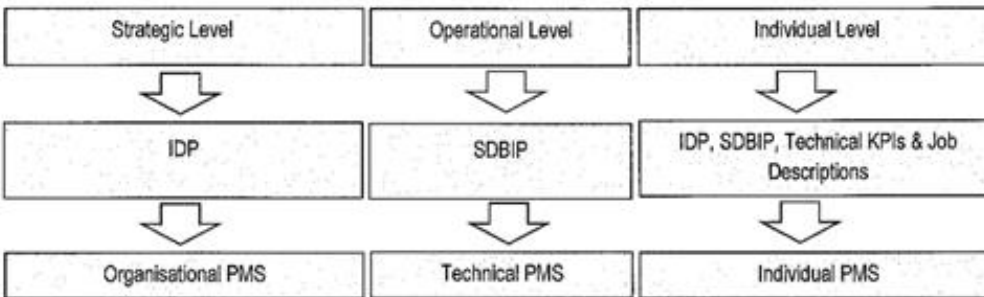
2. Introduction

The Municipality has a Performance Management Policy Framework in place which directs the performance management systems within the organisation. The framework was reviewed to align with the best practice guidelines suggested by relevant departments. The policy framework was also reviewed to encompass the approved internal policies and procedures to address the process of collection, recording, processing, monitoring, and reporting of performance information.

The reviewed performance management policy framework has been enhanced to include the National Treasury Communications Directive: Framework for Managing Programme Performance Information (FMPPI). The Local Government Regulations on the appointment and conditions of employment of Senior Managers (Reg. 21 of 17 January 2014) were also considered in the reviewed policy framework.

3. Organizational Performance Management Process

The legislative framework as set out above provides for performance management at various levels within the Municipality, including organizational (at times referred to as strategic) level, operational (often referred to as departmental or sectional) level and lastly the individual level. These levels are integrated and interdependent on each other. Please refer to the graphical representation of this interdependence below.



The process of managing performance information at Naledi Local Municipality involves the following stages as set out in the following diagram:



Key performance indicators have been updated to ensure they support the Municipality's development priorities and objectives as set out in the revised IDP framework for the five-year IDP period to ensure consistency in measuring and reporting on long term strategies and projects. Measurable performance targets with regards to each of these development priorities and objectives were established and are reflected in the 2022/23 SDBIP. A process to ensure regular reporting is in place and is reported quarterly to the Council and Performance Audit Committee.

4. Performance Audit Committee

The Municipality has established the Internal Audit section during the quarter 4 of the 2021/22 financial year. Since then, great strides have been made to establish the Audit Committee for the Municipality which will encompass the Performance Audit Committee roles. The Performance Audit Committee members have been appointed on 28 October 2023, during the 2022/23 financial year in terms of section 14(2)(a) of the Local Government: Municipal Planning and Performance Management Regulations of 2001. The composition of the Performance Audit Committee is as follows:

No	ARPC Member	Role on ARPC
1	Ms. Jane Masile	Chairperson
2	Mr. Ernst Van Rensburg	Member
3	Mr. Letihogolo Berend	Member

5. Performance Evaluation Panels

For purposes of evaluating the annual performance of managers directly accountable to the Municipal Manager, the evaluation panel has to be established which is in compliance with Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers of 2006 as follows;

- i. Municipal Manager
- ii. Chairperson of the Performance Audit Committee or the Audit Committee in the absence of a Performance Audit Committee
- iii. Member of the Mayoral of Executive Committee or in respect of a plenary type of Municipality, another member of Council; and
- iv. Municipal Manager from another Municipality.

The Manager responsible for human resources of the Municipality must provide secretarial duties to the evaluation panel.

Furthermore, for purposes of evaluating the annual performance of Municipal Manager, the evaluation panel has to be established which is in compliance with Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers of 2006 as follows;

- i. Executive Mayor or Mayor
- ii. Chairperson of the Performance Audit Committee or the Audit Committee in the absence of a Performance Audit Committee
- iii. Member of the Mayoral of Executive Committee or in respect of a plenary type of Municipality, another member of Council
- iv. Mayor and/or Municipal Manager from another Municipality; and
- v. Member of a ward committee as nominated by Executive Mayor or Mayor

For the past financial years, the Municipality did not conduct annual performance evaluations for Municipal Manager and Managers directly accountable to the Municipal Manager due to majority of unforeseen circumstances which led to unfavorable financial position for the organization.

The annual performance evaluations will be performed every financial year to ensure compliance with the relevant legislation discussed above.

6. Audit of Performance Information

The MFMA and the Municipal Planning and Performance Management Regulations require that the Municipal Council establish an Audit Committee consisting of a minimum of three members, where most members are not employees of the Municipality. It is further stated that no Councilor may be a member of the Audit Committee. The council shall also appoint the Chairperson who is also not an employee of the Municipality.

The internal Audit function has also been established within the Office of the Municipal Manager. This is in addition to the shared Internal Audit services agreement with Dr Ruth Segomotsi Mompoti District Municipality for the current year. As part of their scope, the audit of performance management system and predetermined performance objectives is performed and reported for each quarter in terms of the following plan amongst others:

Audit Cycle	Focus Areas
<u>Quarter 1</u> Review of Performance Information	1. Consistency on reporting 2. Measurability and reliability 3. Performance reports reviews 4. Performance score verifications (Municipal Manager and Directors) 5. Compliance with relevant laws and regulations 6. Verification of supporting evidence
<u>Quarter 2</u> Review of Performance Information	1. Consistency on reporting 2. Measurability and reliability 3. Performance reports reviews 4. Performance score verifications (Municipal Manager and Directors) 5. Compliance with relevant laws and regulations 6. Verification of supporting evidence
<u>Quarter 3</u> Review of Performance Information	1. Consistency on reporting 2. Measurability and reliability 3. Performance reports reviews 4. Performance score verifications (Municipal Manager and Directors) 5. Compliance with relevant laws and regulations 6. Verification of supporting evidence
<u>Quarter 4</u> Review of Performance Information	1. Consistency on reporting 2. Measurability and reliability 3. Performance reports reviews 4. Performance score verifications (Municipal Manager and Directors) 5. Compliance with relevant laws and regulations 6. Verification of supporting evidence

7. Analysis of Performance Achievements (Overall)

As at 30 June 2023, the municipality had achieved 62.5% of the organizational performance targets. This is a significant decline compared to prior year's achievement rate of 97.56% as at 30 June 2022.

The resulting decrease was amongst others as a result of the following factors:

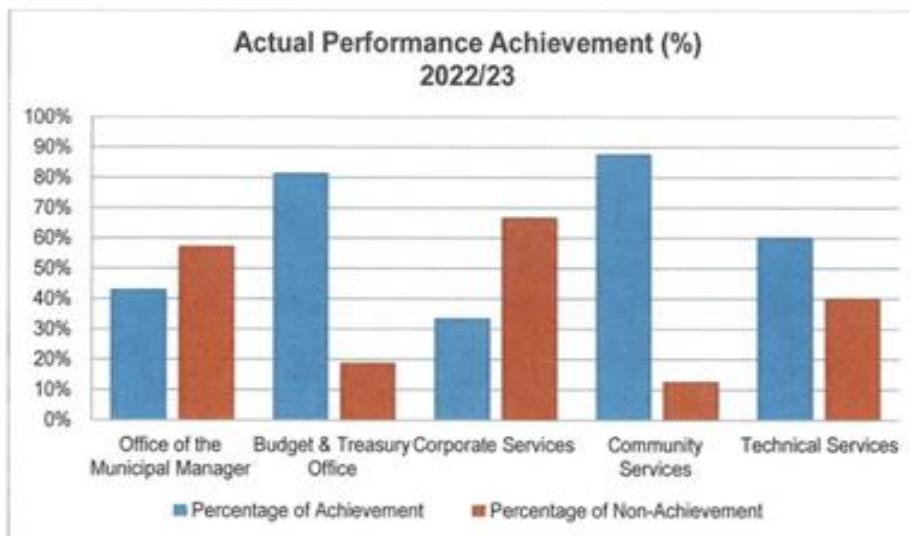
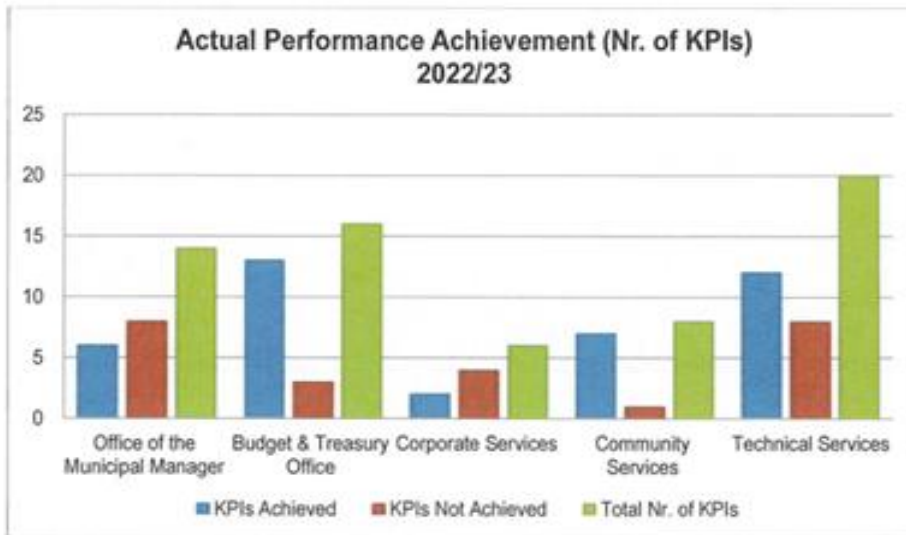
- New procedures for the reporting of performance information introduced during the 2022/23 performance year
- Tighter controls around the reporting timelines and the application of municipal policies and legislation
- Regression regarding the quality of work submitted for reporting
- Stricter controls around the assessment processes for in-year reporting

Below is the annual analysis of actual performance on the 64 planned key performance indicators as included in the approved adjusted Service Delivery and Budget Implementation Plan for 2022/23 performance year:

2022/23 Performance Outcomes

Directorate	Responsible Director	KPIs Achieved	KPIs Not Achieved	Percentage of Achievement	Percentage of Non-Achievement	Total Nr. of KPIs
Office of the Municipal Manager	Mr. MT Segapo	6	8	43%	57%	14
Budget & Treasury Office	Mr. KM Maruping	13	3	81%	19%	16
Corporate Services	Mr. TK Appolus	2	4	33%	67%	6
Community Services	Ms. E Makgahlela	7	1	88%	13%	8
Technical Services	Mr. SN Mongale	12	8	60%	40%	20

Actual Performance: As at 30 June 2023 (Table B2)



It is worth noting that the performance management system within the municipality is positively moving in the right direction given the support by the executive management and staff. This enables the system to run efficiently in a way that addresses basic service delivery to the communities within jurisdiction of the municipality.

7. Annual Organizational Score Card

Color coding descriptions

Category	Color	Explanation
KPI's not met	Red	Target not achieved. This can happen in the following circumstances: - indicator partially achieved - indicator not reported on
KPI's met (100%)	Green	Target achieved; target fully met
KPI's not applicable	Grey	This pertains to the target not applicable to a particular reporting period


GENERAL

The Annual Performance Report (APR) consists of a combination of information contained in the Annual Financial Statements (AFS), Service Delivery and Budget Implementation Plan and the Annual Report (AR).

It is therefore recommended that these reports are all read together, as one report supplements the other.

Mr. MT Segapo

MUNICIPAL MANAGER



Cllr. CJ Groep

MAYOR

MUNICIPAL MANAGER Initials: _____

REVISED 2022/23 SDBIP

OFFICE OF THE MUNICIPAL MANAGER
MUNICIPAL MANAGER - HR MODISEWANE THOMPSON SEGAPO

LED Key Strategic Objectives

To Promote Sound Financial Management & Clean Audit

To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standard Levels

To Promote Local Economic Development & Job Creation

To Promote Good Governance & Public Participation

Legend

Not reportable in this quarter

IDP PROJECTS

Top / Bottom Layer	Project ID	Budget Vote's	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Annual Target Achievement	Planned Remedial Action	Portfolio of Evidence
Top Layer	N/A	N/A	OMM1	MT Segapo	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Percentage of need value of the amount spent on 2022-23 approved IDP projects for Naledi Local Municipality	80% of all capital grants (MKG/NEP) allocated to Naledi Local Municipality spent by 30 June 2023	R 81 755 591,00	R 127 028 954,00	New KPI	1		Achieved	Target is achieved. No remedial action.	Final Certificates Progress report on actual work performed on sites
													2				
													3				
													4	(80%) R101 623 163,20			

OPERATIONAL (LED)

Top / Bottom Layer	Project ID	Budget Vote's	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Annual Target Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	OMM2	OP Makobo	Local Economic Development	Infrastructure Services	To Promote Local Economic Development & Job Creation	Creation of environment conducive for LED by 30 June 2023	Progress report on the actual number of activities introduced which create an environment conducive for LED by 30 June 2023	Operational	R -	4 reports on the creation of environment conducive for LED by 30 June 2023	1	1 Progress report on the actual number of initiatives introduced	Not Achieved	The KPI will be achieved during the next performance period due to the following factors: - Development of new LED initiatives are underway within the Naledi area - Significant progress on other external projects	LED development plan Strategy and implementation register
													2	1 Progress report on the actual number of initiatives introduced			
													3	1 Progress report on the actual number of initiatives introduced			
													4	1 Progress report on the actual number of initiatives introduced			
Bottom Layer	N/A	N/A	OMM3	OP Makobo	Local Economic Development	Infrastructure Services	To Promote Local Economic Development & Job Creation	Reports on the number of jobs created through Local Economic Development initiatives including capital project, EPWP and CWP by 30 June 2023	Progress report on the actual number of jobs created through LED projects, EPWP and CWP by 30 June 2023	Operational	R -	Reports on the number of jobs created through LED initiatives and other means	1	1 Progress report on the number of jobs created	Achieved	Target is achieved. No remedial action.	Signed contracts Monthly or quarterly expenditure reports
													2	1 Progress report on the number of jobs created			
													3	1 Progress report on the number of jobs created			
													4	1 Progress report on the number of jobs created			

OPERATIONAL (NPAC)																	
Top / Bottom Layer	Project ID	Budget Voids	KPI Nr.	Responsible Person	Key Performance Areas (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (Incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Annual Target Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	OMMA	K Gasbue	Good Governance and Public Participation	Public Participation	To Promote Good Governance & Public Participation	Number of public participation programs successfully or unsuccessfully facilitated including ward committee meeting reports, tips facilitated and loud hailing made	Progress reports on the actual number of public participation programs successfully or unsuccessfully facilitated including ward committee meeting reports, tips facilitated and loud hailing made by 30 June 2023	Operational	R	Quarterly reports submitted on public participation programs held	1		Achieved	Target is achieved. No remedial action.	Signs of quarterly reports Attendance registers Inmate Communication Memos
													2	1 Public participation program held			
													3	1 Public participation program held			
													4	1 Public participation program held			

OPERATIONAL (PMO)																	
Top / Bottom Layer	Project ID	Budget Vitals	CPA No	Responsible Person	Key Performance Indicators (KPIs)	Back to Basics	My Strategic Objectives (MSO)	My Performance Indicators (MPI)	Annual Performance Target	Original Budget	Final Budget (Inc. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Annual Target Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	NA	NA	OM05	L. Todor	Good Governance and Public Participation	Public Participation	To Promote Good Governance & Financial Management	Specific calendar date: 31 August 2022	Operational	0	0	New KPI	1		On track	Target is achieved. No remedial action.	Copy of a full report Proof of submission to (journal/report)
Bottom Layer	NA	NA	OM06	L. Todor	Good Governance and Public Participation	Public Participation	To Promote Good Governance & Financial Management	2023/24 Service Delivery and Public Participation Plan (SDPPP) approved by the Mayor by 28 June 2023	Operational	0	0	New KPI	1		On track	Life approval of the municipal budget for the 2023/24 financial year led to his satisfaction. However, the CPA will be resubmitted to the 28 June period within which the SDCP must be approved.	Copy of the SDCP approved by the Mayor
Bottom Layer	NA	NA	OM07	L. Todor	Good Governance and Public Participation	Public Participation	To Promote Good Governance & Financial Management	2023/23 performance agreements signed by the Directors and Accounting Officer as well as by the Mayor by 31 July 2022	Operational	0	0	New KPI	1		On track	Target is achieved. No remedial action.	Copies of the approved performance agreements
Bottom Layer	NA	NA	OM08	L. Todor	Good Governance and Public Participation	Public Participation	To Promote Good Governance & Financial Management	Mid year performance review session conducted and submitted to COOPFA by 31 January 2023	Operational	0	0	New KPI	1		On track	Target is achieved. No remedial action.	Minutes Attendance register Proof of submission to COOPFA
Bottom Layer	NA	NA	OM09	L. Todor	Good Governance and Public Participation	Public Participation	To Promote Good Governance & Financial Management	Performance evaluation of the Accounting Officer and Senior Managers for 2022/23 by 31 January 2023	Operational	0	0	New KPI	1		On track	The CPA weighting for the 2023/24 SDCP will be adjusted to ensure evaluations are possible and CPA allocations are aligned to the primary mandate of the municipality.	Minutes Attendance register Performance assessment report
Bottom Layer	NA	NA	OM10	L. Todor	Good Governance and Public Participation	Public Participation	To Promote Good Governance & Financial Management	Final Annual Report submitted to Council by 31 January 2023	Operational	0	0	New KPI	1		On track	Changes in submission of the Annual Report will be resolved by ensuring the following: - Earlier communication and requests regarding JHI templates - Workshops to facilitate the completion of the AR templates per department	Copy of the final Annual Report Council Resolution Council Minutes

OPERATIONAL (Internal Audit)																
Project ID	Budget Voted	KPI No.	Responsible Person	Key Performance Areas (KPA)	Back to Basics	Key Strategic Objectives (KSQ)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Fiscal Budget (incl. Adj. Budget)	Data Line	Quarter	Quarterly Projects/Target	Annual Target Achievement	Planned Remedial Action	Portfolio of Evidence
Top/Bottom Layer	N/A	N/A	OMH1	F Buys	Good Governance and Public Participation	Good Governance	To Promote Good Governance & Public Participation	Percentage of progress in addressing strategic and operational risks addressed in the register by 30 June in the register by 30 June 2023 June 2023	Operational	30	New KPIs	1		Not Achieved	Adequate planning will be ensured to reach the targeted achievement	Signed off risk register report
								100% of strategic and operational risks addressed in the register by 30 June 2023		2						
										3						
								100% of strategic and operational risks addressed		4						
Bottom Layer	N/A	OMH2	F Buys	Good Governance and Public Participation	Good Governance	To Promote Good Governance & Public Participation	Development of risk-based Audit Plan submitted to Audit Risk and Performance Committee by 31 December 2022	Specific calendar date 30 June 2023 2023	Operational	30	New KPIs	1		Not Achieved	Adequate planning will be ensured to reach the targeted achievement	Risk based audit plan Member of the Audit Risk and Performance Committee
									2							
									3							
									4							
Bottom Layer	N/A	OMH3	F Buys	Good Governance and Public Participation	Good Governance	To Promote Good Governance & Public Participation	Percentage of audits completed by 30 June (Actual Audits Planned Audits) x 100	80% of internal audits completed by 30 June 2023 30 June 2023	Operational	30	New KPIs	1		Not Achieved	Adequate planning will be ensured to reach the targeted achievement	Quarterly internal audit reports
									2							
									3							
							80% of internal audits completed		4							
Bottom Layer	N/A	OMH4	F Buys	Good Governance and Public Participation	Good Governance	To Promote Good Governance & Public Participation	Audit Risk and Performance Committee reports submitted to council by 30 June 2023	Four (4) quarterly reports by Audit Risk and Performance Committee submitted to council by 30 June 2023 2023	Operational	30	New KPIs	1		Target is achieved. No remedial action.	Signed off reports Council then for submission to council Council Minutes & resolutions	
									2							
									3							
									4							
Bottom Layer	N/A	OMH5	F Buys	Good Governance and Public Participation	Good Governance	To Promote Good Governance & Public Participation	Internal Audit reports submitted to the Audit Risk and Performance Committee by 30 June 2023	Four (4) quarterly reports submitted to Audit Risk and Performance Committee by 30 June 2023 2023	Operational	30	New KPIs	1		Moderate planning will be ensured to reach the targeted achievement	Signed off reports then for submission to the committee Committee minutes & recommendations	
									2							
									3							
									4							
Bottom Layer	N/A	OMH5	F Buys	Good Governance and Public Participation	Good Governance	To Promote Good Governance & Public Participation	Audit Risk and Performance Committee meetings held by 30 June 2023	Four (4) quarterly reports on the number of Audit Risk and Performance Committee meetings held by 30 June 2023 2023	Operational	30	New KPIs	1		Adequate planning will be ensured to reach the targeted achievement	Agenda Minutes Attendance registers	
									2							
									3							
									4							

OPERATIONAL CP																	
Top / Bottom Layer	Project ID	Budget Votes	KPI Nr	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Annual Target Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	NA	NA	OMW7	N Njanyane	Good Governance and Public Participation	Public Participation Good Governance Financial Management	To Promote Good Governance & Public Participation	Draft CP tabled to council by 31 March 2023	Specific calendar date, 31 March 2023	Operational	R	New KPI	1		Achieved	Target is achieved. No remedial action.	Copy of the draft CP Council minutes and resolutions
													2				
													3				
													4				
Bottom Layer	NA	NA	OMW8	N Njanyane	Good Governance and Public Participation	Public Participation Good Governance Financial Management	To Promote Good Governance & Public Participation	Final CP submitted and approved by council by 31 May 2023	Specific calendar date, 31 May 2023	Operational	R	New KPI	1		Not Achieved	The approved process plan to be upheld and complied with to ensure smooth facilitation of the CP for the upcoming year.	Copy of the final CP Council minutes and resolutions
													2				
													3				
													4	31 May 2023 - Compliance Date			
Bottom Layer	NA	NA	OMW9	N Njanyane	Good Governance and Public Participation	Public Participation Good Governance Financial Management	To Promote Good Governance & Public Participation	CP Reg forum meetings held by 30 June 2023	Four (4) quarterly reports on the CP Reg Forum meetings conducted by 30 June 2023	Operational	R	New KPI	1		Not Achieved	The approved process plan to be upheld and complied with to ensure smooth facilitation of the CP for the upcoming year.	Agenda Minutes Attendance registers
													2				
													3				
													4	1 Reg Forum meeting held			
Bottom Layer	NA	NA	OMW0	N Njanyane	Good Governance and Public Participation	Public Participation Good Governance Financial Management	To Promote Good Governance & Public Participation	CP steering committee meetings held by 30 June 2023	Four (4) quarterly reports on CP Steering Committee meetings conducted by 30 June 2023	Operational	R	New KPI	1		Not Achieved	The approved process plan to be upheld and complied with to ensure smooth facilitation of the CP for the upcoming year.	Agenda Minutes Attendance registers
													2				
													3				
													4	1 CP Steering Committee meeting held			

DIRECTORATE- BUDGET AND TREASURY OFFICE Initials: _____

REVISED 2022/23 SDBI

DIRECTOR- BUDGET AND TREASURY OFFICE
MR KAGISO MARUPING

ICP: Key Strategic Objectives

To Promote Sound Financial Management & Clean Audit

To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/Levels

To Promote Local Economic Development & Job Creation

To Promote Good Governance & Public Participation

Legends

Not reportable in this quarter

OPERATIONAL (Budget & Reporting)																	
Top / Bottom Layer	Project ID	Budget Vote	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (Incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	BT01	T Koebithetse I Robinyane	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Number of reports on section 52(d) regarding Municipal Financial Position by 30 June 2023	Four (4) quarterly reports on section 52(d) regarding Municipal Financial Position by 30 June 2023	Operational	R	Quarterly reports on section 52(d) regarding Municipal Financial Position by 30 June 2022	1	Section 52(d) report on the municipal financial position	Not Achieved	Timely submission of s.52(d) reports will be ensured	Signed off reports
											2		Section 52(d) report on the municipal financial position				
											3		Section 52(d) report on the municipal financial position				
											4		Section 52(d) report on the municipal financial position				
Bottom Layer	N/A	N/A	BT02	T Koebithetse I Robinyane	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	2022/23 Adjustment budget submitted to Council for approval by 28 February 2023	One (1) set of adjustment budget submitted to council for approval by 28 February 2023	Operational	R	2021/22 Adjustment budget submitted to council	1		Achieved	Target is achieved. No remedial action.	Approved adjustment budget Council resolution
											2						
											3		28 February 2023 - Compliance Date				
											4						
Bottom Layer	N/A	N/A	BT03	T Koebithetse I Robinyane	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	2022/24 Draft budget tabled to Council by 31 March 2023	One (1) set of draft budget submitted to council for approval by 31 March 2023	Operational	R	1 Draft budget submitted to Council for approval	1		Achieved	Target is achieved. No remedial action.	Approved draft budget Council resolution
											2						
											3		31 March 2023 - Compliance Date				
											4						
Bottom Layer	N/A	N/A	BT04	T Koebithetse I Robinyane	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Number of reports on 0.5% net operating surplus by 30 June 2023	Four (4) quarterly reports on 0.5% net operating surplus by 30 June 2023	Operational	R	4 quarterly reports on 0.5% net operating surplus by 30 June 2022	1	Report on the 0.5% achievement of net operating surplus	Achieved	Target is achieved. No remedial action.	Signed off reports
											2		Report on the 0.5% achievement of net operating surplus				
											3		Report on the 0.5% achievement of net operating surplus				
											4		Report on the 0.5% achievement of net operating surplus				
Bottom Layer	N/A	N/A	BT05	T Koebithetse I Robinyane	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Number of reports on 1.5 cash/lost coverage ratio by 30 June 2023	1.5 cash/lost coverage ratio by 30 June 2022	Operational	R	1.5 cash/lost coverage ratio by 30 June 2022	1	Report on the 1.5 cash/lost coverage ratio	Achieved	Target is achieved. No remedial action.	Signed off reports
											2		Report on the 1.5 cash/lost coverage ratio				
											3		Report on the 1.5 cash/lost coverage ratio				
											4		Report on the 1.5 cash/lost coverage ratio				

DIRECTORATE: BUDGET AND TREASURY OFFICE (Indicate: _____)

REVISED 2022/23 SBRP

Bottom Layer	N/A	N/A	STG	T Keckwilt i Pockryane	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	2022/23 Final budget table to (one (1) set of final budget submitted to council for approval by 31 May 2023	Operational	D.	2021/22 final budget submitted to council	1		Approved	Target is achieved. No remedial action.	Approved final budget Council resolution
												2				
												3				
												4	31 May 2023. Confidence Date			

OPERATIONAL (Revenue Management)																	
Top / Bottom Layer	Project ID	Budget Vote's	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (Incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	BT07	S Morrison	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Number of reports on revenue collected (billing and receipts) by 30 June 2023	Four (4) quarterly reports on revenue collected by 30 June 2023	Operational	R -	Four quarterly reports on revenue collected by 30 June 2022	1	Report on revenue collected (billing and receipts)	Achieved	Target is achieved. No remedial action.	Signed off reports
													2	Report on revenue collected (billing and receipts)			
													3	Report on revenue collected (billing and receipts)			
													4	Report on revenue collected (billing and receipts)			
Bottom Layer	N/A	N/A	BT08	S Morrison	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Monthly reports on section 71 regarding municipal financial position by 30 June 2023	12 reports on section 71 regarding municipal financial position by 30 June 2023	Operational	R -	4 reports on quarterly financial position of the municipality by 30 June 2022	1	Section 71 report regarding municipal financial position	Not Achieved	Timely submission of s.71 reports will be ensured	Signed off reports
													2	Section 71 report regarding municipal financial position			
													3	Section 71 report regarding municipal financial position			
													4	Section 71 report regarding municipal financial position			
Bottom Layer	N/A	N/A	BT09	S Morrison	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	The % of households earning less than R3950 per month with access to free basic services	Four (4) quarterly reports on the % of households earning less than by 30 June 2023	Operational	R -	New KPI	1	Report on the percentage of households earning less than R3950 per month	Achieved	Target is achieved. No remedial action.	Signed off reports Budget application forms
													2	Report on the percentage of households earning less than R3950 per month			
													3	Report on the percentage of households earning less than R3950 per month			
													4	Report on the percentage of households earning less than R3950 per month			

OPERATIONAL (Expenditure Management)																	
Top / Bottom Layer	Project ID	Budget Voids	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Quantity/Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	BT010	R Boemo	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Number of reports on expenditure incurred (expenditure against budget) by 30 June 2022	Four (4) quarterly reports on revenue collected by 30 June 2022	Operational	R	Four quarterly reports on expenditure incurred by 30 June 2022	1	Report on expenditure incurred	Not Achieved	Expenditure vs budget report will be prepared and reporting improved	Signed off reports
	N/A	N/A										2	Report on expenditure incurred				
	N/A	N/A										3	Report on expenditure incurred				
	N/A	N/A										4	Report on expenditure incurred				
Bottom Layer	N/A	N/A	BT011	R Boemo	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Number of reports on 335 net debtors days by 30 June 2022	Four (4) quarterly reports on 335 net debtors days by 30 June 2022	Operational	R	200 net debtor days by 30 June 2022	1	Report on the achievement of 335 net debtors days	Achieved	Target is achieved. No remedial action.	Signed off reports
	N/A	N/A										2	Report on the achievement of 335 net debtors days				
	N/A	N/A										3	Report on the achievement of 335 net debtors days				
	N/A	N/A										4	Report on the achievement of 335 net debtors days				

OPERATIONAL (Supply Chain Management)																	
Top / Bottom Layer	Project ID	Budget Voids	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KS)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quantity Projected Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	BTC12	O Molrusi	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Number of SCM reports to Finance/Budget, Treasury Office and Corporate Services Portfolio Committee	Four (4) quarterly SCM reports for the portfolio committee	Operational	R	-	1	Report on Supply Chain Management to portfolio committee	Not Achieved	SCM report will be prepared and reporting improved	Signed off reports
												2	Report on Supply Chain Management to portfolio committee				
												3	Report on Supply Chain Management to portfolio committee				
												4	Report on Supply Chain Management to portfolio committee				
	Four quarterly reports submitted																

OPERATIONAL (CFO)																	
Top / Bottom Layer	Project ID	Budget Votals	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (Incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	B1013	K Maruping	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Percentage of progress on the implementation of Post Audit Action Plan (PAP) by 30 June 2023	100% of all issues raised addressed by	Operational	R	Post Audit Action Plan for the year ended 30 June 2021	1	Quarterly Report	Not Achieved	The supporting evidence on the implementation of the PAP will be enhanced to support planned percentage (target)	1. Updated post audit action plan (PAP) for the year ending 30 June 2022.
													2	Quarterly Report			
													3	75% - of issues addressed			
													4	100% - of issues addressed			
Bottom Layer	N/A	N/A	B1014	K Maruping	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Number of reports on the monitoring, implementation and update of the FRP by 30 June 2023	Four (4) quarterly reports on monitoring, implementation and update of the FRP by 30 June 2023	Operational	R	Number of reports on the monitoring, implementation and update of the FRP by 30 June 2022	1	Progress report on the monitoring, implementation and update of the FRP	Not Achieved	The municipality to finalise the FRP in the new financial year	Signed off reports
													2	Progress report on the monitoring, implementation and update of the FRP			
													3	Progress report on the monitoring, implementation and update of the FRP			
													4	Progress report on the monitoring, implementation and update of the FRP			
Bottom Layer	N/A	N/A	B1015	K Maruping	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Annual Financial Statements submitted to the Auditor General by 31 August 2022	One (1) set of AFS submitted to the Auditor General by 31 August 2022	Operational	R	Annual Financial Statements submitted to AGSA by 31 August 2021	1		Achieved	Target is achieved. No remedial action.	Copy of the AFS and acknowledgement letter
													2	31 August 2022 - Compliance Date			
													3				
													4				
Bottom Layer	N/A	N/A	B1016	K Maruping	Municipal Financial Viability & Management	Financial Management	To Promote Sound Financial Management & Clean Audit	Number of reports on 1.5 current ratio coverage by 30 June 2023	Four (4) quarterly reports on 1.5 current ratio coverage by 30 June 2023	Operational	R	1.5 current ratio coverage by 30 June 2022	1	Report on the 1.5 achievement of current ratio coverage	Achieved	Target is achieved. No remedial action.	Signed off reports
													2	Report on the 1.5 achievement of current ratio coverage			
													3	Report on the 1.5 achievement of current ratio coverage			
													4	Report on the 1.5 achievement of current ratio coverage			

DIRECTOR: CORPORATE SERVICES [Initials:]

REVISED 2022/23 SDBIP

DIRECTOR: CORPORATE SERVICES

MR THIABO APOLLUS

IDP: Key Strategic Objectives

To Promote Sound Financial Management & Clean Audit

To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standardised Levels

To Promote Local Economic Development & Job Creation

To Promote Good Governance & Public Participation

Legends

Not reportable in this quarter

OPERATIONAL (Human Resource)																	
Top / Bottom Layer	Project ID	Budget Voted	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (Incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	CORP	Anne-Marie Dubber Neo Sejake M Bothoko	Municipal Institutional Development and Transformation	Institutional Capacity	To Promote Good Governance & Public Participation	Number of policies developed and reviewed by 30 June 2023	Report on the number of policies developed and reviewed as at 30 June 2023	Operational	R -	Number of policies developed or reviewed by 30 June 2021	1		Not Achieved	The municipal strategic planning session is to be held to develop and review policies	Signed off report
													2				
													3				
													4	Report on the number of policies developed and reviewed			
Bottom Layer	N/A	N/A	CORP	Anne-Marie Dubber Neo Sejake M Bothoko	Municipal Institutional Development and Transformation	Institutional Capacity	To Promote Good Governance & Public Participation	Number of reports on the review and adoption of the employment equity plan by 30 June 2023	Four (4) quarterly reports on the review and implementation of the employment equity plan	Operational	R -	New KPI	1	Report on the review and adoption of the employment equity plan	Not Achieved	The municipality's employment equity plan to be submitted to Council for adoption	Minutes Attendance registers Signed off reports
													2	Report on the review and adoption of the employment equity plan			
													3	Report on the review and adoption of the employment equity plan			
													4	Report on the review and adoption of the employment equity plan			
Bottom Layer	N/A	N/A	CORP	Anne-Marie Dubber Neo Sejake M Bothoko	Municipal Institutional Development and Transformation	Institutional Capacity	To Promote Good Governance & Public Participation	Employment equity meetings held by 30 June 2023	Four (4) quarterly reports on the employment equity meetings held	Operational	R -	New KPI	1	1 Employment equity meeting held	Not Achieved	Employment equity meetings to only be held after adoption of the EEP by Council	Minutes Attendance registers Signed off reports
													2	1 Employment equity meeting held			
													3	1 Employment equity meeting held			
													4	1 Employment equity meeting held			

REVISÉ 2022/23 SDBIP

OPERATIONAL (Labour Relations)																	
Top / Bottom Layer	Project ID	Budget Votes	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	14000	M Botshoko	Municipal Institutional Development and Transformation	Institutional Capacity	To Promote Good Governance & Public Participation	Report on number of active suspensions longer than three months	Four (4) quarterly reports on the number of fraud and corruption cases reported to Council	Operational	R	Reports on acts of fraud and corruption to council	1	Report on the number of active suspensions that are longer than 3 months	Achieved	Target is achieved. No remedial action.	Investigation report from the investigator Notice of intention to suspend (if any) Appointment letter of the investigator Attendance register (pre-suspension) Suspension letter
													2	Report on the number of active suspensions that are longer than 3 months			
													3	Report on the number of active suspensions that are longer than 3 months			
													4	Report on the number of active suspensions that are longer than 3 months			

OPERATIONAL (OIS)																		
Top / Bottom Layer	Project ID	Budget Votes	KPI No.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (Incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence	
Bottom Layer	N/A	N/A	C0065	T Sejake	Municipal Institutional Transformation	Institutional Capacity	To Promote Good Governance & Public Participation	Employee wellness campaigns held by 30 June 2023	Report on the employee wellness campaigns held by 30 June 2023	Operational	R	New KPIs	1			Employee wellness campaigns to be budgeted for and held in the new financial year	Notices Programs Attendance registers Invitations	
													2					
													3					Report on the employee wellness campaigns held
													4					
Bottom Layer	N/A	N/A	C0066	T Sejake	Municipal Institutional Transformation	Institutional Capacity	To Promote Good Governance & Public Participation	SHE rep meetings conducted by 30 June 2023	Four (4) quarterly reports on SHE rep meetings conducted	Operational	R	New KPIs	1	Report on the SHE rep meetings conducted	SHE rep meetings to be held in the new financial year	Signed off reports Attendance registers Minutes Write		
													2	Report on the SHE rep meetings conducted				
													3	Report on the SHE rep meetings conducted				
													4	Report on the SHE rep meetings conducted				

OPERATIONAL (Administration)																	
Top / Bottom Layer	Project ID	Budget Votes	KPI No.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	COPPT	M Mkoabele	Good Governance and Public Participation	Good Governance	To Promote Good Governance & Public Participation	Number of Council Meetings held by 30 June 2023	Four (4) quarterly reports on the number of Council and Council Committee meetings held by 30 June 2023	Operational	R -	Minimum of 4 Council sittings in terms of Structures Act	1	1-Council Sitting held	Achieved	Target is achieved. No remedial action.	Signet of quarterly reports Attendance registers Initiates Communication Memos
												2	1-Council Sitting held				
												3	1-Council Sitting held				
												4	1-Council Sitting held				

OPERATIONAL (Legal)																	
Top / Bottom Layer	Project ID	Budget Violations	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	C008	G Bujle	Good Governance and Public Participation	Good Governance	To Promote Good Governance & Public Participation	Percentage of SLAs reviewed by the Legal Unit per quarter prior to approving by the Accounting Officer	100% of SLAs reviewed by the Legal Unit per quarter prior to approving by the Accounting Officer	Operational	R	New KPI	1	100% of SLAs reviewed by the Legal Unit	Achieved	Target is achieved. No remedial action.	Communication (Email/Memo) with the review outcome Sign-off quarterly reports
													2	100% of SLAs reviewed by the Legal Unit			
													3	100% of SLAs reviewed by the Legal Unit			
													4	100% of SLAs reviewed by the Legal Unit			

DIRECTOR: COMMUNITY SERVICES AND HUMAN SETTLEMENTS

MS EXCINIA MAKGAHIELA

IDP: Key Strategic Objectives

To Promote Sound Financial Management & Clean Audit

To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/Levels

To Promote Local Economic Development & Job Creation

To Promote Good Governance & Public Participation

OPERATIONAL (Sustainable Report)																	
Top / Bottom Layer	Project ID	Budget Value	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (SSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (Inc. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Quarterly Actual Achievement	Planned Remedial Action	Period of Evidence
Bottom Layer	N/A	N/A	COMM	Rikus Pienaar	Local Economic Development	Infrastructure Services	To Promote Local Economic Development & Job Creation	Developing the turnaround strategy to annual reports on development of the turnaround strategy of Sanifurion Report by 30 June 2023.	Operational	R	-	2 Reports on the development of the turnaround strategy of Sanifurion Report by 30 June 2023	1	Report on the development of turnaround strategy for Sanifurion Report		The Sanifurion Report strategy will be completed in the new financial year and the KPI to be all expenditure reports	
													2				
													3				
													4				
OPERATIONAL (Waste Management)																	
Bottom Layer	N/A	N/A	COMM	M Tlame	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Appropriate Standard Levels	Percentage of households with access to basic solid waste removal in Vryburg Town Market College Inland and Oorib Black by 30 June 2023.	Operational	R	-	14,588 households with access weekly households refuse removal	1	Report on the number of households with access to basic solid waste removal		Target is achieved. No remedial action.	Sliding reports Signed of quarterly reports Job cards
													2				
													3				
													4				
Bottom Layer	N/A	N/A	COMM	M Tlame	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Appropriate Standard Levels	Number of reports on the % of households with access to basic level of water, sanitation, electricity and solid waste removed by 30 June 2023.	Operational	R	-	reports on monitoring for provision of basic service level of water, sanitation and electricity	1	Report on the % solid waste removal		Target is achieved. No remedial action.	Sliding reports Signed of quarterly reports
													2				
													3				
													4				

OPERATIONAL (Traffic & Law Enforcement)																	
Top / Bottom Layer	Project ID	Budget (Vols)	KPI No.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (Incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	COM6	B. Sekhumba	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/Levels	Reports on the operations and management of Law Enforcement and Traffic Services	Quarterly report on the operations and management of law enforcement and traffic services	Operational	R		1			Target is achieved. No remedial action.	Signed off reports
													2				
												New KPI	3	Report on the operations and management of law enforcement and traffic services		Isolated	
													4	Report on the operations and management of law enforcement and traffic services			

OPERATIONAL (Units - Compliance)																	
Top / Bottom	Project-ID	Budget Variance	KPI No.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Proposed Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	COM07	N. McBoys	Infrastructure Delivery & Service Delivery Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standard Levels	Reports on the number of Awareness and Education campaigns conducted by 30 June 2023	Quarterly report on the number of awareness and educational campaigns conducted	Operational	R	New KPI	1			Targets achieved. No remedial action	Signed off reports
													2				
													3		report on the awareness and educational campaigns conducted		
													4		report on the awareness and educational campaigns conducted		
Top / Bottom																	
OPERATIONAL (Fire & Disaster Management)																	
Top / Bottom	Project-ID	Budget Variance	KPI No.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Proposed Target	Quarterly Actual Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	COM06	C. Fourche	Infrastructure Delivery & Service Delivery Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standard Levels	Reports on the management of fire and disaster management	Quarterly report on the management of fire and disaster management	Operational	R	New KPI	1			The performance indicator is still in the new financial year (subject to monitoring)	Signed off reports Incident Register
													2				
													3		report on the management of fire and disaster management		
													4		report on the management of fire and disaster management		

[illegible]

DIRECTOR: TECHNICAL AND INFRASTRUCTURE SERVICES (Initials): _____

REVISED 2022/21 SOBIP

DIRECTOR: TECHNICAL AND INFRASTRUCTURE SERVICES

MRS NELSON MONGALE

KPI Key Strategic Objectives

To Promote Sound Financial Management & Clean Audit

To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standard Levels

To Promote Local Economic Development & Job Creation

To Promote Good Governance & Public Participation

Legend:

Not reportable in this quarter

KPI PROJECTS (Electrical Services)

Top / Bottom Layer	Project ID	Budget Vols	KPI Wt.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Annual Target Achievement	Planned Remedial Action	Evidence
Top Layer	INEP ACTIVE	NLM2022-021B	TECH	T Tsoelike	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standard Levels	Percentage of progress on the electrification of 89 households in Colonge Ext 17 Phase 2 by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	R 1 832 000,00	R 1 832 000,00	New KPI	1	1 Quarterly report on the work done on the electrification of 89 households in Colonge Ext 17 Phase 2	Actual	Target is achieved. No remedial action.	Progress report Last payment certificate GPS co-ordinates
													2	1 Quarterly report on the work done on the electrification of 89 households in Colonge Ext 17 Phase 2			
													3	95% of the project works completed by 30 June 2023			
													4	100% of the project works completed by 30 June 2023			
Top Layer	INEP ACTIVE	NLM2022-028B	TECH	T Tsoelike	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standard Levels	Percentage of progress on the electrification of 250 households in the Ragsdale Phase 3 by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	R 4 625 000,00	R 4 625 000,00	New KPI	1	1 Quarterly report on the work done on the electrification of 250 households in the Ragsdale Phase 3	Actual	Target is achieved. No remedial action.	Progress report Last payment certificate GPS co-ordinates
													2	1 Quarterly report on the work done on the electrification of 250 households in the Ragsdale Phase 3			
													3	70% of the project works completed by 31 March 2023			
													4	100% of the project works completed by 30 June 2023			

IDP PROJECTS (PMU - Roads)																	
Top / Bottom Layer	Project ID	Budget Voles	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Annual Target Achievement	Planned Remedial Action	Portfolio of Evidence
Top Layer	MIG	NLM2019-0136	TECH6	D Munyai	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/levels	Percentage of progress on Hulud taxi route upgrade Phase 1 by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	R 14 400 000.00	R 15 000 000.00	New KPI	1	1 Quarterly report on the work done on the construction of Hulud taxi route upgrade Phase 2	Achieved	Target is achieved. No remedial action.	Progress report Last payment certificates GPS co-ordinates
											2		1 Quarterly report on the work done on the construction of Hulud taxi route upgrade Phase 2				
											3		100% of the project works completed by 31 March 2023				
											4		Project at works completion				
Top Layer	MIG	NLM2017-003C	TECH4	D Munyai	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/levels	Percentage of progress on Extension 25 taxi route upgrade by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	R 14 500 000.00	R 16 260 863.00	New KPI	1	1 Quarterly report on the work done on the construction of Extension 25 taxi route upgrade	Achieved	Target is achieved. No remedial action.	Progress report Last payment certificates GPS co-ordinates
											2		1 Quarterly report on the work done on the construction of Extension 25 taxi route upgrade				
											3		100% of the project works completed by 31 March 2023				
											4		Project at works completion				
Top Layer	MIG	NLM2022-007A	TECH6	D Munyai	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/levels	Percentage of progress on rehabilitation of streets in Corbridge by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	R 4 350 000.00	R 4 353 765.00	New KPI	1	1 Quarterly report on the work done on the rehabilitation of streets in Corbridge	Achieved	Target is achieved. No remedial action.	Progress report Last payment certificates GPS co-ordinates
											2		1 Quarterly report on the work done on the rehabilitation of streets in Corbridge				
											3		90% of the project works completed by 31 March 2023				
											4		Project at works completion				
Top Layer	MIG	NLM2022-015A	TECH6	D Munyai	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/levels	Percentage of progress on the construction of Hulud internal streets by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	R 14 600 000.00	R 14 375 000.00	New KPI	1	1 Quarterly report on the work done on the construction of Hulud internal streets	Achieved	Target is achieved. No remedial action.	Progress report Last payment certificates GPS co-ordinates
											2		1 Quarterly report on the work done on the construction of Hulud internal streets				
											3		35% of the project works completed by 31 March 2023				
											4		55% of the project works completed by 30 June 2023				

IDP PROJECTS (PMU - Construction est. ready)																	
Top / Bottom Layer	Project ID	Budget Voids	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Annual Target Achievement	Planned Remedial Action	Portfolio of Evidence
Top Layer	INTERNAL	N/A	TECH	D. Muryai	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standard Levels	Percentage of progress on construction of community hall in Colidge by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	Operational	R	New KPI	1	1 Quarterly report on the work done on the construction of community hall in Colidge	Achieved	Target is achieved. No remedial action.	Progress report Last payment certificates GPS co-ordinates Structural Investigation Report
													2	1 Quarterly report on the work done on the construction of community hall in Colidge			
													3	100% of the project works completed by 31 March 2023			
													4	100% of the project works completed by 30 June 2023			
Top Layer	MIG	NLM2019-013B	TECH8	D. Muryai	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standard Levels	Percentage of progress on construction of Hahudi Cemetery by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	R	4 200 000,00	New KPI	1	1 Quarterly report on the work done on the construction of Hahudi Cemetery	Achieved	Target is achieved. No remedial action.	Progress report Last payment certificates GPS co-ordinates
													2	1 Quarterly report on the work done on the construction of Hahudi Cemetery			
													3	100% of the project works completed by 31 March 2023			
													4	Project at works completion			
Top Layer	MIG	NLM2022-0017A	TECH8	D. Muryai	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standard Levels	Percentage of progress on construction of Vryburg Cemetery by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	R	5 500 000,00	New KPI	1	1 Quarterly report on the work done on the construction of Vryburg Cemetery	Achieved	Target is achieved. No remedial action.	Progress report Last payment certificates GPS co-ordinates
													2	1 Quarterly report on the work done on the construction of Vryburg Cemetery			
													3	100% of the project works completed by 31 March 2023			
													4	Project at works completion			
Top Layer	MIG	NLM2022-0033A	TECH10	D. Muryai	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standard Levels	Percentage of progress on construction of Colidge Cemetery by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	R	4 200 000,00	New KPI	1	1 Quarterly report on the work done on the construction of Colidge Cemetery	Achieved	Target is achieved. No remedial action.	Progress report Last payment certificates GPS co-ordinates
													2	1 Quarterly report on the work done on the construction of Colidge Cemetery			
													3	N/A			
													4	N/A			

Top Layer	INTERNAL	N/A	TECH1	D Mungai	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/levels	Percentage of progress on construction of community hall in Brookesdal by 30 June 2023	Incremental target proposed to ensure that actual completion percentages on the project is reported on.	Operational	R	New	1	1 Quarterly report on the work done on the construction of community hall in Brookesdal	Not achieved	Project overruns in the coming year (2022/24) and is projected to be completed by December 2023	Progress report Last payment certificates GPS co-ordinates
													2	1 Quarterly report on the work done on the construction of community hall in Brookesdal			
													3	70% of the project works completed by 31 March 2023			
													4	100% of the project works completed by 30 June 2023			
OPERATIONAL (Road and Stormwater)																	
Top / Bottom Layer	Project ID	Budget Voids	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (Incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Annual Target Achievement	Planned Remedial Action	Evidence
Bottom Layer	N/A	N/A	TECH2	R Mokoena	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/levels	Number of reports on access roads infrastructure by 30 June 2023	Four (4) quarterly reports on access quality roads infrastructure by 30 June 2023	Operational	R	4 reports on access to quality roads infrastructure by 30 June 2022	1	Reports on maintenance of access roads	Achieved	Target is achieved. No remedial action.	Signed off reports Dated pictures of before and after
													2	Reports on maintenance of access roads			
													3	Reports on maintenance of access roads			
													4	Reports on maintenance of access roads			

OPERATIONAL (Electrical Services)																	
Top / Bottom Layer	Project ID	Budget Voids	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Annual Target Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	TECH13	T Tsotetsi	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/Levels	Number of reports on provision of street, area lighting, new connections and replacement of faulty meters and bulk supply/upgrade of systems by 30 June 2023	Four (4) quarterly reports on provision of street, area lighting, new connections and replacement of faulty meters and bulk supply/upgrade of systems by 30 June 2023	Operational	R	4 reports on the provision of electricity by 30 June 2022	1	Reports on provision of street, area lighting, new connections and replacement of faulty meters and bulk supply/upgrade of systems	Achieved	Target is achieved. No remedial action.	Signed off reports
													2	Reports on provision of street, area lighting, new connections and replacement of faulty meters and bulk supply/upgrade of systems			
													3	Reports on provision of street, area lighting, new connections and replacement of faulty meters and bulk supply/upgrade of systems			
													4	Reports on provision of street, area lighting, new connections and replacement of faulty meters and bulk supply/upgrade of systems			
Top Layer	N/A	N/A	TECH14	T Tsotetsi	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/Levels	Number of reports on the % of households with access to basic level of water, sanitation, electricity and solid waste removed by 30 June 2023	Four (4) quarterly reports on progress achieved by 30 June 2023	Operational	R	reports on monitoring to provision of basic service level of water, sanitation and electricity	1	Reports on the % of households with access to basic level of electricity	Not Achieved	The listing for all households to be developed to ensure ease of compilation for the planned achievement target	Signed off reports
													2	Reports on the % of households with access to basic level of electricity			
													3	Reports on the % of households with access to basic level of electricity			
													4	Reports on the % of households with access to basic level of electricity			

OPERATIONAL (Omnifanning)																	
Top / Bottom Layer	Project ID	Budget Voted	KPI Nr.	Responsible Person	Key Performance Area (KPA)	Back to Basics	Key Strategic Objectives (KSO)	Key Performance Indicators (KPI)	Annual Performance Target	Original Budget	Final Budget (incl. Adj. Budget)	Base Line	Quarter	Quarterly Projected Target	Annual Target Achievement	Planned Remedial Action	Portfolio of Evidence
Bottom Layer	N/A	N/A	TECH6	A Manamela	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/Levels	Building plans assessed within 60 days by 30 June 2023	Four (4) quarterly reports on the number of building plans assessed by 30 June 2023	Operational	R	New KPI	1	Reports on building plans assessed within 60 days	Achieved	Target is achieved. No remedial action	Application register Assessment reports Building plans request form
											2		Reports on building plans assessed within 60 days				
											3		Reports on building plans assessed within 60 days				
											4		Reports on building plans assessed within 60 days				
Bottom Layer	N/A	N/A	TECH6	A Manamela	Service Delivery & Infrastructure Development	Infrastructure Services	To Provide Adequate & Sustainable Service Delivery Within The Acceptable Standards/Levels	Building completion certificates issued within 30 days by 30 June 2023	Four (4) quarterly reports on the number of building completion certificates issued by 30 June 2023	Operational	R	New KPI	1	Reports on completion certificates issued within 30 days	Achieved	Target is achieved. No remedial action	Application register Assessment reports Inspection request form
											2		Reports on completion certificates issued within 30 days				
											3		Reports on completion certificates issued within 30 days				
											4		Reports on completion certificates issued within 30 days				

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Chapter 4- ORGANISATIONAL DEVELOPMENT PERFORMANCE

(PERFORMANCE REPORT PART II)

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANIES

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

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.

T 4.2.0

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Vacancy Rate: Year 0			
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	0,00
CFO	1	0	0,00
Other S57 Managers (excluding Finance Posts)	25	14	56,00
Other S57 Managers (Finance posts)	7	0	0,00
Police officers	0	0	0,00
Fire fighters	36	17	47,22
Senior management: Levels 13-15 (excluding Finance Posts)	35	10	28,57
Senior management: Levels 13-15 (Finance posts)	8	7	87,50
Highly skilled supervision: levels 9- 12 (excluding Finance posts)	128	58	45,31
Highly skilled supervision: levels 9- 12 (Finance posts)	23	0	0,00
Total	264	106	40,15
<p>Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.</p>			

T 4.1.2

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
Year -2	12	2	17%
Year -1	8	14	175%
Year 0	3	20	667%
* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year			T 4.1.3

4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
1	Attraction and Retention	28-Mar-13	None	28-Mar-13
2	Code of Conduct for employees	28-Mar-13	None	28-Mar-13
3	Delegations, Authorisation & Responsibility	Mar-14	None	Mar-14
4	Essential Services	28-Mar-13	None	28-Mar-13
5	Employee Assistance / Wellness	25-Mar-13	None	28-Mar-13
6	Grievance Procedures	20-Jun-13	None	25-Mar-13
7	HIV/Aids	30-Jun-14	None	28-Mar-13
8	Job Evaluation	20-Jun-18	None	30-Jun-14
9	Leave	28-Mar-13	None	20-Jun-18
10	Occupational Health and Safety	28-Mar-13	None	30-Jun-14
11	Official Working Hours and Overtime		None	20-Jun-18
12	Performance Management and Development	Not yet adopted	None	Not yet adopted
13	Recruitment, Selection and Appointments		None	20-Jun-18
14	Sexual Harassment		None	28-Mar-13
15	Smoking		None	28-Mar-13
16	Uniforms and Protective Clothing		None	28-Mar-13
Use name of local policies if different from above and at any other HR policies not listed.				T 4.2.1

4.3. INJUIRES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	60	5	8%	12	60
Temporary total disablement	0	0	0%	0	0
Permanent disablement	0	0	0%	0	0
Fatal	0	0	0%	0	0
Total	60	5	8%	12	60

T 4.3.1

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	566	0%	91	394	0,82	257111,16
Skilled (Levels 3-5)	294	0%	29	123	0,43	159424,44
Highly skilled production (levels 6-8)	322	0%	31	102	0,47	293354,44
Highly skilled supervision (levels 9-12)	473	0%	29	47	0,69	650881,11
Senior management (Levels 13-15)	206	0%	10	17	0,30	493058,94
MM and S57	3	0%	1	5	0,00	13076,4
Total	1864	0%	191	688	2,71	1809906,49

* - Number of employees in post at the beginning of the year

*Average is calculated by taking sick leave in column 2 divided by total employees in column 5

T 4.3.2

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
1. General worker	1. Fraud and corruption 2. Bring the image of the municipality into dispute	17-Mar-23	1. Unavailability of the key witnesses 2. Request for postponement due to illness of the applicants representative	Still in progress
2. Examiner driving licences Grade A	1. Fraud and corruption 2. Bring the image of the municipality into dispute	17-Mar-23	1. Unavailability of the key witnesses 2. Request for postponement due to illness of the applicants representative	Still in progress
3. Assistant Manager: MI SS Security	1. Alleged that the employee is been charged for committing a serious	22-Mar-23	1. Employee's criminal case at the regional court is still in progress	1. Suspension converted into special leave until the finalisation of the employee's criminal case at the regional court

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

MSA 2000 S68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

T 4.5.0

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 0	Number of skilled employees required and actual as at 30 June Year 2023											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target
MM and s57	Female		0	0	0	0	0	0	0	0	0	0	0	0
	Male		0	0	0	0	0	0	0	0	0	0	0	
Councillors, senior officials and managers	Female		0	0	0	0	4	4	0	0	0	0	4	4
	Male		0	0	0	0	9	9	0	0	0	0	9	9
Technicians and associate professionals*	Female		0	0	0	0	1	1	0	0	0	0	1	1
	Male		0	0	0	0	2	2	0	0	0	0	2	2
Professionals	Male		0	0	0	0	7	7	0	0	0	0	0	0
	Female		0		0	0	6	6	0	0	0	0	0	0
clerical support worker	Male		0	0	0	0	1	1	0	0	0	0	0	0
	Female		0	0	0	0	4	4	0	0	0	0	0	0
Elementary	Female		0	0	0	0	1	1	0	0	6	0	1	7
	Male		0	0	0	0	3	3	0	0	2	0	2	2
Sub total	Female		0	0			6	6			6		6	12
	Male			0			14	14			2		13	13
Total		0	0	0	0	0	58	58	0	0	16	0	38	50

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

T
4.5.1

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						
<i>Accounting officer</i>	1	0	1	0	0	0
<i>Chief financial officer</i>	1	0	1	0	0	0
<i>Senior managers</i>	3	0	3	0	0	0
<i>Any other financial officials</i>	61	0	61	0	0	0
Supply Chain Management Officials						
<i>Heads of supply chain management units</i>	1	0	1	0	0	0
<i>Supply chain management senior managers</i>	0	0	0	1	1	1
TOTAL	67	0	67	1	1	1
* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)						

T 4.5.2

R'000										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female		-	-	-	-	-	-	-	-
	Male	1	-	-	-	-	-	-	-	-
Legislators, senior officials and managers	Female	15	-	-	-	-	-	-	-	-
	Male	35	-	-	-	-	-	-	-	-
Professionals	Female	19	-	-	-	-	-	-	-	-
	Male	28	-	-	-	-	-	-	-	-
Technicians and associate professionals	Female	25	-	-	-	-	-	-	-	-
	Male	31	-	-	-	-	-	-	-	-
Clerks	Female	60	-	-	-	-	-	-	-	-
	Male	41	-	-	-	-	-	-	-	-
Service and sales workers	Female	26	-	-	-	-	-	-	-	-
	Male	68	-	-	-	-	-	-	-	-
Plant and machine operators and assemblers	Female	4	-	-	-	-	-	-	-	-
	Male	65	-	-	-	-	-	-	-	-
Elementary occupations	Female	76	-	-	-	-	-	-	-	-
	Male	216	-	-	-	-	-	-	-	-
Sub total	Female	225	-	-	-	-	-	-	-	-
	Male	484	-	-	-	-	-	-	-	-
Total		709	0	0	0	0	0	0		
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									%*	*R1,00000
T4.5.3										

CHAPTER 5 – FINANCIAL PERFORMANCE

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description	Year 0											Year -1			
	Original Budget	Budget Adjustments (i.to. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.to. s31 of the MFMA)	Virement (i.to. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousands	1	2	3	4	5	6	7	8	9	100%	110%	12	13	14	15
Financial Performance															
Property rates	67 789	307	68 097	-		68 097	77 006		(8 909)	113%	114%				62 262
Service charges	272 282	7 816	280 098	-		280 098	204 529		75 569	73%	75%				203 009
Investment revenue	600	600	1 200	-		1 200	767		433	64%	128%				1 222
Transfers recognised - operational	67 297	(550)	66 747	-		66 747	67 320		(573)	101%	100%				62 529
Other own revenue	51 777	49 454	101 231	-		101 231	93 386		7 845	92%	180%				41 314
Total Revenue (excluding capital transfers and contributions)	459 745	57 627	517 373	-		517 373	443 007		74 366	86%	96%				370 336
Employee costs	238 763	(5 044)	233 719	-	-	233 719	233 794	76	(76)	100%	98%				215 691
Remuneration of councillors	7 949	-	7 949	-	-	7 949	8 421	472	(472)	106%	106%				8 139
Debt impairment	44 444	-	44 444			44 444	97 405	52 962	(52 962)	219%	219%				14 962
Depreciation & asset impairment	41 509	-	41 509			41 509	34 967	-	6 541	84%	84%				39 657
Finance charges	15 000	13 500	28 500	-	-	28 500	66 925	38 425	(38 425)	235%	446%				36 339
Materials and bulk purchases	148 256	30 503	178 759	-	-	178 759	175 939	-	2 820	98%	119%				174 021
Transfers and grants	320	(320)	-	-	-	-	-	-	-	-	0%				-
Other expenditure	28 352	8 476	36 828	-	-	36 828	45 964	9 136	(9 136)	125%	162%				32 034
Total Expenditure	524 593	47 114	571 707	-	-	571 707	663 417	101 071	(91 710)	116%	126%				520 843
Surplus/(Deficit)	(64 848)	10 513	(54 335)	-		(54 335)	(220 410)		166 075	406%	340%				(150 507)
Transfers recognised - capital	25 280	1 702	26 982	-		26 982	51 982		(25 000)	193%	206%				40 857
Contributions recognised - capital & contributed assets	-	-	-	-		-	2 250		2 250	-	-				-
Surplus/(Deficit) after capital transfers & contributions	(39 568)	12 215	(27 353)	-		(27 353)	(166 178)		143 325	608%	420%				(109 650)
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	-	-				-
Surplus/(Deficit) for the year	(39 568)	12 215	(27 353)	-		(27 353)	(166 178)		143 325	608%	420%				(109 650)
Capital expenditure & funds sources															
Capital expenditure	48 417	27 737	76 154	-		76 154	62 888		13 266	83%	130%				46 546
Transfers recognised - capital	30 822	36 085	66 917	-		66 917	62 021		4 895	93%	201%				40 857
Public contributions & donations	-	-	-	-		-	-		-	-	-				-
Borrowing	-	-	-	-		-	-		-	-	-				-
Internally generated funds	17 596	(4 256)	13 339	-		13 339	867		12 472	7%	5%				5 689
Total sources of capital funds	48 417	31 839	80 256	-		80 256	62 888		17 368	78%	130%				46 546
Cash flows															
Net cash from (used) operating	457 702	(286 767)	170 935	-		170 935	58 002		112 933	34%	13%				19 230
Net cash from (used) investing	(48 417)	7 187	(41 230)	-		(41 230)	(61 907)		20 677	150%	128%				(46 546)
Net cash from (used) financing	-	-	-	-		-	(6 147)		6 147	-	-				(5 189)
Cash/cash equivalents at the year end	435 968	(279 580)	156 389	-		156 389	7 827		148 561	5%	2%				17 879

T 5.1.1

Notes

3 = sum of Column 1 and 2

2 represents movements in original budget to get to final adjustments budget (including shifting of funds)

Virements must offset each other so that virements in

Total Expenditure equals zero

6 = sum of column 3, 4 and 5

8 does not necessarily equal the difference between 9 and 8 because overspending is not the only reason for unauthorised expenditure

9 = 7 - 6

10 = (7/6)*100

11 = (9/1)*100

14 = 13 - 12

15 in revenue equals Audited Outcome

plus funds actually recovered

15 in expenditure equals Audited Outcome less funds

actually recovered

15 in Cash Flow equals Audited Outcome

plus funds recovered

Financial Performance of Operational Services						
R '000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Water	34 262	31 801	32 329	16 582	-91,78%	-94,96%
Waste Water (Sanitation)	15 891	13 427	13 668	9 382	-43,12%	-45,69%
Electricity	130 279	132 216	136 263	135 234	2,23%	-0,76%
Waste Management	22 691	32 694	29 548	25 857	-26,44%	-14,28%
Housing	5 615	5 760	5 662	5 788	0,47%	2,16%
Component A: sub-total	208 738	215 898	217 471	192 842	-11,96%	-12,77%
Waste Water (Stormwater Drainage)	-	-	-	-	-	-
Roads	30 247	63 803	60 061	28 999	-120,01%	-107,11%
Transport	-	-	-	-	-	-
Component B: sub-total	30 247	63 803	60 061	28 999	-120,01%	-107,11%
Planning	2 658	4 176	4 186	4 433	5,78%	5,57%
Local Economic Development	3 034	3 084	3 480	3 155	2,25%	-10,29%
Component B: sub-total	5 692	7 260	7 665	7 588	4,31%	-1,02%
Planning (Strategic & Regulatory)	895	1 571	1 571	928	-69,23%	-69,23%
Local Economic Development	-	-	-	-	-	-
Component C: sub-total	895	1 571	1 571	928	-69,23%	-69,23%
Community & Social Services	41 989	12 411	11 766	5 633	-120,32%	-108,87%
Environmental Protection	173	4 229	4 246	4 138	-2,20%	-2,61%
Health	-	-	-	-	-	-
Security and Safety	31 374	26 926	28 009	30 211	10,87%	7,29%
Sport and Recreation	12 525	15 235	14 640	17 674	13,80%	17,17%
Corporate Policy Offices and Other	189 211	177 260	210 100	375 403	52,78%	44,03%
Component D: sub-total	275 271	236 061	268 760	433 060	45,49%	37,94%
Total Expenditure	520 843	524 593	555 528	663 417	20,93%	16,26%
In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						T 5.1.2

5.2 GRANTS

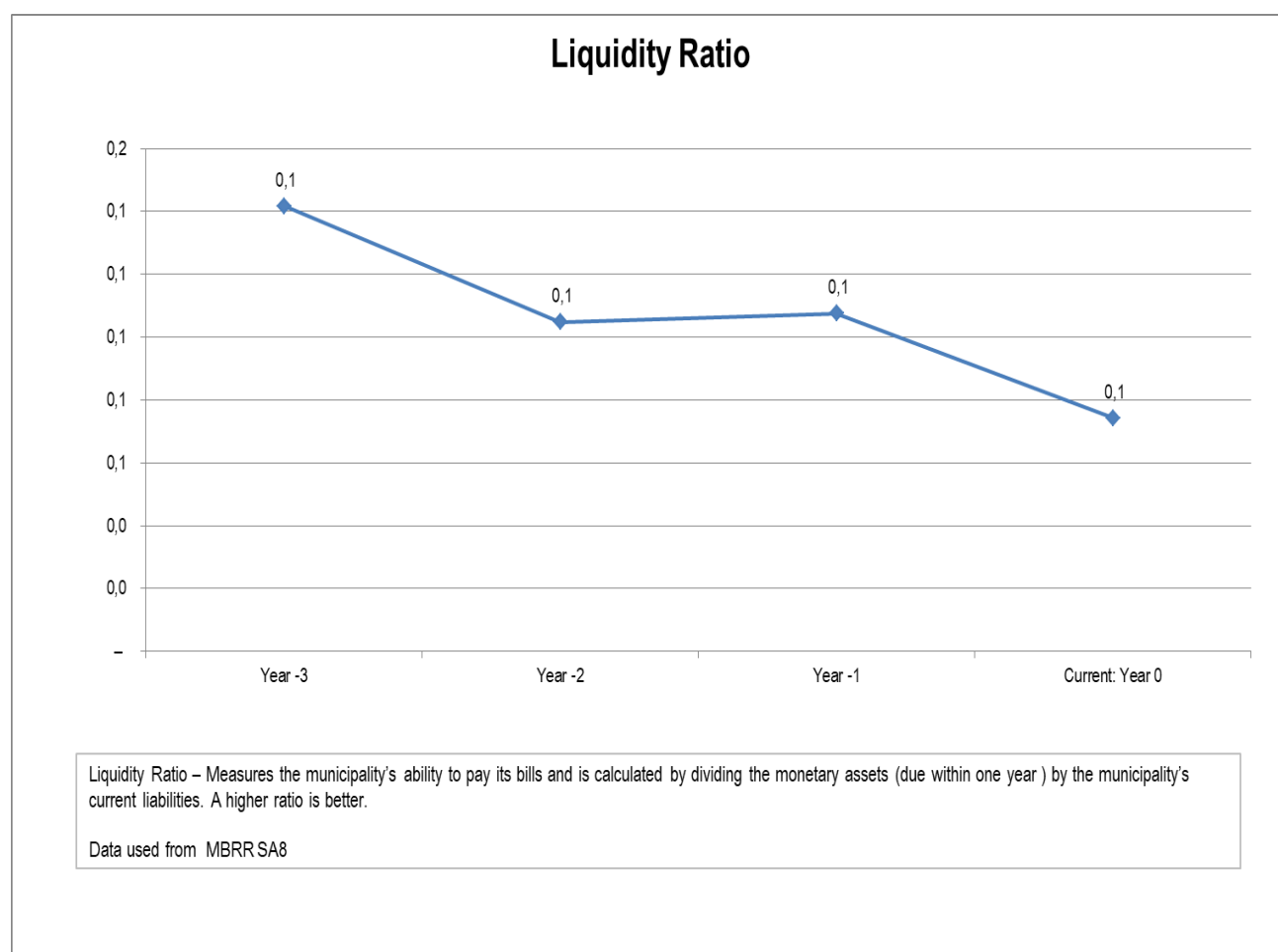
Grant Performance						
R' 000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:	62 529	40 553	45 916	67 320	166%	147%
Equitable share	58 600	37 189	42 547	63 237	170%	149%
Municipal Systems Improvement	–	–	–	–	0%	0%
Department of Water Affairs	–	–	–	–	0%	0%
Levy replacement	–	–	–	–	0%	0%
Other transfers/grants FMG & EPWP]	3 929	3 364	3 369	4 083	121%	121%
Provincial Government:	–	–	–	–	0%	0%
Health subsidy	–	–	–	–	0%	0%
Housing	–	–	–	–	0%	0%
Ambulance subsidy	–	–	–	–	0%	0%
Sports and Recreation	–	–	–	–	0%	0%
Other transfers/grants FMG & EPWP]	–	–	–	–	0%	0%
District Municipality:	–	–	–	–	0%	0%
[insert description]	–	–	–	–	0%	0%
Other grant providers:	–	–	–	–	0%	0%
[insert description]	–	–	–	–	0%	0%
Total Operating Transfers and Grants	62 529	40 553	45 916	67 320	166%	147%
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						
Full list of provincial and national grants available from published gazettes.						
T 5.2.1						

5.3 ASSET MANAGEMENT

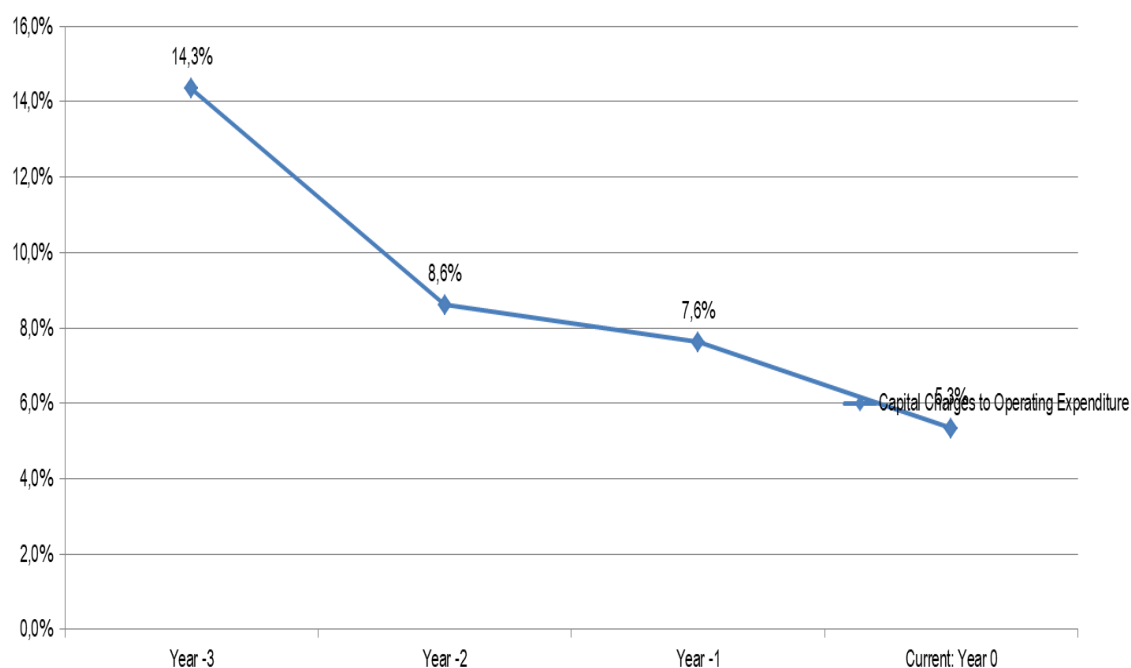
TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2023				
Asset 1				
Name	NLM2017-003A/C - Paving of Vryburg Ext 25 Taxi Route - Phase 2			
Description	The project is focused on creating access roads for public commuter transport as the area was recently established.			
Asset Type	Infrastructure Assets - Road Network			
Key Staff Involved	Technical Services - Performance Management Unit			
Staff Responsibilities	Monitoring on the project implementation and assessing progress until completion.			
	Year -3	Year - 2022/23	Year - 2021/22	Year -2020/21
Asset Value	-	16430880,32	13184527,61	-
Capital Implications	MIG Grant			
Future Purpose of Asset	Provide ease of assess in the established township and maintenance thereof.			
Describe Key Issues	Road Maintenance			
Policies in Place to Manage Asset	Assets Management Policy			
Asset 2				
Name	NLM2018-008B-2 - Construction of Dithakwaneng Sport Facility			
Description	Construction of a sports facility comprising of a soccer, netball and basketball/tennis field			
Asset Type	Land and Buildings - Community Assets			
Key Staff Involved	Technical Services - Performance Management Unit			
Staff Responsibilities	Monitoring on the project implementation and assessing progress until completion.			
	Year -3	Year - 2022/23	Year - 2021/22	Year -2020/21
Asset Value	-	10757489,84	9088688,11	5916214,56
Capital Implications	MIG Grant			
Future Purpose of Asset	Allow community access to facilities promoting good health and opportunities to sports sponsorships.			
Describe Key Issues	Avoid drug usage for youth and tackle physical health issues.			
Policies in Place to Manage Asset	Assets Management Policy and referral to the Sports, Arts and Culture Policies.			
Asset 3				
Name	NLM2019-013B - Construction of Huhudi Taxi Route Upgrade - Phase 1			
Description	The project is focused on creating access roads for public commuter transport to other parts of Huhudi township.			
Asset Type	Infrastructure Assets - Road Network			
Key Staff Involved	Technical Services - Performance Management Unit			
Staff Responsibilities	Monitoring on the project implementation and assessing progress until completion.			
	Year -3	Year - 2022/23	Year - 2021/22	Year -2020/21
Asset Value	-	15966416,49	14756853,79	480443,01
Capital Implications	MIG Grant			
Future Purpose of Asset	Provide ease of assess in the established township and maintenance thereof.			
Describe Key Issues	Road Maintenance			
Policies in Place to Manage Asset	Assets Management Policy			
T 5.3.2				

Repair and Maintenance Expenditure: Year 2022/23				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	9 950	9 040	6 444	35%
				T 5.3.4

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



Capital Charges to Operating Expenditure



Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

COST COVERAGE

Cash / Cost Coverage Ratio	((Cash and Cash Equivalents - 1 - 3 Months	20 Month
	Cash and cash equivalents	168 899 466
	Unspent Conditional Grants	-
	Overdraft	-
	Short Term Investments	-
	Total Annual Operational Expenditure	100 777 972

TOTAL OUSTANDING SERVICE DEBTORS

Net Debtors Days	((Gross Debtors - Bad debt	30 days		410 days
			Gross debtors	687 548 317
			Bad debts Provision	574 305 739
			Billed Revenue	100 777 972

DEBT COVERAGE

Revenue Growth (%)	(Period under review's Total	= CPI		-55%
			CPI	5%
			Total Revenue (Previous)	489 496 090
			Total Revenue (Current)	221 366 871

CREDITORS SYSTEM EFFICIENCY

Creditors Payment Period	Trade Creditors Outstanding /	30 days		4 277 days
			Trade Creditors	1 300 465 505
			Contracted Services	7 811 557
			Repairs and Maintenance	1 260 989
			General expenses	11 414 528
			Bulk Purchases	73 475 742
			Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)	17 025 194

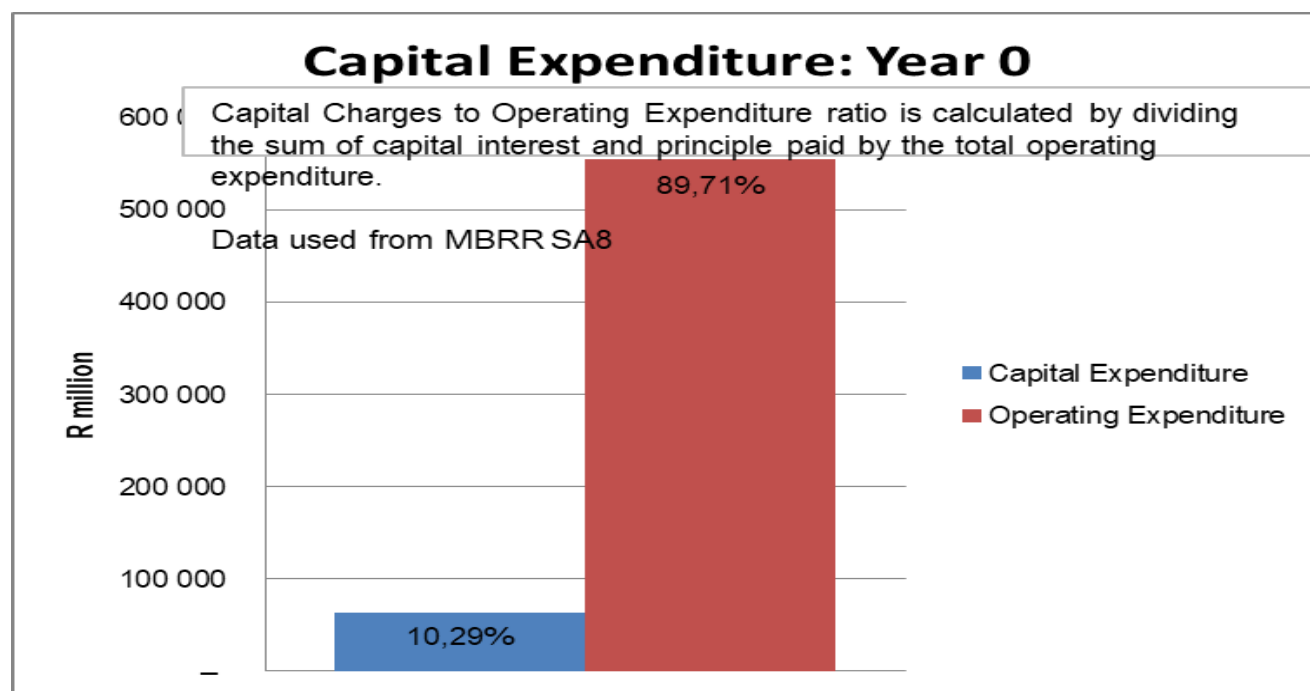
EMPLOYEE COSTS

Remuneration as % of Total	Remuneration (Employee Related	25% - 40%		48%
			Employee/personnel related cost	126 118 840
			Councillors Remuneration	861 624
			Total Operating Expenditure	262 901 906
			Taxation Expense	-

REPAIRS AND MAINTENANCE

Repairs and Maintenance as a	Total Repairs and Maintenance	8%		0%
			Total Repairs and Maintenance Expenditure	1 260 989
			PPE at carrying value	519 799 283
			Investment Property at Carrying value	57 637 000

5.5 CAPITAL EXPENDITURE



R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance	
Capital Expenditure	48 417	63 726	62 888	-29,9%	1,3%	10,29%
	48 417	63 726	62 888	-29,9%	1,3%	-
Operating Expenditure	524 593	555 528	663 417	-26,5%	-19,4%	89,71%
	524 593	555 528	663 417	-26,5%	-19,4%	-
Total expenditure	573 010	619 253	726 305	-26,8%	-17,3%	-
Water and sanitation	-	-	-	-	-	-
Electricity	8 277	9 641	9 641	-16,5%	0,0%	-
Housing	-	-	-	-	-	-
Roads, Pavements, Bridges and storm water	10 438	6 430	6 430	38,4%	0,0%	-
Other						

	29 702	47 654	47 654	-60,4%	0,0%	–
	48 417	63 726	63 726	-31,6%	0,0%	–
External Loans	–	–	–	–	–	–
Internal contributions	17 596	13 339	13 339	24,2%	0,0%	–
Grants and subsidies	30 822	50 386	50 386	-63,5%	0,0%	–
Other	–	–	–	–	–	–
	48 417	63 726	63 726	-31,6%	0,0%	–
External Loans	–	–	–	–	–	–
Grants and subsidies	92 577	94 279	94 279	-1,8%	0,0%	–
Investments Redeemed	–	–	–	–	–	–
Statutory Receipts (including VAT)	–	–	–	–		
Other Receipts	–	–	–	–	–	–
	92 577	94 279	94 279	-1,8%	0,0%	–
Salaries, wages and allowances	246 712	244 212	244 212	1,0%	0,0%	–
Cash and creditor payments	–	–	–	–	–	–
Capital payments	48 417	63 726	63 726	-31,6%	0,0%	–
Investments made	–	–	–	–	–	–
External loans repaid	–	–	–	–	–	–
Statutory Payments (including VAT)	–	–	–	–	–	–
Other payments	–	–	–	–	–	–

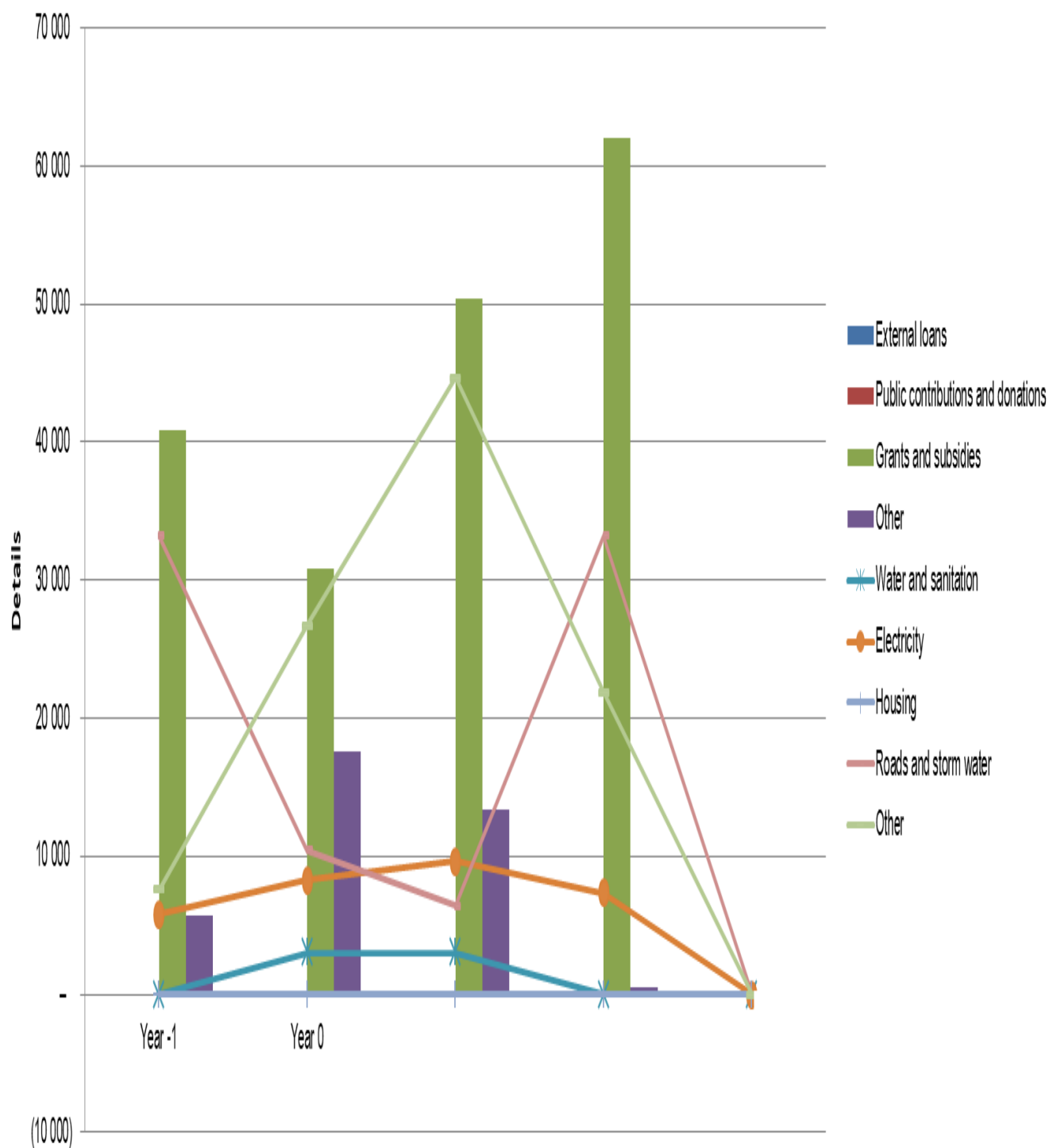
	295 129	307 938	307 938	-4,3%	0,0%	–
Property rates	67 789	68 097	77 006	-13,6%	-13,1%	8 908 874,00
Service charges	53 047	53 047	53 047	0,0%	0,0%	–
Other own revenue	100 778	150 832	141 923	-40,8%	5,9%	–
	221 614	271 976	271 976	-22,7%	0,0%	–
Employee related costs	220 382	218 882	218 882	0,7%	0,0%	–
Provision for working capital	686 831	686 831	686 831	0,0%	0,0%	–
Repairs and maintenance	8 520	5 010	5 010	41,2%	0,0%	–
Bulk purchases	–	–	–	–	–	–
Other expenditure	66 827	125 439	125 439	-87,7%	0,0%	–
	982 559	1 036 161	1 036 161	-5,5%	0,0%	–
Service charges: Electricity	187 290	195 106	195 106	-4,2%	0,0%	–
Grants & subsidies: Electricity	6 457	6 457	6 457	0,0%	0,0%	–
Other revenue: Electricity	3 544	3 544	3 544	0,0%	0,0%	–
	197 291	205 107	205 107	-4,0%	0,0%	–
Employee related costs: Electricity	11 531	11 031	11 031	4,3%	0,0%	–
Provision for working capital: Electricity						

	–	–	–	–	–	–
Repairs and maintenance:						
Electricity	1 430	4 030	4 030	-181,8%	0,0%	–
Bulk purchases:						
Electricity	107 000	106 195	106 195	0,8%	0,0%	–
Other expenditure:						
Electricity	12 254	15 007	15 007	-22,5%	0,0%	–
	132 216	136 263	136 263	-3,1%	0,0%	–
Service charges:						
Water	31 945	31 945	31 945	0,0%	0,0%	–
Grants & subsidies: Water	–	–	–	–	–	–
Other revenue: Water	8 895	8 895	8 895	0,0%	0,0%	–
	40 840	40 840	40 840	0,0%	0,0%	–
Employee related costs:						
Water	14 799	14 299	14 299	3,4%	–	–
Provision for working capital:						
Water	–	–	–	–	–	–
Repairs and maintenance:						
Water	–	–	–	–	–	–
Bulk purchases:						
Water	–	–	–	–	–	–
Other expenditure:						
Water	17 002	18 030	18 030	-6,0%	0,0%	–
	31 801	32 329	32 329	-1,7%	0,0%	–

5.6 SOURCE OF FINANCE

Capital Expenditure - Funding Sources: Year -1 to Year 0							R' 000
Details	Year -1	Year 0					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)	
Source of finance							
External loans	–	–	–	–	0,00%	0,00%	
Public contributions and donations	–	–	–	–	0,00%	0,00%	
Grants and subsidies	40 857	30 822	50 386	62 021	63,48%	101,22%	
Other	5 689	17 596	13 339	465	-24,19%	-97,36%	
Total	46 546	48 417	63 726	62 486	39,29%	3,87%	
Percentage of finance							
External loans	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	
Public contributions and donations	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	
Grants and subsidies	87,8%	63,7%	79,1%	99,3%	0,0%	0,0%	
Other	12,2%	36,3%	20,9%	0,7%	0,0%	0,0%	
Capital expenditure							
Water and sanitation	–	3 000	2 989	–	-0,37%	-100,00%	
Electricity	5 766	8 277	9 641	7 340	16,48%	-11,32%	
Housing	–	–	–	–	0,00%	0,00%	
Roads and storm water	33 225	10 438	6 430	33 237	-38,39%	218,43%	
Other	7 555	26 702	44 665	21 909	67,27%	-17,95%	
Total	46 546	48 417	63 726	62 486	44,99%	89,15%	
Percentage of expenditure							
Water and sanitation	0,0%	6,2%	4,7%	0,0%	-0,8%	-112,2%	
Electricity	12,4%	17,1%	15,1%	11,7%	36,6%	-12,7%	
Housing	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	
Roads and storm water	71,4%	21,6%	10,1%	53,2%	-85,3%	245,0%	
Other	16,2%	55,2%	70,1%	35,1%	149,5%	-20,1%	
							T 5.6.1

Source of Finance and Capital Expenditure



5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
R' 000					
Name of Project	Current: Year 0			Variance: Current Year 0	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
Construction of internal streets in Huhudi	–	12 834	20 501	0%	0%
Vryburg Cemetery	5 486	6 494	7 240	-32%	-18%
Huhudi Cemetery	4 150	5 751	5 704	-37%	-39%
Colridge Cemetery	5 486	4 352	4 641	15%	21%
Electrification of Rekgarathile Phase 3 Pre engineering	4 625	5 309	4 099	11%	-15%

5.8 CASH FLOW

Cash Flow Outcomes				
R'000				
Description	Year -1	Current: Year 0		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	209 793	327 757	400 674	240 762
Government - operating	67 303	67 297	67 297	182 493
Government - capital	51 982	25 280	26 982	50 280
Interest	34 492	600	1 200	-
Dividends	–	-	-	-
Payments				
Suppliers and employees	(274 731)	(1,014)	-357 223	-348 607
Finance charges	(66 325)	–	-	-66 925
Transfers and Grants	–	–	–	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	22 514	419,920	138,930	58,003
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	(63 994)	-	39 026	981

Decrease (Increase) in non-current debtors	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-
Payments				
Capital assets		-48 417	-63 726	-62 888
NET CASH FROM/(USED) INVESTING ACTIVITIES	(63 994)	-48 417	-24 700	-61 907
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	-	-	-	-
Borrowing long term/refinancing	(6 147)	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-
Payments				
Repayment of borrowing	-	-	-	(6)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(6 147)	-	-	-6 147
NET INCREASE/ (DECREASE) IN CASH HELD	(47 627)	371 503	114 230	-10 051
Cash/cash equivalents at the year begin:	18 708	26 684	26 684	17 879
Cash/cash equivalents at the year-end:	-28 919	398 187	140 914	7 828
Source: MBRR A7				T 5.9.1

Chapter 6 - AUDITOR GENERAL AUDIT FINDINGS

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement must be audited annually by the Auditor-General.

Report of the auditor-general to North West Provincial Legislature and the council on the Naledi Local Municipality

Report on the audit of the financial statements

Adverse opinion

1. I have audited the financial statements of the Naledi Local Municipality set out on pages 271 to 346, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the financial position of the municipality as at 30 June 2023, and financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting practice and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2021 (Dora).

Basis for adverse opinion

Consumer debtors

3. I was unable to obtain sufficient appropriate audit evidence for consumer debtors as the municipality did not have an adequate system of internal control and did not maintain adequate accounting records. I was unable to confirm the consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustments relating to consumer debtors of R538 839 871 (2022: R507 166 935) and the debt impairment of R400 487 401 (2022: R381 484 051) as disclosed in note 13 to the financial statements were necessary.

Receivables from non - exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for receivables from non - exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm the receivables from non - exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments relating to receivables from non-exchange transactions of R160 755 954 (2022: R58 828 947) as disclosed in note 12 to the financial statements were necessary.

Debt impairment

5. I was unable to obtain sufficient appropriate audit evidence for debt impairment as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm the debt impairment by alternative means. Consequently, I was unable to

determine whether any adjustments relating to debt impairment of R18 024 550 (2022: R14 962 061) as disclosed in note 35 to the financial statements were necessary.

Cash and Cash equivalents

6. The municipality did not report cash and cash equivalent in accordance with *GRAP 104, Financial Instruments*. The cash and cash equivalents materially differed from the cashbook balance. Consequently, cash and cash equivalents as reported in note 15 to the financial statements was overstated by R17 078 697.

Payables from Exchange Transactions

7. I was unable to obtain sufficient appropriate audit evidence for trade payables, unallocated deposits and leave accrual included in payables from exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment relating to trade payables of R920 998 363 (R775 488 972), unallocated deposits of R75 076 005 (2022: R60 397 625) and leave accrual of R22 086 796 (2022: R30 098 750) included in payables from exchange transactions as disclosed in note 7 to the financial statements was necessary.
8. During 2022, I was unable to obtain sufficient appropriate audit evidence for retentions within payables from exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment relating to retentions of R5 291 100, included in payables from exchange transactions as disclosed in note 7 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2022 was modified accordingly. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

VAT Payables

9. The municipality did not adequately account for vat payable in accordance with *GRAP 1, Presentation of financial statements*. The disclosed amount of vat payable is not correctly valued, this was due to multiple errors identified in determining the vat payable. I am unable to quantify the full extent of the misstatement in payable of R48 793 277 as disclosed in note 8 and input vat included in receivables from exchange transactions of R48 793 277 as disclosed in note 12 of the financial statements.

Property Plant and Equipment

10. The municipality did not account for property, plant and equipment in accordance with *GRAP 17, Property, plant and equipment*. The municipality did not correctly assess at each reporting date whether there was any indication that the entity's expectation about useful lives of an asset have changed since the proceeding reporting date, the municipality has disclosed assets that are still in use at R1. Consequently property, plant and equipment was understated. I was unable to quantify the full extent of the misstatement of property plant and equipment as it was impracticable to do so.

11. I was unable to obtain sufficient appropriate audit evidence for movable assets included in property, plant and equipment due to the status of the accounting records. I was unable to confirm the property plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustment to the property plant and equipment: movable assets of R15 017 084 as disclosed in note 5 of the financial statements was necessary.

Revaluation reserve

12. The municipality did not account for revaluation reserve in accordance with *GRAP 17, Property, plant and equipment*, due to duplicate recording of the fair value adjustment relating to investment properties. Consequently, the revaluation reserve as disclosed in note 16 was overstated by R6 627 086.

Revenue from Non - Exchange Transactions

13. The municipality did not adequately account for revenue from property rates in accordance with *GRAP 23, Revenue from non-exchange transactions*. The municipality used an incorrect rate to determine the amount of revenue from property rates. Consequently, revenue from property rate was overstated by R55 221 695 and receivables from non-exchange transactions was overstated by R55 221 695.
14. I was unable to obtain sufficient appropriate audit evidence for traffic fines due to the status of the accounting records. I was unable to confirm the traffic fines by alternative means. Consequently, I was unable to determine whether any adjustment to the traffic fines of R33 257 600 as disclosed in note 29 of the financial statements was necessary. In addition, the municipality did not record all traffic fines in the traffic fines register. I am unable to quantify the full extent of the understatement in revenue from traffic fines and traffic fines included in receivables from exchange transactions as it was impracticable to do so.

Service charges

15. I was unable to obtain sufficient appropriate audit evidence for prepaid electricity included in service charges due to the status of the accounting records. I was unable to confirm the prepaid electricity by alternative means. Consequently, I was unable to determine whether any adjustment to the prepaid electricity stated at R70 372 803 in note 21 of the financial statements was necessary.

Contracted services

16. I was unable to obtain sufficient appropriate audit evidence for contracted services due to the status of the accounting records. I was unable to confirm the contracted services by alternative means. Consequently, I was unable to determine whether any adjustment to the contracted services stated at R60 517 288 as disclosed in note 38 of the financial statements was necessary.
17. The municipality did not adequately account for contracted services in accordance with *GRAP 1, Presentation of financial statements*. The municipality incorrectly recorded contracted services as general expenditure as the municipality did not have adequate systems and controls in place. Consequently, contracted services is overstated by R6 457 744 and general expenditure is understated by R6 457 744.

General expenditure

18. I was unable to obtain sufficient appropriate audit evidence for general expenditure as the municipality did not maintain an adequate system of internal control and did not maintain adequate records of goods and services received. I was unable to confirm the general expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to general expenditure stated at R45 411 656 in note 36 to the financial statements was necessary.

Statement of financial performance

19. The statement of financial performance was materially misstated due to the cumulative effect of individually immaterial uncorrected misstatements in depreciation as the depreciation charge was not calculated accurately and employee cost as the payment of scarce skills allowance could not be confirmed to be appropriate as there was no basis of payment were noted:
- Depreciation as disclosed in note 32 to the financial statements was understated by R 4 989 583
 - Employee cost as disclosed in note 30 to the financial was understated by R 4 766 622.

Fruitless and Wasteful Expenditure

20. I was unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure due to the status of accounting records. I was unable to confirm this fruitless and wasteful expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to fruitless and wasteful expenditure of R282 943 289 (2022: R224 823 657) as disclosed in note 46 to the financial statements was necessary.
21. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for Fruitless and wasteful expenditure. As described in note 46 to the financial statements, the restatement was made to rectify a previous year misstatement. The restatement could not be substantiated by sufficient appropriate supporting audit evidence as the municipality did not have an adequate system of internal control and did not maintain adequate accounting records. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to fruitless and wasteful expenditure corresponding figure stated at R224 823 657 in the financial statements.

Irregular Expenditure

22. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure due to the status of the accounting records. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to the irregular expenditure of R413 352 936 (2022: R342 876 315) as disclosed in note 47 of the financial statements was necessary.
23. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for irregular expenditure. As described in note 47 to the financial statements, the restatement was made to rectify a previous year misstatement, but the restatement could not be substantiated by sufficient appropriate supporting audit evidence due to the status of the accounting records. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine

whether any adjustment was necessary to irregular expenditure corresponding figure stated at R342 876 315 in the financial statements.

24. The municipality did not record all instances of irregular expenditure as required by *section 125(2)(d) of the MFMA*. The payments made in contravention of the supply chain management requirements were not disclosed in the accounting records as the municipality did not have adequate systems and controls in place to ensure that all irregular expenditures are disclosed, I was unable to determine the full extent of the understatement of irregular expenditure stated to the financial statements as it was impractical to do so. In addition, irregular expenditure was not accurately disclosed. Consequently, irregular expenditure was understated by R4 601 712.

Statement of comparison of budget and actual amounts

25. The municipality did not disclose statement of comparison of budget and actual amounts in accordance with *GRAP 24, Presentation of budget information in financial statements*. Material differences were identified between the approved budget and the budget disclosed in the statement of comparison of budget and actual. I was unable to determine the full extent of the misstatement as it was impracticable to do so.

Unauthorised Expenditure

26. The municipality did not adequately account for Unauthorised Expenditure in accordance with *section 62(1)(d) of the MFMA*. The municipality did not accurately disclose the amount of unauthorised expenditure; this was due to multiple errors identified in determining the unauthorised expenditure. I am unable to determine the full extent of the misstatement in unauthorised expenditure as it was impracticable to do so.

Prior period adjustment

27. The municipality did not accurately disclose prior period errors in note 44 to the financial statements, as required by *GRAP 3, Accounting policies, estimates and errors*. The nature and the amount of the correction for receivables from non-exchange transactions, receivables from exchange transactions, property, plant and equipment, payables from exchange transactions, cash and cash equivalents, leave provisions, bonus provisions, was not correctly disclosed. I was unable to determine the full extent of this misstatement on the prior period error note disclosed in note 51 to the financial statements, as it was impracticable to do so.

Cash flow statement

28. The cash flow statement was not correctly prepared and disclosed as required by standard of *GRAP 2, Cash flow statement*. This was due to multiple errors identified in determining the cash flows from operating activities, investing activities and financing activities. Consequently, the net cash from operating activities was misstated by R20 159 035 and net cash from financing activities were misstated by R6 147 346.

Statement of Net Assets

29. The Statement of net assets was not correctly prepared and disclosed as required by standard of *GRAP 1, Presentation of financial statements*. This was due to mathematical errors identified in

determining the statement of changes in net assets. Consequently, the statement of changes in net assets was overstated by R40 092 299.

Segment reporting

30. The municipality did not present segment information as required by *GRAP 18, Segment reporting*. Various disclosures which include geographical information, revenue and expenditure attributable to geographical areas etc. was omitted from the notes to the financial statements. I was unable to determine the full extent of this misstatement on the Segment Information, as it was impracticable to do so.

Principle Agent

31. I was unable to obtain sufficient appropriate audit evidence that the municipality presented the principal agent in accordance with *GRAP 109, Accounting by Principals and Agents* due to the status of the accounting records. I was unable to confirm the principal agent by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to principal agent as disclosed in note 60 of the financial statements.

Context for opinion

32. 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.
33. 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.
34. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse.

Material uncertainty relating to going concern

35. I draw attention to the matter below. My opinion is not modified in respect of this matter.
36. I draw attention to note 2 to the financial statements, which indicates that a net loss of R220 058 536 was incurred during the year ended June 2023 and, as of that date the total liabilities exceeded its total assets by R252 990 882 As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Other matter

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

Unaudited disclosure notes

38. In terms of section 125(2) (e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

39. 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.
40. 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

41. 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.
42. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.
43. 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 the 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.

Report on the audit of the annual performance report

44. 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 against predetermined objectives for the selected key performance areas presented in the annual performance report. The accounting Officer is responsible for the preparation of the annual performance report.

45. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected Key performance areas that measure[s] the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Key Performance Area	Page numbers	Purpose.
KPA 2 - Basic Services Delivery and Infrastructure	90-125	To provide adequate and sustainable Service delivery within the acceptable standard levels

46. I evaluated the reported performance information for the selected Key Performance Areas 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.
47. 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
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance
48. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
49. The material findings on the reported performance information for the selected Key performance area are as follows:

KPA 2 – Basic Service Delivery and Infrastructure

Various Indicators

50. The reported achievement(s) of the indicators below did not relate to the planned indicators and target(s) or to predetermined measurement processes.
51. The indicators below were included in the approved annual performance plan and service delivery and budget implementation plan and integrated development plan but then not clearly defined during

planning processes. It was also not determined how the related targets would be measured and what evidence would be needed to support the achievements. Consequently, the information might be less useful for measuring performance.

52. Furthermore, it was also not clear how the indicators would contribute to achieving planned objectives and strategic goals.
53. A comparison of the performance of the year under review and that of the previous year was not included in the annual performance report. This would make it difficult to track the achievement of service delivery goals.

Indicator	Target	Reported Achievement
TECH 1 Percentage of progress on the electrification of 99 households in Colridge Ext 17 Phase 2 by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	Achieved
TECH 2 Percentage of progress on the electrification of 250 households in Rekgaratlhile Phase 3 by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	Achieved
TECH 5 Percentage of progress on rehabilitation of streets in Colridge by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	Achieved
TECH 6 Percentage of progress on the construction of Huhudi internal streets by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	Achieved
TECH 12 Number of reports on access roads infrastructure by 30 June 2023	Four (4) quarterly reports on access quality roads infrastructure by 30 June 2023	Achieved
COMM 2 Percentage of households with access to basic waste removal in Vryburg Town, Kismet, Colridge, Huhudi and Colour block by 30 June 2023	Four (4) quarterly reports on households with access to basic waste removal by 30 June 2023	Achieved
COMM 3 Number of reports on the % of households with access to basic level of water, sanitation, electricity and solid waste removal by 30 June 2023	Four (4) quarterly reports on libraries visited by 30 June 2023	Achieved

Various Indicators

54. The reported achievements of the indicators below did not relate to the planned indicators and targets or to predetermined measurement processes. In addition, the indicators below were included

in the approved annual performance plan and service delivery and budget implementation plan and integrated development plan but then not clearly defined during planning processes. It was also not determined how the related target(s) would be measured and what evidence would be needed to support the achievements. Consequently, the information might be less useful for measuring performance and was also not clear how the indicators would contribute to achieving planned objectives and strategic goals. Furthermore, a comparison of the performance of the year under review and that of the previous year was not included in the annual performance report. This would make it difficult to track the achievement of service delivery goals. The reported measures taken to improve performance against the targets described below was not sufficiently supported and consequently, I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

Indicator	Target	Reported Achievement
TECH 20 Number of reports on the % of households with access to basic level of water, sanitation, electricity and solid waste removal by 30 June 2023	Four (4) quarterly reports on libraries visited by 30 June 2023	Achieved
TECH 17 Number of progress reports on the maintenance of water boreholes on a monthly basis by 30 June 2023	12x monthly reports the maintenance of water boreholes	Achieved
TECH 18 Maintenance of sewer lines on a monthly bases by 30 June 2023	12x monthly report the maintenance of sewer lines	Achieved
TECH 19 % of sewer spillage addressed within 48 hours of reporting by 30 June 2023	80% of the reported complaints responded to per quarter	Achieved

Various Indicators

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

Indicator	Target	Reported Achievement
TECH 20 Number of reports on the % of households with access to basic level of water, sanitation, electricity and solid waste removal by 30 June 2023	Four (4) quarterly reports on libraries visited by 30 June 2023	Achieved
COMM 2 Percentage of households with access to basic waste removal in Vryburg Town,	Four (4) quarterly reports on households with access to	Achieved

Kismet, Colridge, Huhudi and Colour block by 30 June 2023	basic waste removal by 30 June 2023	
COMM 3 Number of reports on the % of households with access to basic level of water, sanitation, electricity and solid waste removal by 30 June 2023	Four (4) quarterly reports on libraries visited by 30 June 2023	Achieved

Various Indicators

56. Based on audit evidence, the actual achievements for the various indicators did not agree to the achievements reported, Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported Achievement
TECH 1 Percentage of progress on the electrification of 99 households in Colridge Ext 17 Phase 2 by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	Achieved
TECH 2 Percentage of progress on the electrification of 250 households in Rekgarathile Phase 3 by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	Achieved
TECH 6 Percentage of progress on the construction of Huhudi internal streets by 30 June 2023	Incremental target proposed to ensure that actual completion percentage on the project is reported on.	Achieved
TECH 12 Number of reports on access roads infrastructure by 30 June 2023	Four (4) quarterly reports on access quality roads infrastructure by 30 June 2023	Achieved
TECH 18 Maintenance of sewer lines on a monthly bases by 30 June 2023	12x monthly report the maintenance of sewer lines	Achieved
TECH 19 % of sewer spillage addressed within 48 hours of reporting by 30 June 2023	80% of the reported complaints responded to per quarter	

Other matters

Achievement of planned targets

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

Material misstatements

58. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for KPA 2 – Basic Service Delivery and Infrastructure. Management did not correct the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

59. 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.
60. 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.
61. 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.
62. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure management

63. Money owed by the municipality was not always paid within 30 days, as required by section [65(2) (e) of the MFMA.
64. An adequate management, accounting and information system was not in place which accounted for creditors, as required by section [65(2)(b) / 99(2)(c) of the MFMA.
65. Reasonable steps were not taken to prevent irregular expenditure, as required by section [62(1) (d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by procurement processes not being followed and deviations approved by the accounting officer even though it was not impractical to invite competitive bids in contravention of SCM regulation 36(1).
66. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section [62(1) (d) of the MFMA. The full extent of the fruitless and wasteful expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by late payments to suppliers due to cash flow constraints.
67. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1) (d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated

in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by spending in excess of budget for individual votes.

Annual Financial Statements, performance and annual reports

- 68. 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.
- 69. The uncorrected material misstatements resulted in the financial statements receiving an adverse audit opinion.

Strategic Planning and performance Management

- 70. The SDBIP for the year under review did not include monthly revenue projections by source of collection and/or the monthly operational and capital expenditure by vote, and/or - the service delivery targets and performance indicators for each quarter] as required by section 1 of the MFMA.

Consequence Management

- 71. Unauthorised expenditure, Irregular expenditure as well as 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) (a) and b of the MFMA.

Assets Management

- 72. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2) (a) of the MFMA.
- 73. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2) (c) of the MFMA.

Revenue Management

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

Human Resource Management

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

Procurement and contract management

- 77. Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).

78. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1). This non-compliance was identified in the procurement processes mainly relating to construction projects.
79. 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). This non-compliance was identified in the procurement processes mainly relating to construction projects.
80. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43.
81. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1) (f) of Preferential Procurement Policy Framework Act and 2017 Preferential Procurement Regulations 11 and 2022 Preferential Procurement Regulation 4(4) and 5(4). This non-compliance was identified in the procurement processes mainly relating to electrification and construction projects.
82. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB Regulations 17 and 25(7A). This non-compliance was identified in the procurement processes relating to construction projects.
83. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5.
84. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA.
85. 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

86. 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.
87. 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.
88. 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.

89. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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

90. 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.
91. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the adverse opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
- Inadequate review of the financial statements before submitted for an audit
 - No appropriate recordkeeping for financial statement items and performance information related schedules
 - Adequate reconciliations were not performed for payables, receivables accounts and certain bank accounts
 - Inconsistencies between evidence submitted for audit and portfolio of evidence planned to be collected to confirm achievement of the indicator as per the SDBIP
 - No strict monitoring of compliance resulting in unauthorized, fruitless and wasteful and irregular expenditure.

Material irregularities

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

Status of previously reported material irregularities

Full and proper records not kept (2019-20) – infrastructure assets, provision of retail water services and material uncertainty relating to going concern

93. Reasonable steps were not taken in the 2019-20 financial year to ensure that full and proper records were kept for infrastructure assets, provision of retail water and material uncertainty relating to going concern, as required by section 62(1)(b) of the MFMA. The non-compliance contributed to a

disclaimed audit opinion as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements.

94. The lack of full and proper records is likely to result in substantial harm to the municipality as it contributed to the material uncertainty regarding its ability to continue operations. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.
95. The accounting officer was notified of the material irregularity on 22 September 2021. The accounting officer did not take appropriate action committed to in his written submission in response to the notification. I recommended that the accounting officer should take the following action to address the material irregularity by 16 May 2022:
- The non-compliance with section 62(1)(b) of the MFMA should be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses.
 - Based on the reasons and circumstance, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by 62(1)(b) of the MFMA. The plan should include anticipated timeframes and address the following key areas as a minimum:
 - a) Complete asset register of all of the municipality's infrastructure assets, property, plant and equipment, including work-in-progress, as well as information for assets that have been fully depreciated but still in use;
 - b) Billing information and reconciliations to support revenue from service charges;
 - c) Reconciliation of property rates income to the valuation roll;
 - d) Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received, including payments made from conditional grant funding; and
 - e) Reconciliations of all bank accounts in the name of the municipality.
96. We further recommended that the accounting officer should take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA, by 15 August 2022. The plan was supposed to describe the anticipated timeframe and milestones to be achieved and include as a minimum strategies to:
- a) Increase the collection of revenue;
 - b) Efficiently manage the available resources of the municipality; and
 - c) Enter into payment arrangements with major suppliers.
97. The above timeframes for the implementation of the recommendations were running concurrently.
98. A response was received on 29 July 2022 on the implementation of the recommendations. To implement the recommendations, the accounting officer developed an action plan on 20 April 2022 with timelines to address poor recordkeeping as it relates to –

- Complete asset register of all the municipality's infrastructure assets, property, plant and equipment, including work-in-progress, as well as information for assets that have been fully depreciated but still in use;
 - Billing information and reconciliations to support revenue from service charges;
 - Reconciliation of property rates income to the valuation roll;
 - Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received, including payments made from conditional grant funding.
99. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.
100. On 07 August 2023, I notified the accounting officer of the following remedial actions to address the MI, which should be implemented within six months from the date of the notification with a progress report after three months:
- The non-compliance with section 62(1)(b) of the MFMA must be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses.
 - Based on the reasons and circumstances, appropriate action must be taken to continue with the development and implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the auditee are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA.
 - The plan must include anticipated timeframes and address the following key areas as a minimum:
 - a. Complete asset register of all the auditee's infrastructure assets, property, plant and equipment, including work-in-progress, as well as information for assets that have been fully depreciated but still in use;
 - b. Billing information and reconciliations to support revenue from service charges;
 - c. Reconciliation of property rates income to the valuation roll;
 - d. Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received, including payments made from conditional grant funding; and
 - e. Reconciliations of all bank accounts in the name of the municipality.
101. I further recommend that the accounting officer must take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the auditee, as required by section 135(1) and 135(3)(a) of the MFMA. The plan must describe the anticipated timeframe and milestones to be achieved and include as a minimum strategies to:
- a. Increase the collection of revenue;
 - b. Efficiently manage the available resources of the municipality; and

c. Enter into a payment arrangement with major suppliers.

102. A progress report on the implementation of the remedial action was received on 29 November 2023. I am in the process of assessing the progress made with the implementation of the actions to address the remedial action.

103. I will follow up on the implementation of remedial actions during my next audit.

Reasonable steps not taken to ensure equivalent value obtained for payments made to consultant

104. Reasonable steps were not taken in the 2020-21 financial year to ensure that equivalent value was obtained for payments made to consultants utilised in the preparation of annual financial statements ("AFS") for the 2020-21 year, as required by section 62(1)(b) of the MFMA. The Accounting Officer ("AO") failed to provide consultants with complete, accurate and reliable information to enable the consultants to compile Generally Recognised Accounting Practice ("GRAP") compliant financial statements. This was due to the lack of proper record keeping by the municipality, and insufficient capacity and skills in the finance department.

105. The appointment of consultants who were not able to prepare GRAP compliant financial statements resulted in a financial loss to the municipality, as equivalent value was not obtained for payments made to consultants.

106. The accounting officer was notified of the material irregularity on 08 September 2022. The accounting officer did not take appropriate action committed to in his written submission in response to the notification. I recommended that the accounting officer should take the following action to address the material irregularity by 30 June 2024:

- A root cause analysis should be conducted to determine why and how consultants are appointed in order to develop an appropriate action plan, which will sequentially and systematically deal with the gaps identified by the root cause analysis for purposes of enhancing impact and value from the work of consultants.
- The action plan should include corrective measure from the root cause analysis and address the following, as a minimum:
 - a. Skills assessment gaps within the finance unit to ensure that officials have the required skills and competencies to execute their duties;
 - b. Measures are taken to ensure that consultants are only used in accordance with the municipal cost containment regulations; and
 - c. Measures are taken to ensure that credible financial information is readily available for the preparation of GRAP compliant financial statements.

107. The accounting officer should commence with the implementation of the action plan and corrective measures (if any), without undue delay.

108. For purposes of monitoring the implementation of the recommendations, you are required to provide a progress report by 31 March 2024 to the AGSA on the progress you have made to implement the recommendations.

109. The AGSA's material irregularity unit will follow up on whether the recommendations contained in the audit report were implemented within the time frame stipulated in the audit report, as required by section 5A (1) of the PAA.
110. For the purpose of the follow-up, you will be required to submit the following by the implementation date in accordance with the regulations:
- Documents substantiating the implementation of the recommendations and any other information that is relevant to the recommendations; or
 - If you failed to implement the recommendations, the reasons for your failure to do so.
111. If it is concluded that the recommendations in the audit report have not been implemented, the Auditor-General must take appropriate remedial action to address the failure to implement the recommendations, as required by section 5A (2) of the PAA.
112. As required by section 5A (3) of the PAA, the remedial action must include a directive to the accounting officer to determine the amount of financial loss, if not yet determined, as a result of the non-compliance with and to recover such loss from the responsible person as required by any applicable legislation. The processes and responsibilities of the AGSA and the accounting officer as it relates to remedial action are defined in the regulations.
113. Failure to comply with the remedial action can result in a certificate of debt requiring the accounting officer to repay the amount specified in the certificate of debt to the state, as required by section 5B (2) of the PAA, but only after the processes of written and oral representations as required by sections 5B (4) and (5) of the PAA and detailed in the regulations have been concluded.
114. Failure to comply with the remedial action can also result in further action in terms of MI regulation 11(2), which may include:
- a. notification of the executive authority, relevant legislature or any appropriate body for failure by the AA to implement the remedial action;
 - b. legal action; or anything else contemplated in section 5(2)(c) of the PAA.

Other reports

115. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
116. The below cases have been referred to South African Police Services (SAPS) and being investigated by the SAPS.
- Alleged gross misconduct - Fuel purchases
 - Alleged fraudulent activities in the licencing department relating to driving licenses.

Auditor General

Rustenburg

18 December 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

4. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
5. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
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 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), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)

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

Post Audit Action Plan

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
1	Consumer debtors	<p>I was unable to obtain sufficient appropriate audit evidence for consumer debtors as the municipality did not have an adequate system of internal control and did not maintain adequate accounting records. I was unable to confirm the consumer debtors by alternative means.</p> <p>Consequently, I was unable to determine whether any adjustments</p>	<p>1. Contrary to the above, the schedules/ageing for Consumer debtors submitted does not support the amount recorded for on the AFS for consumer debtors, Refer below details;</p> <p>2. The schedule for Traffic fines (Receivables for non-exchange) was not submitted</p> <p>3. The schedule calculation for debt impairment which supports the amount disclosed in the AFS was not submitted Cause</p>	<p>Management did not adequately review the audit file to ensure that all supporting schedules for performance information were attached and that all schedules agree to the AFS figures. Impact</p> <p>This will result in a limitation of scope in the audit of Consumer debtors, receivables in non-exchange transactions (Traffic fines), and debt impairment</p>	<p>Consumer debtors</p> <p>1. I was unable to obtain sufficient appropriate audit evidence for consumer debtors as the municipality did not have an adequate system of internal control and did not maintain adequate accounting records. I was unable to confirm the consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustments relating to consumer debtors of R538 839 871 (2022: R507 166 935) and the debt impairment of R400</p>	<p>1. a) Consumer Debtors- Gross amounts Management agrees with the finding, the Consumer debtor's disclosure note has been updated. Please refer to Note 15 of the COAF 1 adjusted Annual Financial Statement and the Receivable AFS and Ageing comparison document with the overall difference between the Annual Financial Statement and the Ageing for R 1 937 133.23. The difference for the debtors' components is due to mapping issues and is being investigated.</p>	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		relating to consumer debtors of R538 839 871 (2022: R507 166 935) and the debt impairment of R400 487 401 (2022: R381 484 051) as disclosed in note 13 to the financial statements were necessary.			<p>487 401 (2022: R381 484 051) as disclosed in note 13 to the financial statements were necessary.</p> <p>Receivables from non - exchange transactions</p> <p>2. I was unable to obtain sufficient appropriate audit evidence for receivables from non - exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm the receivables from non - exchange transactions by alternative means. Consequently, I</p>	<p>b) Consumer Debtors- Allowance for impairment Management agrees with the finding, the difference was due to the impairment journal not pulling correctly to the general ledger. The issue was rectified when responding to COAF 1 and the calculations for the Impairment subsequently provided to the Auditor General as part of COAF 1 response.</p> <p>2. Traffic fines Management agrees with the finding, the movement on the Traffic Fine Receivables is due</p>		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>was unable to determine whether any adjustments relating to receivables from non-exchange transactions of R160 755 954 (2022: R58 828 947) as disclosed in note 12 to the financial statements were necessary.</p> <p>Debt impairment</p> <p>3. I was unable to obtain sufficient appropriate audit evidence for debt impairment as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm the debt impairment by alternative means.</p>	<p>to the impairment journal that did not pull through to the general ledger which has been subsequently rectified. Supporting Schedules has been provided to the Auditor General</p> <p>3. Debt impairment schedule</p> <p>Management disagrees with the finding; the debt impairment schedule was submitted however there was a difference due to impairment journal movement journal not pulling correctly to the general ledger. The issue has been rectified.</p>		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>Consequently, I was unable to determine whether any adjustments relating to debt impairment of R18 024 550 (2022: R14 962 061) as disclosed in note 35 to the financial statements were necessary.</p> <p>Annual Financial Statements, performance and annual reports</p> <p>1. 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.</p> <p>2. The uncorrected material misstatements</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					resulted in the financial statements receiving an adverse audit opinion.			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
2	Receivables from non - exchange transactions	<p>I was unable to obtain sufficient audit evidence for receivables from non - exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records.</p> <p>I was unable to confirm the receivables from non - exchange transactions by alternative means. Consequently, I was unable to determine whether any</p>	<p>1. Contrary to the above, the schedules/ageing for Consumer debtors submitted does not support the amount recorded for on the AFS for consumer debtors, Refer below details;</p> <p>2. The schedule for Traffic fines (Receivables for non-exchange) was not submitted</p> <p>3. The schedule calculation for debt impairment which supports the amount disclosed in the AFS was not submitted Cause</p>	<p>Management did not adequately review the audit file to ensure that all supporting schedules for performance information were attached and that all schedules agree to the AFS figures. Impact</p> <p>This will result in a limitation of scope in the audit of Consumer debtors, receivables in non-exchange transactions (Traffic fines), and debt impairment</p>	<p>Consumer debtors</p> <p>1. I was unable to obtain sufficient appropriate audit evidence for consumer debtors as the municipality did not have an adequate system of internal control and did not maintain adequate accounting records. I was unable to confirm the consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustments relating to consumer debtors of R538 839 871 (2022: R507 166 935) and the debt impairment of R400 487 401 (2022: R381 484 051) as</p>	<p>1. a) Consumer Debtors- Gross amounts Management agrees with the finding, the Consumer debtor's disclosure note has been updated. Please refer to Note 15 of the COAF 1 adjusted Annual Financial Statement and the Receivable AFS and Ageing comparison document with the overall difference between the Annual Financial Statement and the Ageing for R 1 937 133.23. The difference for the debtors' components is due to mapping issues and is being investigated.</p> <p>b) Consumer</p>	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		adjustments relating to receivables from non-exchange transactions of R160 755 954 (2022: R58 828 947) as disclosed in note 12 to the financial statements were necessary.			<p>disclosed in note 13 to the financial statements were necessary.</p> <p>Receivables from non - exchange transactions</p> <p>2. I was unable to obtain sufficient appropriate audit evidence for receivables from non - exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records.</p> <p>I was unable to confirm the receivables from non - exchange transactions by alternative means.</p> <p>Consequently, I was unable to determine whether</p>	<p>Debtors- Allowance for impairment</p> <p>Management agrees with the finding, the difference was due to the impairment journal not pulling correctly to the general ledger. The issue was rectified when responding to COAF 1 and the calculations for the Impairment subsequently provided to the Auditor General as part of COAF 1 response.</p> <p>2. Traffic fines</p> <p>Management agrees with the finding, the movement on the Traffic Fine Receivables is due to the impairment journal that did not</p>		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>any adjustments relating to receivables from non-exchange transactions of R160 755 954 (2022: R58 828 947) as disclosed in note 12 to the financial statements were necessary.</p> <p>Debt impairment 3. I was unable to obtain sufficient appropriate audit evidence for debt impairment as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm the debt impairment by alternative means. Consequently, I was unable to</p>	<p>pull through to the general ledger which has been subsequently rectified. Supporting Schedules has been provided to the Auditor General</p> <p>3. Debt impairment schedule</p> <p>Management disagrees with the finding; the debt impairment schedule was submitted however there was a difference due to impairment journal movement journal not pulling correctly to the general ledger. The issue has been rectified.</p>		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>determine whether any adjustments relating to debt impairment of R18 024 550 (2022: R14 962 061) as disclosed in note 35 to the financial statements were necessary.</p> <p>Annual Financial Statements, performance and annual reports</p> <p>1. 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.</p> <p>2. The uncorrected material misstatements resulted in the financial statements</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					receiving an adverse audit opinion.			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
3	Cash and Cash equivalents	The municipality did not report cash and cash equivalent in accordance with GRAP 104, Financial Instruments. The cash and cash equivalents materially differed from the cashbook balance. Consequently, cash and cash equivalents as reported in note 15 to the financial statements was overstated by R17 078 697.	<p>During the audit of cash and bank differences were identified between the amount disclosed on the statement of financial position and note 15 as follows;</p> <p>Statement 24,676,334.00 Note 24,905,344.00 Difference (229,010.00)</p>	<p>Management did not adequately review the AFS prior to submission for audit Impact</p> <p>The misstatement result in an incorrect presentation and disclosure for bank and cash line item</p>	<p>Management comments noted the following finding remains and will be reported in the MR and AR as follows:</p> <p>Cash and Cash equivalents 7</p> <p>The municipality did not report cash and cash equivalent in accordance with GRAP 104, Financial Instruments. The cash and cash equivalents materially differed from the cashbook balance. Consequently, cash and cash equivalents as reported in note 15 to the financial statements was overstated by R17 078 697.</p>	<p>Management agrees with the finding, Management will ensure that the amount on the statement of the financial statements agrees to the disclosure note on the adjusted annual financial statements.</p>	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
4	Payables from Exchange Transactions	I was unable to obtain sufficient appropriate audit evidence for trade payables, unallocated deposits and leave accrual included in payables from exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I	1. Contrary to the above requirements, the Leave accrual schedule (leave provision calculation 2022-23) submitted for audit contains formula and format errors. Although management provided the auditors with a schedule for leave accrual, however, some items in the workings contains formula/format errors and as a result, casting of the schedule and tracing amounts from the schedule to the AFS is not possible. 2. Contrary to the above requirements, the supporting schedules relating to unallocated deposits has not been submitted for audit. Inadequate review of supporting schedules before submission for audit. ImpactThe non-submission of a complete and accurate schedule poses a material limitation on the auditors to audit the leave accrual financial statement line item.	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Management comments noted the following remains to be reported. Payables from Exchange Transactions I was unable to obtain sufficient appropriate audit evidence for trade payables, unallocated deposits and leave accrual included in payables from exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these payables from exchange transactions by alternative means.	We acknowledge the audit finding raised and below is our based on the issues raised: Leave ProvisionWe have provided the external auditors with an accurate schedule that agrees to the financial statements, it appears that the formulas errors in question may have been an issue of oversight from the auditors. We have also attached an accurate schedule with this finding for the auditors to perform their recalculations Unallocated DepositsWe agree with the audit finding and we are currently in a	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		was unable to determine whether any further adjustment relating to trade payables of R920 998 363 (R775 488 972), unallocated deposits of R75 076 005 (2022: R60 397 625) and leave accrual of R22 086 796 (2022: R30 098 750) included in payables from exchange transactions as disclosed in note 7 to the financial statements was necessary.			Consequently, I was unable to determine whether any further adjustment relating to trade payables of R920 998 363 (R775 488 972), unallocated deposits of R75 076 005 (2022: R60 397 625) and leave accrual of R22 086 796 (2022: R30 098 750) included in payables from exchange transactions as disclosed in note 7 to the financial statements was necessary.	process of finalizing the supporting information in this regard.		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		<p>During 2022, I was unable to obtain sufficient appropriate audit evidence for retentions within payables from exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these payables from exchange transactions by alternative means.</p> <p>Consequently, I was unable to determine whether any</p>	<p>Contrary to the above requirements, the following information requested in RFI 81, issued on 6 December 2023 and due by 08 December 2023 was not submitted for audit:</p> <p>Information requested</p> <p>Payables from exchange transactions:</p> <p>Advanced payments</p> <p>Kindly provide the audit team with the debtor's statement of account, invoices, contracts/appointment letters/SLA for the following advanced payments listed below in Annexure A:</p> <p>Account number Debtor's Name Service Total Service</p> <p>1 400946018 STREEKSVERTEENWOORDI</p> <p>Advance Payments - 425 238,21</p> <p>Advance Payments</p> <p>2 203007011 STREEKSVERTEENWOORDI</p> <p>Advance Payments - 478 096,21</p> <p>Advance Payments</p> <p>3 701412012 DIREKTEUR=GENERAAL</p> <p>Advance Payments - 513 377,14</p> <p>Advance Payments</p> <p>4 701413013 DIREKTEUR-GENERAAL</p> <p>Advance Payments - 519 237,48</p> <p>Advance Payments</p> <p>5 501088015 STREEKSVERTEENWOORDO</p>	<p>Management did not submit the information requested with the agreed upon timeframes. Impact</p> <p>Non-submission of requested information results in a projected limitation misstatement of R50 135 589 relating to advanced payments</p>	<p>Management comments noted, the evidence was obtained and some element remains to be reported</p> <p>Expenditure management</p> <p>1. Money owed by the municipality was not always paid within 30 days, as required by section [65(2) (e) of the MFMA.</p> <p>2. An adequate management, accounting and information system was not in place which accounted for creditors, as required by section [65(2) (b) / 99(2) (c) of the MFMA.</p> <p>Payables from Exchange Transactions</p>	<p>We acknowledge the contents of the audit finding, this was an oversight during the RFI stage, and the information is readily available for submission.</p>	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		further adjustment relating to retentions of R5 291 100, included in payables from exchange transactions as disclosed in note 7 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2022 was modified accordingly. Consequently, my opinion on the current period's financial statements is also modified because of the	<p>Advance Payments - 554 569,77</p> <p>Advance Payments 6 502749043 STREEKSVERTEENWOORDI</p> <p>Advance Payments - 555 203,71</p> <p>Advance Payments 7 701414014 STREEKSVERTEENWOORDI</p> <p>Advance Payments - 590 346,15</p> <p>Advance Payments 8 800096016 DEPT O WERKE & G SAK</p> <p>Advance Payments - 619 444,93</p> <p>Advance Payments 9 701411011 STREEKSVERTEENWOORDI</p> <p>Advance Payments - 629 042,65</p> <p>Advance Payments 10 501060019 STREEKSVERTEENWOORDI</p> <p>Advance Payments - 657 835,37</p> <p>Advance Payments 11 701370024 STREEKSVERTEENWOORDI</p> <p>Advance Payments - 671 394,94</p> <p>Advance Payments 12 701392017 DIREKTEUR GENERAAL</p> <p>Advance Payments - 735 915,19</p> <p>Advance Payments 13 800095015 DIREKTEUR-GENERAAL</p> <p>Advance Payments - 742 462,21</p> <p>Advance Payments 14 603236024 STREEKSVERTEENWOORDI</p> <p>Advance Payments - 743 576,37</p> <p>Advance Payments 15 603230035 STREEKSVERTEENWOORDI</p>		<p>3. I was unable to obtain sufficient appropriate audit evidence for trade payables, unallocated deposits and leave accrual included in payables from exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment relating to trade payables of R920 998 363</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		possible effect of this matter on the comparability of the current period's figures.	<p>Advance Payments - 765 956,69</p> <p>Advance Payments 16 701391016 DIREKTEUR GENERAAL</p> <p>Advance Payments - 785 305,73</p> <p>Advance Payments 17 604131025 STREEKSVERTEENWOORDI</p> <p>Advance Payments - 801 206,35</p> <p>Advance Payments 18 402521020 STREEKSVERTEENWOORDI</p> <p>Advance Payments - 807 447,08</p> <p>Advance Payments 19 300112012 STREEKSVERTEENWOORDI</p> <p>Advance Payments -1 288 953,61</p> <p>Advance Payments 20 3800396018 DEPARTEMENT OPENBARE</p> <p>Advance Payments -1 558 549,48</p> <p>Advance Payments 21 300113013 STREEKSVERTEENWOORDI</p> <p>Advance Payments -2 037 198,12</p> <p>Advance Payments 22 7067523222 BESTER JS Advance Payments -3 277 082,45</p> <p>Advance Payments 23 300119019 DIREKTEUR-GENERAAL</p> <p>Advance Payments -6 436 797,33</p> <p>Advance Payments</p>		<p>(R775 488 972), unallocated deposits of R75 076 005 (2022: R60 397 625) and leave accrual of R22 086 796 (2022: R30 098 750) included in payables from exchange transactions as disclosed in note 7 to the financial statements was necessary.</p> <p>4. During 2022, I was unable to obtain sufficient appropriate audit evidence for retentions within payables from exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records.</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment relating to retentions of R5 291 100, included in payables from exchange transactions as disclosed in note 7 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2022 was modified accordingly. Consequently, my opinion on the current period's financial statements</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date								
					is also modified because of the possible effect of this matter on the comparability of the current period's figures.											
5	VAT Payables	The municipality did not adequately account for vat payable in accordance with GRAP 1, Presentation of financial statements. The disclosed amount of vat payable is not correctly valued; this was due to	<p>During the audit of VAT Payable we have noted differences between the recalculated amount for VAT based on expenditure and revenue of the municipality and the VAT amount as per the General ledger for as follows;</p> <p>Invoice basis;</p> <p>Recalculated VAT per the GL Difference</p> <table><tr><td>Output VAT</td><td>32,371,378.51</td></tr><tr><td>34,320,239.07</td><td>(1,948,860.56)</td></tr><tr><td>Input VAT</td><td>28,329,796.16</td></tr><tr><td>25,685,131.59</td><td>2,644,664.57</td></tr></table> <p>Differences were noted between the VAT 201 and the recalculated amount based on the</p>	Output VAT	32,371,378.51	34,320,239.07	(1,948,860.56)	Input VAT	28,329,796.16	25,685,131.59	2,644,664.57	Management did not implement controls over daily and monthly processing and reconciling of transactions	<p>Management comments noted management provided vat 201 forms, however these were used in the original testing of vat and thus the issue was not resolved</p> <p>Further, it should be noted that management did not prepare reconciliations from</p>	We disagree with the audit finding, the municipality is on cash basis with the Receiver of Revenue and it is using accrual basis of accounting, hence the VAT payable/ receivable is disclosed at the end of the financial year, there is always a VAT adjustment that is processed at the	01/02/2024	30/06/2024
Output VAT	32,371,378.51															
34,320,239.07	(1,948,860.56)															
Input VAT	28,329,796.16															
25,685,131.59	2,644,664.57															

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		multiple errors identified in determining the vat payable. I am unable to quantify the full extent of the misstatement in payable of R48 793 277 as disclosed in note 8 and input vat included in receivables from exchange transactions of R48 793 277 as disclosed in note 12 of the financial statements.	cash sales and payments made. VAT per VAT 201 VAT per recalculations above Differences <div><div>1,090,594.03</div><div>31,468,925.70</div><div>-</div></div> <div>30,378,331.67</div> <div><div>17,702,270.79</div><div>19,043,915.42</div><div>-</div></div> <div>1,341,644.63</div> <div><div>-</div><div>16,611,676.76</div><div>12,425,010.28</div><div>-</div></div> <div>29,036,687.04</div> Differences were noted between the VAT 201 and the VAT the monthly VAT schedules; VAT PERIOD VAT 201 Input VAT Difference <div><div>1 Jan-23 -</div><div>470,573.10</div></div> <div><div>388,079.84</div><div>(858,652.94)</div></div> <div><div>2 Feb-23 -</div><div>785,987.19</div></div> <div><div>30,794.80</div><div>(816,781.99)</div></div> <div><div>3 Mar-23 -</div><div>1,772,380.80</div><div>-</div></div> <div><div>885,011.72</div><div>(887,369.08)</div></div> <div><div>4 Apr-23 -</div><div>2,503,470.70</div><div>-</div></div> <div><div>1,568,463.67</div><div>(935,007.03)</div></div> <div><div>5 May-23 -</div><div>985,535.90</div><div>-</div></div> <div><div>872,150.99</div><div>(113,384.91)</div></div> <div><div>6 Jun-23 -</div><div>690,639.48</div><div>-</div></div> <div><div>172,227.34</div><div>(518,412.14)</div></div> <div><div>7 Jul-22 -</div><div>1,680,597.25</div><div>-</div></div> <div><div>1,680,085.56</div><div>(511.69)</div></div> <div><div>8 Aug-22 -</div><div>2,810,398.26</div><div>-</div></div> <div><div>2,809,766.11</div><div>(632.15)</div></div> <div><div>9 Sep-22 -</div><div>1,277,917.06</div></div>		accrual basis to cash basis. The matter remains to be reported in audit report VAT Payables 1. The municipality did not adequately account for vat payable in accordance with GRAP 1, Presentation of financial statements. The disclosed amount of vat payable is not correctly valued; this was due to multiple errors identified in determining the vat payable. I am unable to quantify the full extent of the misstatement in payable of R48 793 277 as disclosed in note 8 and input vat	end of the financial year in order to account for the timing difference between cash basis and accrual basis of accounting. Therefore the accounting policies disclosed in the AFS will have to be amended to include both these facts. It should be noted that the treatment of transactions did not change.		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
			1,286,810.13 (2,564,727.19) 10 Oct-22 - 1,200,823.96 - 1,200,095.74 (728.22) 11 Nov-22 - 761,263.47 - 760,869.82 (393.65) 12 Dec-22 - 1,672,088.68 - 1,672,064.22 (24.46)		included in receivables from exchange transactions of R48 793 277 as disclosed in note 12 of the financial statements.			
6	Property Plant and Equipment	The municipality did not account for property, plant and equipment in accordance with GRAP 17, Property, plant and equipment. The municipality did not correctly assess at each reporting date whether there was any indication that the entity's	In testing property, plant and equipment (both infrastructure and other PPE) it was noted that there are assets that are still in use, but that have been fully depreciated. The useful lives of these assets should have been re-assessed to confirm that this is accurate. The assets stated in annexure A serve as an example	Management to provide	Management comments not received therefore the finding remains because the information submitted is not for issue 95 on comaf 40 response. The following was reported within the management report and auditors report. Property Plant and Equipment The municipality did not account for	No formal responses received from Management and management incorrectly attached supporting documentation that does not relate to the issue raised.	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		<p>expectation about useful lives of an asset have changed since the proceeding reporting date, the municipality has disclosed assets that are still in use at R1.</p> <p>Consequently property, plant and equipment were understated. I was unable to quantify the full extent of the misstatement of property plant and equipment as it was impracticable to do so.</p>			<p>property, plant and equipment in accordance with GRAP 17, Property, plant and equipment. The municipality did not correctly assess at each reporting date whether there was any indication that the entity's expectation about useful lives of an asset have changed since the proceeding reporting date, the municipality has disclosed assets that are still in use at R1.</p> <p>Consequently property, plant and equipment were understated. I was unable to quantify the full extent of the misstatement of property plant and</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					equipment as it was impracticable to do so.			
	Property Plant and Equipment	<p>I was unable to obtain sufficient audit evidence for movable assets included in property, plant and equipment due to the status of the accounting records. I was unable to confirm the property plant and equipment by alternative means.</p> <p>Consequently, I was unable to determine whether any adjustment to the property</p>	<p>RFI 32 issued on 01 November 2023 with a due date of 03 November 2023 relating to Property plant and equipment is not fully received. The below documents (where applicable) for all items listed in annexure A was not submitted;</p> <ol style="list-style-type: none"> 1. Payment certificate 2. Contracts/SLA's 3. Completion certificates 4. Evidence of authorisation by management for new additions 	<p>Management did not ensure that there are adequate controls in place to ensure that all the information requested by the auditors as per the RFI is fully submitted to the auditors. Impact</p> <p>The above finding results in the limitation of scope on the audit of the opening balance for Property Plant and Equipment</p>	<p>Managements response is noted, please note that the auditors accepted the information however there was some invoices and other information which were still outstanding. The remaining difference for information not submitted is a projected amount of R7 455 799.</p> <p>The matter will be reported in the management report and auditors report</p>	We acknowledge the contents of the audit finding and the information was subsequently submitted to the external auditors for the purpose of Audit.	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		plant and equipment: movable assets of R15 017 084 as disclosed in note 5 of the financial statements was necessary.						
7	Revenue from Non - Exchange Transactions	The municipality did not adequately account for revenue from property rates in accordance with GRAP 23, Revenue from non-exchange transactions. The municipality used an incorrect rate to	<p>Contrary to the above requirements, the following information requested in RFI 81, issued on 6 December 2023 and due by 08 December 2023 was not submitted for audit:</p> <p>Information requested</p> <p>Payables from exchange transactions:</p> <p>Advanced payments</p> <p>Kindly provide the audit team with the debtor's statement of account, invoices, contracts/appointment letters/SLA for the following advanced payments listed below in Annexure A:</p>	<p>Management did not submit the information requested with the agreed upon timeframes. Impact</p> <p>Non-submission of requested information results in a projected limitation misstatement of R50 135 589 relating to advanced payments</p>	<p>Management comments noted, the evidence was obtained and some element remains to be reported</p> <p>Expenditure management</p> <p>1. Money owed by the municipality was not always paid within 30 days, as required by section [65(2) (e) of the</p>	<p>We acknowledge the contents of the audit finding, this was an oversight during the RFI stage, and the information is readily available for submission.</p>	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		<p>determine the amount of revenue from property rates.</p> <p>Consequently, revenue from property rate was overstated by R55 221 695 and receivables from non-exchange transactions was overstated by R55 221 695.</p>	<p>Account number Debtor's Name Service Total Service</p> <p>1 400946018 STREEKSVERTEENWOORDI Advance Payments - 425 238,21 Advance Payments</p> <p>2 203007011 STREEKSVERTEENWOORDI Advance Payments - 478 096,21 Advance Payments</p> <p>3 701412012 DIREKTEUR=GENERAAL Advance Payments - 513 377,14 Advance Payments</p> <p>4 701413013 DIREKTEUR-GENERAAL Advance Payments - 519 237,48 Advance Payments</p> <p>5 501088015 STREEKSVERTEENWOORDO Advance Payments - 554 569,77 Advance Payments</p> <p>6 502749043 STREEKSVERTEENWOORDI Advance Payments - 555 203,71 Advance Payments</p> <p>7 701414014 STREEKSVERTEENWOORDI Advance Payments - 590 346,15 Advance Payments</p> <p>8 800096016 DEPT O WERKE & G SAK Advance Payments - 619 444,93 Advance Payments</p> <p>9 701411011 STREEKSVERTEENWOORDI Advance Payments - 629 042,65 Advance Payments</p> <p>10 501060019 STREEKSVERTEENWOORDI</p>		<p>MFMA.</p> <p>2. An adequate management, accounting and information system was not in place which accounted for creditors, as required by section [65(2) (b) / 99(2) (c) of the MFMA.</p> <p>Payables from Exchange Transactions</p> <p>3. I was unable to obtain sufficient appropriate audit evidence for trade payables, unallocated deposits and leave accrual included in payables from exchange transactions as the municipality did not have an adequate system of internal control and did not</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
			<p>Advance Payments - 657 835,37 Advance Payments</p> <p>11 701370024 STREEKSVERTEENWOORDI Advance Payments - 671 394,94 Advance Payments</p> <p>12 701392017 DIREKTEUR GENERAAL Advance Payments - 735 915,19 Advance Payments</p> <p>13 800095015 DIREKTEUR-GENERAAL Advance Payments - 742 462,21 Advance Payments</p> <p>14 603236024 STREEKSVERTEENWOORDI Advance Payments - 743 576,37 Advance Payments</p> <p>15 603230035 STREEKSVERTEENWOORDI Advance Payments - 765 956,69 Advance Payments</p> <p>16 701391016 DIREKTEUR GENERAAL Advance Payments - 785 305,73 Advance Payments</p> <p>17 604131025 STREEKSVERTEENWOORDI Advance Payments - 801 206,35 Advance Payments</p> <p>18 402521020 STREEKSVERTEENWOORDI Advance Payments - 807 447,08 Advance Payments</p> <p>19 300112012 STREEKSVERTEENWOORDI Advance Payments -1 288 953,61 Advance Payments</p> <p>20 3800396018 DEPARTEMENT OPENBARE</p>		<p>keep proper accounting records. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment relating to trade payables of R920 998 363 (R775 488 972), unallocated deposits of R75 076 005 (2022: R60 397 625) and leave accrual of R22 086 796 (2022: R30 098 750) included in payables from exchange transactions as disclosed in note 7 to the financial statements was necessary.</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
			<p>Advance Payments -1558549,48 Advance Payments</p> <p>21 300113013 STREEKSVERTEENWOORDI Advance Payments -2 037 198,12 Advance Payments</p> <p>22 7067523222 BESTER JS Advance Payments -3 277 082,45 Advance Payments</p> <p>23 300119019 DIREKTEUR-GENERAAL Advance Payments -6 436 797,33 Advance Payments</p>		<p>4. During 2022, I was unable to obtain sufficient appropriate audit evidence for retentions within payables from exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment relating to retentions of R5 291 100, included in payables from exchange</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>transactions as disclosed in note 7 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2022 was modified accordingly. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
8	Contracted services	I was unable to obtain sufficient appropriate audit evidence for contracted services due to the status of the accounting records. I was unable to confirm the contracted services by alternative means. Consequently, I was unable to determine whether any adjustment to the contracted services stated at R60 517 288 as disclosed in note 38 of the financial statements was necessary.	Contrary to the above requirement, during the testing of contracted services we identified transactions which have been incorrectly classified as contracted services while there was no contractual agreement of the service between the municipality and the service provider. The following transactions are affected: As Per GL Invoice/ Statement No: Account Name Transaction Date Order Number Description Balance Description of Items Contractor name VAT number: Invoice No: Invoice date/date invoice received: Goods/Service received in 2022/23 financial year1 IE00300301200000000000000000000000000000 2022/09/26 44788 REPLACEMENT OF SWITCHGEARS AND RING MAIN UNIT (RMU 312 940,00 Replacement of switchgears and ring main unit MV Specialised services 4420277958 INV0000638 2022/09/22 No proof 2 IE00300200101000000000000000000000000000 2023/01/26 45023 Outstanding Medical Bills for an official Mr TK LOA 2 956,52 Outstanding Medical Bills Pathcare Business Centre No proof 3 IE00300302600000000000000000000000000000 2023/02/22 45078 PAYMENT REQUEST TO PROCURE RADIATOR FOR FINANCE VE 1 465,92 Repairs Vryburg Spares CCT/A	Management did not submit the information requested with the agreed upon timeframe. Impact This results in an overstatement of contracted services with a projected misstatement of R3 384 466, 63.	Management comments noted the matter remains to be reported within the management report and auditors report as follows; Contracted services1. I was unable to obtain sufficient appropriate audit evidence for contracted services due to the status of the accounting records. I was unable to confirm the contracted services by alternative means. Consequently, I was unable to determine whether any adjustment to the contracted services stated at R60 517 288 as disclosed in note 38	We agree with the audit finding, this was an oversight during preparation and we propose a reclassification journal from Contracted services to General Expenditure.	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		<p>The municipality did not adequately account for contracted services in accordance with GRAP 1, Presentation of financial statements.</p> <p>The municipality incorrectly recorded contracted services as general expenditure as the municipality did not have adequate systems and controls in place. Consequently, contracted services is overstated by</p>	<p>Contrary to the above requirement, during the testing of contracted services we identified transactions which have been incorrectly classified as contracted services while there was no contractual agreement of the service between the municipality and the service provider.</p> <p>The following transactions are affected: As Per GL Invoice/ Statement No: Account Name Transaction Date Order Number Description Balance Description of Items Contractor name VAT number: Invoice No: Invoice date/date invoice received: Goods/Service received in 2022/23 financial year</p> <p>1 IE00300301200000000000000000000000000000 2022/09/26 44788 REPLACEMENT OF SWITCHGEARS AND RING MAIN UNIT (RMU 312 940,00 Replacement of switchgears and ring main unit MV Specialised services 4420277958 INV0000638 2022/09/22 No proof</p> <p>2 IE00300200101000000000000000000000000000 2023/01/26 45023 Outstanding Medical Bills for an official Mr TK LOA 2 956,52 Outstanding Medical Bills Pathcare Business Centre No proof</p> <p>3</p>	<p>Management did not submit the information requested with the agreed upon timeframe.</p> <p>Impact This results in an overstatement of contracted services with a projected misstatement of R3 384 466, 63.</p>	<p>Management comments noted the matter remains to be reported within the management report and auditors report as follows; Contracted services 1. I was unable to obtain sufficient appropriate audit evidence for contracted services due to the status of the accounting records. I was unable to confirm the contracted services by alternative means. Consequently, I was unable to determine whether any adjustment to the contracted services stated at R60 517 288 as disclosed in note 38 of the financial</p>	<p>We agree with the audit finding, this was an oversight during preparation and we propose a reclassification journal from Contracted services to General Expenditure.</p>	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		R6 457 744 and general expenditure is understated by R6 457 744.	IE00300302600000000000000000000000000000 2023/02/22 45078 PAYMENT REQUEST TO PROCURE RADIATOR FOR FINANCE VE 1 465,92 Repairs Vryburg Spares CCT/A Randburg Midas 4340215013 10Q80331 2023/02/07 No proof 4 IE00300300800000000000000000000000000000 2023/06/02 45336 CONTROL ARMS AND BRAKE PADS FOR FZV 922 NW 4 433,08 Arms and brake pads Motus aftermarket parts 4670110032 VMQ01776 2023/05/19 No proof		statements was necessary. 2. The municipality did not adequately account for contracted services in accordance with GRAP 1, Presentation of financial statements. The municipality incorrectly recorded contracted services as general expenditure as the municipality did not have adequate systems and controls in place. Consequently, contracted services is overstated by R6 457 744 and general expenditure is understated by R6 457 744.			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
9	General expenditure	<p>I was unable to obtain sufficient appropriate audit evidence for general expenditure as the municipality did not maintain an adequate system of internal control and did not maintain adequate records of goods and services received.</p> <p>I was unable to confirm the general expenditure by alternative means. Consequently, I was unable to determine whether any</p>	Furthermore section 62(1) (b) state that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.	Management did not submit the information requested with the agreed upon timeframe.	<p>No management responses received. The auditor performed other alternative procedures which includes physically verifying the item bought and concluded items were received by the municipality. Due to the fact that we could confirm the receipt by alternative procedures the finding will have no financial impact however it will be reported as a control deficiency.</p>	Management response not provided	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		adjustment relating to general expenditure stated at R45 411 656 in note 36 to the financial statements was necessary.						
10	Fruitless and Wasteful Expenditure	I was unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure due to the status of accounting records. I was unable to confirm this fruitless and wasteful	Differences of R 17 830 858 were noted between unauthorised expenditure calculations submitted by management to the auditors and actual expenditure per the trial balance Furthermore current year Note 46 extract heading incorrectly refers to 21/22 and presentation is not consistent with prior year. Inadequate review of the Annual Financial Statements before submission for audit.	Inaccurate unauthorised expenditure disclosure note	Management response noted, audit adjustments were not allowed as management was allowed an opportunity to submit an updated GL/TB, thus have utilised their 1 adjustment. The matter remains to be reported in audit report as follows: Unauthorised	Iss 79: We agree with the audit finding and we propose corrections to the annual financial statements submitted for audit in order to adjust the disclosure note for Unauthorized Expenditure.	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to fruitless and wasteful expenditure of R282 943 289 (2022: R224 823 657) as disclosed in note 46 to the financial statements was necessary.			Expenditure1. The municipality did not adequately account for Unauthorised Expenditure in accordance with section 62(1) (d) of the MFMA. The municipality did not accurately disclose the amount of unauthorised expenditure; this was due to multiple errors identified in determining the unauthorised expenditure. I am unable to determine the full extent of the misstatement in unauthorised expenditure as it was impracticable to do so.			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		<p>I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for Fruitless and wasteful expenditure. As described in note 46 to the financial statements, the restatement was made to rectify a previous year misstatement.</p> <p>The restatement could not be substantiated by sufficient appropriate supporting audit evidence</p>	<p>Based on the audit report of the 2021/2022 reporting period the Fruitless and wasteful expenditure was a qualified paragraph due to the unconfirmed opening balance. Auditor followed up on the prior year finding and also recalculated the opening balance to confirm the completeness and accuracy of the opening balance.</p> <p>1. Follow up on prior year difference and corrected adjustments</p> <p>In a discussion with management together with reference to the prior year finding as detailed below. Management agreed and further requested an adjustment on the opening balance in response to the below finding Annexure A, and the provided explanation of that difference was due to the closing balance amount for 2017/18 amounting to R30 691 830.77 which resulted from an erroneously duplicated for 2018/19 in the fruitless and wasteful expenditure Note. The amount for 2018/19 is supposed to be R17 535 080.69 causing a variance of R13 156 751. 86.</p> <p>In following up on the variance of R13 156 751 86 auditor noted that management difference was not to only the R 13 156 751.86 and the restated amount in the current year comparative amounted R13 337 290, 00.</p> <p>Annexure A</p>	<p>Management did not ensure that the figures disclosed in Note 46 to the Annual Financial Statements for Fruitless and wasteful expenditure are complete and accurate. Lack of proper record keeping system to provide the requested documents timely.</p>	<p>Management responses noted auditor assessed the submitted documents however the following issue were noted:</p> <p>1. Auditors were unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure due to the status of accounting records as management was unable to support the adjusted opening balance amount. Alternative evaluation of the restated opening balance was made however we were unable to confirm this fruitless and wasteful</p>	<p>There was formula error on the calculation of the opening balance where the 2018/19 movement for irregular expenditure was incorreccted referenced to the 2017/18 fruitless movement register which resulted in an incorrect balance. Please refer to the workings attached which breakdown the net effect of the correction of the above prior period error and all the supporting registers to support the Fruitless and wasteful expenditure. On the 2021/22 fruitless and wasteful an amount of R32 756 464,</p>	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		as the municipality did not have an adequate system of internal control and did not maintain adequate accounting records. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to fruitless and wasteful expenditure corresponding figure stated at R224 823 657 in the financial	COMAF 11ISS.21 -Fruitless and wasteful expenditure - Differences Identified between amount as per the AFS and Register 1. Differences were identified between Main Note (Note 46) and the Reconciliation (Note 46) for the current year amount : Fruitless and wasteful Per schedule Per note 46 Difference AGSA 596 563,31 810 587,00 -214 023,69 DBSA 810 586,17 122 890,00 687 696,17 SARS 454 882,60 0 454 882,60 ESKOM BULK 30 452 284,44 30 452 284,00 0,44 ESKOM SMALL ACCOUNTS 120 476,83 120 477,00 -0,17 OTHER ACCOUNTS 321 670,25 321 670,00 0,25 TELKOM 0 596 563,00 -596 563,00 32 756 463,60 32 424 471,00 331 992,60 2. Differences were identified between Note 46 restated amount and the schedule for the prior year amount : Amount per lead Amount by supporting register Differences Opening balance 96 959 818,00 96 959 818,00 0,00 201718 30 691 830,77 30 691 830,00 0,77 201819 30 691 830,77 17 535 080,69 13 156		expenditure. Consequently, we were unable to determine whether any adjustment to fruitless and wasteful expenditure of R282 943 289 (2022: R224 823 657) as disclosed in note 46 to the financial statements was necessary. 2. During the evaluation of Fruitless breakdown were noted that some of the closing balance of the prior financial year (reporting period before 30 June 2023) was not agreeing prior financial year audited AFS and management did not provide sufficient	00 was disclosed on the prior year financial statements, an exercise was performed on accuracy and completeness of expenditure and payables which lead to the detection of an error as the accurate and complete amount for fruitless expenditure for the 2021/22 financial year is R 29 167 557. The updated register and all supplier statements have been provided to the auditors.		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		statements.	<p>750,08</p> <p>201920 32 479 065,73 32 479 065,00 0,73</p> <p>202021 18 170 844,33 18 170 844,05 0,28</p> <p>208 993 389,60 195 836 637,74 13 156</p> <p>751,86</p> <p>Previously reported 190 250 423,00 190 250 423,00 0,00</p> <p>Restatement 18 742 966,60 5 586 214,74 13 156 751,86</p> <p>2. Tracing of the closing balance from 2019 to the upcoming financial reporting period to confirm the current year opening balance</p>		<p>appropriate audit evidence for the restatement of the corresponding figure for Fruitless and wasteful expenditure. As described in note 46 to the financial statements, the restatement was made to rectify a previous year misstatement. The restatement could not be substantiated by sufficient appropriate supporting audit evidence as the municipality did not have an adequate system of internal control and did not maintain adequate accounting records. We were unable to confirm the restatement by</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					alternative means. Consequently, we were unable to determine whether any adjustments were necessary to fruitless and wasteful expenditure corresponding figure stated at R224 823 657 in the financial statements.			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
11	Irregular Expenditure	I was unable to obtain sufficient appropriate audit evidence for irregular expenditure due to the status of the accounting records. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to the irregular expenditure of R413 352 936 (2022: R342 876 315) as disclosed in note 47 of the financial statements was	<p>During audit of irregular expenditure, we noted that irregular expenditure that was identified in the current financial year relating to the prior period(s) amounting to R 26 346 963 was incorrectly included in the 2022/23 irregular expenditure.</p> <p>Furthermore management has disclosed correction of error amounting to R 27 133 929 with no supporting calculations</p>	Inadequate review of the Annual Financial Statements before submission for audit. Incorrect disclosure note and possible overstatement of current year irregular expenditure.	2016/17 financial year – The irregular expenditure for the previous financial year end and confirmed that the amount was R 156 898 310.00 as per the Annual Financial Statements, however there is no opening balance for irregular expenditure in the Irregular expenditure register for the 2016/2017 financial year and therefore we were unable to confirm the balance as per the disclosure in the Annual Financial Statements of R 158 975 022.90. 2017/18 financial year-Section 125 of the MFMA requires the disclosure of	We disagree with the audit finding, supporting documentation relating to the impact disclosed in the prior error disclosure note was provided as well as the working papers that contain items that can be selected for testing.	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		necessary.			irregular expenditure incurred. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure due to non-submission of information in support of this disclosure. I was unable to confirm the irregular expenditure by alternative means. In addition, the municipality made payments of R24 854 727 (2017: R26 516 839) in contravention with the supply chain management requirements which were not included in the irregular expenditure disclosed. As the			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>municipality did not quantify the full extent of the irregular expenditure, it was impracticable to determine the total irregular expenditure that should have been disclosed.</p> <p>Consequently, I was unable to determine whether any further adjustment relating to the irregular expenditure of R226 823 039 (2017: R177 698 837) as disclosed in note 48 to the financial statements was necessary.</p> <p>2018/19 financial year- Management did not submit for audit purpose the irregular expenditure register</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					to support the amounts reported in the note to financial statements. 2019/20 financial year - The restatement made to the corresponding figure could not be audited (Issue 124, COMAF 17). During the preparation of the lead schedule of Irregular Expenditure, it was noted that there are differences of R5,635,893.00 in the opening balances of the prior and current year AFS. Subsequently we noted that no supporting schedules were submitted to substantiate the R 6,540,112.00			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					(amount incorrectly recorded as irregular- prior period) and no proof of investigations to remove the R 6,540,112.00 was provided to the audit team 2020/21 financial year - Irregular expenditure register submitted for the 2020/2021 financial year. It was determined that it appears that findings relating to irregular expenditure of 2019/2020 audit have not been dealt with. The following were the issues: •a restatement of the 2019/2020 opening balance from R233 363 151 to R227 727 258			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>was made. This represents a downward adjustment of R5 635 893. The only way the municipality would be able to reduce its opening balance as at 2019/2020 was through a condonement or write off process. This evidence was not provided in 2019/2020 audit thus opening balance at 2019/2020 was qualified as a result of a material limitation. This evidence has not been presented as part of the 2020/2021 audit file.</p> <p>•As relates to COMAF 7 Issues</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>148, 167 and 150 these were limitation findings resulting in additional irregular expenditure that would affect the "current year" line item on the note. Further, as these were done on samples the auditors expectation would be that management would relook at the whole population to ensure that these are the only items of additional irregular expenditure not identified the first time by the municipality. However, the corresponding figure in the note to irregular</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>expenditure particular the line, "Add: Irregular Expenditure - current" is still stated at R4 223 095. Thus, no restatement to at a minimum account for the additional irregular expenditure identified in the 2019/2020 audit. The lack of controls within the municipality relating to accurate and complete financial information readily and timeously available. The opening balance of irregular expenditure as at 01 July 2020 or R231 950 353 is materially misstated.</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>For the current year 2021/22, we inspected the Irregular expenditure register for restatements and confirmed that the management went back from 2016 financial year to adjust , however the open balance used of R 156 898 309,90 was a limitation in 2016/17 financial year..</p> <p>Management only adjusted the Irregular expenditure as per AGSA finding raised from 2016/17 – 2020/21 financial year. As a result auditors expectation is that management would relook at the whole population to ensure that all</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>instances of irregular expenditure are recorded and the population of the amount disclosed is accurate and complete.</p> <p>In the 22/23 financial year, management reconstructed the register, however did not address the issue of the 2016/17 opening balance</p> <p>Irregular Expenditure I was unable to obtain sufficient appropriate audit evidence for irregular expenditure due to the status of the accounting records. I was unable to</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to the irregular expenditure of R413 352 936 (2022: R342 876 315) as disclosed in note 47 of the financial statements was necessary. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for irregular expenditure. As described in note 47 to the financial statements, the restatement was made to rectify a previous year misstatement, but			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>the restatement could not be substantiated by sufficient appropriate supporting audit evidence due to the status of the accounting records. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to irregular expenditure corresponding figure stated at R342 876 315 in the financial statements.</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for irregular expenditure. As described in note 47 to the financial statements, the restatement was made to rectify a previous year misstatement, but the restatement could not be substantiated by sufficient appropriate supporting audit evidence due to the status of the	During the audit of completeness of irregular expenditure, we noted the following transactions below which are not included in the register. Item description Total rand-value of award Expenditure (Payments) - current year Non-compliance identified? Yes/ No Irregular expenditure identified? Yes / No Amount included the in Irregular Register ROAD LODGE CARNAVAL CITY 10,000.00 10,000.00 Yes - COURTYARD HOTEL ARCADIA 5,840.00 5,840.00 Yes - REGENT BUSINESS SCHOOL 37,600.00 37,600.00 Yes Yes - PEERMONT GLOBAL (NW) PTY LTD 31,170.00 31,170.00 Yes Yes - Matlhodi Catering Construction and Projects 8,222.00 8,222.00 Yes Yes - No Item description Total rand-value of award Expenditure (Payments) - current year Amount included the in Irregular Register Irregular expenditure that was not disclosed1 NLM2022-020B - Electrification of 250 households at Rekgaratlhile Phase 2 5,186,555 1,414,628 - 1,414,628.00 2 NLM2022-015A - Construction of Internal Roads Huhudi Phase 1 38,204,155 21,589,572 19,089,572.00 2,499,999.00 3 NLM2022-008A-2 - Supply and delivery of office furniture (Stella Office) 946,400 946,400	Inadequate review of the Annual Financial Statements before submission for audit. Irregular expenditure register is not complete.	Management comment noted, however audit adjustments were not allowed as management was allowed an opportunity to submit an updated GL/TB, thus have utilised their 1 adjustment. The matter will be reported in the management report and audit report as follows: Irregular ExpenditureThe municipality did not record all instances of irregular expenditure as required by section 125(2) (d) of the MFMA. The payments made in contravention of the supply chain management requirements were	We agree with the audit finding and we propose a population review of the irregular expenditure in order to have an accurate figure to disclosure on the financial statements submitted for audit	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		accounting records. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to irregular expenditure corresponding figure stated at R342 876 315 in the financial statements.	946,400.00 946,400.00 4 NLM2022-008A-2 - Supply and delivery of office furniture (Stella Office) 946,400 946,400 - -		not disclosed in the accounting records as the municipality did not have adequate systems and controls in place to ensure that all irregular expenditures are disclosed, I was unable to determine the full extent of the understatement of irregular expenditure stated to the financial statements as it was impractical to do so. In addition, irregular expenditure was not accurately disclosed. Consequently, irregular expenditure was understated by R4 601 712.			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		The municipality did not record all instances of irregular expenditure as required by section 125(2) (d) of the MFMA. The payments made in contravention of the supply chain management requirements were not disclosed in the accounting records as the municipality did not have adequate systems and controls in place to ensure that all irregular expenditures are disclosed, I	<p>1. During audit of irregular expenditure, the following differences were noted between amounts per supplier invoice and amount per irregular expenditure register:</p> <p>No Supplier Date of payment Amount Invoice number Description Amount (Inc. VAT) Difference</p> <p>1 DEPHETHOGO CLEANING AND SECURITY 15/08/2022 1 151 975,37 IN000188/MAR Tactical team for Jan, Feb, March 2022 607 200,00 (544 775,37)</p> <p>2 DEPHETHOGO CLEANING AND SECURITY 31/01/2023 1 151 975,37 INV000550/AUG Variation order 01/08/22-31/08/22 287 100,10 (864 875,27)</p> <p>Total (1 409 650,64)</p> <p>2. The following transactions were duplicated in the irregular expenditure register:</p> <p>No Date of discovery Date Reported to Accounting Officer Supplier Date of payment Amount Payment Number/Order Number Description of Incident e.g. No Valid Original Tax Clearance, No 3 Quotes, Interest on Late Payment etc.</p> <p>1 2022/04/24 2022/04/24 BOKONE PLANT AND SCAFFOLD HIRE (PTY) LTD 15/09/2022 867 123,21 44675 SCM Policies not properly</p>	Lack of internal controls to ensure financial information is prepared, reviewed and reconciled for accuracy.	Management's response is noted, the finding remains and will be included in the Management report and audit report	<p>1. Management partially agreement with finding, please refer to the schedule above for the payment schedule and the payment vouchers 113555 and 114308 for the above payments. The amount included on the irregular expenditure is based on the actual payment made. The two Creditors statements have also been submitted to the Auditor General to show the billing and payments.</p> <p>2. Management agrees with the duplication for the Bokone payments.</p>	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		was unable to determine the full extent of the understatement of irregular expenditure stated to the financial statements as it was impractical to do so. In addition, irregular expenditure was not accurately disclosed. Consequently, irregular expenditure was understated by R4 601 712.	<p>followed</p> <p>2 2022/04/23 2022/04/23 BOKONE PLANT AND SCAFFOLD HIRE (PTY) LTD 19/08/2022 702 297,64 44674 SCM Policies not properly followed</p> <p>Total 1 569 420,85</p>					

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
12	Statement of comparison of budget and actual amounts	The municipality did not disclose statement of comparison of budget and actual amounts in accordance with GRAP 24, Presentation of budget information in financial statements. Material differences were identified between the approved budget and the budget disclosed in the statement of comparison of budget and actual. I was unable to determine the full extent of the	Contrary to the above differences between statement of performance and Budget statement were identified and no disclosure with regards to paragraph 17 and paragraph 27 were made. Refer to working paper below Statement of Budget Performance of position information Difference Employee Related costs (236,262,854.00) Employee related costs - 232905933 -217709161 (78,350) Finance costs (28,500,000.00) Finance costs -66324951 -36142734 (1,001,691) Other expenditure (135,111,720.00) Contracted services - 60517288 -58029040 46,491,697 General Expenses -45411656 -30359554 (45,411,656) Sale of goods and services 209792838 207738869 209,792,838.00 None Presented Grants 119285360 103385913 119,285,360.00 None Presented Interest income 34492020 23899974 34,492,020.00 None Presented Payments 363570218 335024756 363,570,218.00 None Presented Employee costs -177860607 -100124647 (177,860,607.00) None Presented Suppliers - 96870331 -67529580 (96,870,331.00) None Presented Finance costs -66324951 -36142734 (66,324,951.00) None Presented - 341055889 -203796961	The institution did not have sufficient monitoring controls to ensure the adherence to the internal policies and procedures and for purposes of taking corrective action. This was due to limited review/monitoring of the completeness of financial statements by management, the audit committee and the internal audit unit.	Management agreed to the finding the matter remains to be reported in the audit report Statement of comparison of budget and actual amounts The municipality did not disclose statement of comparison of budget and actual amounts in accordance with GRAP 24, Presentation of budget information in financial statements. Material differences were identified between the approved budget and the budget disclosed in the statement of comparison of budget and actual. I was unable to	We agree with the contents of the audit findings, there was an oversight during the preparation of the AFS	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		misstatement as it was impracticable to do so.	(341,055,889.00)None Presented Net cash flows from operating activities Cash flows from investing activities 22514329 131227795 22,514,329.00 None Presented Purchase of property, plant and equipment -63993721 - 46516111 (63,993,721.00)None Presented Net cash flows from investing activities Cash flows from financing activities - 63993721 -43735170 (63,993,721.00)None Presented Repayment of other financial liabilities -6147346 -5189414 (6,147,346.00)None Presented Net cash flows from financing activities -6147346 - 5189414 (6,147,346.00)None Presented Net increase/(decrease) in cash and cash equivalents -47626738 82303211 (47,626,738.00)None Presented Cash and cash equivalents at the beginning of the year 18707540 50656476 18,707,540.00 None Presented Cash and cash equivalents at the end of the year * See Note 44 & 43 - 28919198 132959687 (28,919,198.00)		determine the full extent of the misstatement as it was impracticable to do so			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
13	Unauthorised Expenditure	The municipality did not adequately account for Unauthorised Expenditure in accordance with section 62(1) (d) of the MFMA. The municipality did not accurately disclose the amount of unauthorised expenditure; this was due to multiple errors identified in determining the unauthorised expenditure. I am unable to determine the full extent of the misstatement in unauthorised expenditure as it was	<p>Based on the audit report of the 2021/2022 reporting period the Fruitless and wasteful expenditure was a qualified paragraph due to the unconfirmed opening balance. Auditor followed up on the prior year finding and also recalculated the opening balance to confirm the completeness and accuracy of the opening balance.</p> <p>1. Follow up on prior year difference and corrected adjustments</p> <p>In a discussion with management together with reference to the prior year finding as detailed below. Management agreed and further requested an adjustment on the opening balance in response to the below finding Annexure A, and the provided explanation of that difference was due to the closing balance amount for 2017/18 amounting to R30 691 830.77 which resulted from an erroneously duplicated for 2018/19 in the fruitless and wasteful expenditure Note. The amount for 2018/19 is supposed to be R17 535 080.69 causing a variance of R13 156 751. 86.</p> <p>In following up on the variance of R13 156 751 86 auditor noted that management difference was not to only the R 13 156 751.86 and the restated amount in the current year</p>	Management did not ensure that the figures disclosed in Note 46 to the Annual Financial Statements for Fruitless and wasteful expenditure are complete and accurate. Lack of proper record keeping system to provide the requested documents timely.	Management responses noted auditor assessed the submitted documents however the following issue were noted: 1. Auditors were unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure due to the status of accounting records as management was unable to support the adjusted opening balance amount. Alternative evaluation of the restated opening balance was made however we were unable to confirm this fruitless and wasteful	There was formula error on the calculation of the opening balance where the 2018/19 movement for irregular expenditure was incorreccted referenced to the 2017/18 fruitless movement register which resulted in an incorrect balance. Please refer to the workings attached which breakdown the net effect of the correction of the above prior period error and all the supporting registers to support the Fruitless and wasteful expenditure. On the 2021/22 fruitless and wasteful an amount	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		impracticable to do so.	<p>comparative amounted R13 337 290, 00.</p> <p>2. Tracing of the closing balance from 2019 to the upcoming financial reporting period to confirm the current year opening balance</p> <p>During the current year audit of opening balance of fruitless and wasteful expenditure the auditor followed up on the opening balance from 2020 and agreed the amount to the prior year 2019 closing balance and follow up on the comparative amount however the below unexplained difference arising from comparatives being restated or corrected. Auditor noted the current year opening balance fruitless and wasteful expenditure does not agree to the closing balance of the 2022 reporting period. Refer to the below table for details annexure B</p> <p>Therefore auditor could not confirm the opening balance which consequentially directly affects the. closing balance of fruitless and wasteful expenditure Annexure B</p>		<p>expenditure. Consequently, we were unable to determine whether any adjustment to fruitless and wasteful expenditure of R282 943 289 (2022: R224 823 657) as disclosed in note 46 to the financial statements was necessary.</p> <p>2. During the evaluation of Fruitless breakdown were noted that some of the closing balance of the prior financial year (reporting period before 30 June 2023) was not agreeing prior financial year audited AFS and management did not provide</p>	<p>of R32 756 464, 00 was disclosed on the prior year financial statements, an exercise was performed on accuracy and completeness of expenditure and payables which lead to the detection of an error as the accurate and complete amount for fruitless expenditure for the 2021/22 financial year is R 29 167 557. The updated register and all supplier statements have been provided to the auditors.</p>		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>sufficient appropriate audit evidence for the restatement of the corresponding figure for Fruitless and wasteful expenditure. As described in note 46 to the financial statements, the restatement was made to rectify a previous year misstatement.</p> <p>The restatement could not be substantiated by sufficient appropriate supporting audit evidence as the municipality did not have an adequate system of internal control and did not maintain adequate accounting records. We were unable to</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>confirm the restatement by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to fruitless and wasteful expenditure corresponding figure stated at R224 823 657 in the financial statements.</p> <p>Therefore finding remains and will be reported in the management report and Auditors report.</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
14	Prior period adjustment	The municipality did not accurately disclose prior period errors in note 44 to the financial statements, as required by GRAP 3, Accounting policies, estimates and errors. The nature and the amount of the correction for receivables from non-exchange transactions, receivables from exchange transactions, property, plant and equipment, payables from exchange transactions, cash and cash	During the audit of the prior year adjustment note 44 relating to Payables from exchange transactions, the following differences were identified between the prior years adjusted registers submitted for audit (requested in RFI 77 of 2023) and amounts disclosed in note 44:2. Furthermore, during the testing of payables from exchange transactions in the prior year, the following limitations were identified for Trade Payables: The supplier statements indicated above has not been submitted for audit which has been requested as part of RFI 77 of 2023. Management to provide cause.1. This results in a limitation on the audit and the differences between the prior year's adjusted register and the actual reported information per note 44 prior year adjustment – Payables from exchange transactions will be regarded as a misstatement and this may lead the auditor to not perform any further work.2. Non-submission of supplier statements results in a limitation misstatement of R5 054 190, 08 relating to prior year adjustment trade payables.	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	Management responses noted, the registers provided by management had formula errors and when recalculated could not be confirmed to be accurate.The finding remains and will be included in the audit report to allow management to develop action plan for next year.The following was reported in the management report and audit report as follows: Payables from Exchange Transactions 1. I was unable to obtain sufficient appropriate audit evidence for trade payables, unallocated deposits and leave	Kindly provide your response in the manner as stated below 1. Prior year differences Trade payables Management disagrees with the finding, a creditors listing for the 2021/22 financial year with a total of R 731 759 898.34 was submitted to the Auditor General as part of RFI 77 on the Payables from exchange schedule folder under Trade and other payables 22 folder. All the supplier statements are included in the folder to support the amounts as per the Creditors Listing provided. Retentions Management agrees with the R	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		equivalents, leave provisions, bonus provisions, was not correctly disclosed. I was unable to determine the full extent of this misstatement on the prior period error note disclosed in note 51 to the financial statements, as it was impracticable to do so.			accrual included in payables from exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment relating to trade payables of R920 998 363 (R775 488 972), unallocated deposits of R75 076 005 (2022: R60 397 625) and leave accrual of R22 086 796 (2022: R30 098	53 833.39 difference. Advance payments Agree with the difference. Bonus Accrual Rounding differences of R 0.28 Leave Accrual Management disagrees with the finding, the amount of R 25 656 915, 30 included on the finding is an opening balance, the closing balance is R 30 908 747.92 on the Leave Provision 2021-22 tab on the Schedule provided on RFI 77. Unallocated Deposits Management agrees with the finding, the schedule has been subsequently provided. Other Creditors Other		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					750) included in payables from exchange transactions as disclosed in note 7 to the financial statements was necessary. 2. During 2022, I was unable to obtain sufficient appropriate audit evidence for retentions within payables from exchange transactions as the municipality did not have an adequate system of internal control and did not keep proper accounting records. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I	creditors have been reclassified to Trade payables; it will be part of the updated Prior period error note. 2. Limitation of scope Department of Labour Compensation Commissioner Management disagrees with the finding, the amount on the creditors' listing is R 9 251 701.56 and the supplier statement was included on the information provided on RFI 77. Department of water and sanitation Management disagrees with the finding, the amount on the creditors listing is R 4 208 463 which is		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
					<p>was unable to determine whether any further adjustment relating to retentions of R5 291 100, included in payables from exchange transactions as disclosed in note 7 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2022 was modified accordingly. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.</p>	supported by the working paper and supplier statements.		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date																																				
14	Cash flow statement	The cash flow statement was not correctly prepared and disclosed as required by standard of GRAP 2, Cash flow statement. This was due to multiple errors identified in determining the cash flows from operating activities, investing activities and financing activities. Consequently, the net cash from operating activities was misstated by R20 159 035 and net cash from financing activities were misstated by	<p>Contrary to the above, the cash flow statement is not reconcilable to the amounts presented in the Annual Financial Statements as follows:</p> <p>1. Current year cash flow statement</p> <p>Recalculated amount: (inflows = +; outflows = -)</p> <p>** R amount as per the cash flow statement: (inflows = +; outflows = -) Differences</p> <p>Cash Flow from operating activities</p> <p>Receipts (including VAT)</p> <table><tr><td>Add Customers</td><td>215,827,956.00</td></tr><tr><td>209,792,838.00</td><td>6,035,118.00</td></tr><tr><td>Add Grants and subsidies received</td><td></td></tr><tr><td>121,669,244.00</td><td>119,285,360.00</td></tr><tr><td>2,383,884.00</td><td></td></tr><tr><td>Add Interest received</td><td></td></tr><tr><td>42,237,143.00</td><td>34,492,020.00</td></tr><tr><td>7,745,123.00</td><td></td></tr><tr><td>Add Dividends received</td><td></td></tr><tr><td>-</td><td>-</td></tr><tr><td>Add Taxation/Levies/Fines</td><td></td></tr><tr><td>-</td><td>-</td></tr><tr><td>Add Other income</td><td>-</td></tr><tr><td>Insert/delete extra lines above this line, if needed.</td><td></td></tr><tr><td></td><td>379,734,343.00</td></tr><tr><td>363,570,218.00</td><td>16,164,125.00</td></tr><tr><td>Payments (including VAT)</td><td></td></tr><tr><td>Subtract Compensation of employees -</td><td></td></tr></table>	Add Customers	215,827,956.00	209,792,838.00	6,035,118.00	Add Grants and subsidies received		121,669,244.00	119,285,360.00	2,383,884.00		Add Interest received		42,237,143.00	34,492,020.00	7,745,123.00		Add Dividends received		-	-	Add Taxation/Levies/Fines		-	-	Add Other income	-	Insert/delete extra lines above this line, if needed.			379,734,343.00	363,570,218.00	16,164,125.00	Payments (including VAT)		Subtract Compensation of employees -		<p>Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.</p> <p>Although management provide us with their workings for the cash flow statement as some amounts could not be traced to the Annual Financial Statements and working provided by management.</p>	<p>Management's response is noted, audit adjustments were not allowed as management was allowed an opportunity to submit an updated GL/TB, thus have utilised their 1 adjustment. The findings remain and will be included in the management report and auditors report and reported as follows;</p> <p>Cash flow statement</p> <p>1. The cash flow statement was not correctly prepared and disclosed as required by standard of GRAP 2, Cash flow statement. This was due to multiple errors identified in determining the</p>	We agree with the contents of the audit findings and we propose amendments to the cash flow statements as well as supporting workings upon approval of the proposed audit adjustments.	01/02/2024	30/06/2024
Add Customers	215,827,956.00																																											
209,792,838.00	6,035,118.00																																											
Add Grants and subsidies received																																												
121,669,244.00	119,285,360.00																																											
2,383,884.00																																												
Add Interest received																																												
42,237,143.00	34,492,020.00																																											
7,745,123.00																																												
Add Dividends received																																												
-	-																																											
Add Taxation/Levies/Fines																																												
-	-																																											
Add Other income	-																																											
Insert/delete extra lines above this line, if needed.																																												
	379,734,343.00																																											
363,570,218.00	16,164,125.00																																											
Payments (including VAT)																																												
Subtract Compensation of employees -																																												

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		R6 147 346.	<p>241,327,395.00 - 177,860,607.00 - 63,466,788.00</p> <p>Subtract Suppliers (for trading goods/services) - 69,726,703.00 - 96,870,331.00 27,143,628.00</p> <p>Subtract Suppliers (other operating expenses) -</p> <p>Subtract Interest paid - 66,324,951.00 - 66,324,951.00</p> <p>-</p> <p>Subtract Taxes paid -</p> <p>Subtract Transfers and subsidies paid -</p> <p>Insert/delete extra lines above this line, if needed. -</p> <p>- 377,379,049.00 - 341,055,889.00 - 36,323,160.00</p> <p>Net cash flow from operating activities 2,355,294.00 22,514,329.00 - 20,159,035.00</p> <p>Recalculation of Cash Flow from Investing activities</p> <p>Subtract Purchase of Property Plant and Equipment - 63,993,721.00 - 63,993,721.00 -</p> <p>Subtract Acquisition of Intangible assets -</p>		<p>cash flows from operating activities, investing activities and financing activities.</p> <p>Consequently, the net cash from operating activities was misstated by R20 159 035 and net cash from financing activities were misstated by R6 147 346.</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
			<p>Subtract Acquisition of Investments</p> <p>-</p> <p>Add Proceeds on disposal of Property Plant and Equipment -</p> <p>Add Proceeds on disposal of Intangible assets -</p> <p>Add Proceeds on disposal of Investments</p> <p>-</p> <p>Add Interest received -</p> <p>Add Dividend received -</p> <p>Insert/delete extra lines above this line, if needed. -</p> <p>Net cash flow from investing activities -</p> <p>63,993,721.00 - 63,993,721.00</p> <p>-</p> <p>Recalculation of Cash Flow from Financing activities</p> <p>Subtract Repayment of loans/borrowings (including finance leases) -</p> <p>6,147,346.00 6,147,346.00</p> <p>Add Proceeds from short- or long-term borrowings -</p> <p>Insert/delete extra lines above this line, if needed. -</p> <p>Net cash flow from financing activities</p> <p>- - 6,147,346.00</p>					

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
			6,147,346.00					

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
15	Statement of Net Assets	The Statement of net assets was not correctly prepared and disclosed as required by standard of GRAP 1, Presentation of financial statements. This was due to mathematical errors identified indetermining the statement of changes in net assets. Consequently, the statement of changes in net assets was overstated by R40 092 299.	During the audit of statement of changes in net assets the following difference was identified Statement of Changes in Net Assets Auditor's casting Difference Figures in Rand Revaluationreserve Accumulated surplus / deficit Total net assets Revaluationreserve Accumulated surplus / deficit Total net assets Opening balance as previously reported 2 470 085 -87 763 426 - 85 293 341 2 470 085 -249 626 197 -247 156 112 - 161 862 771 161 862 771 AdjustmentsPrior year adjustments -45 953 019 -45 953 019 210 925 671 210 925 671 - -256 878 690 -256 878 690 Balance at 01 July 2021 as restated* 2 470 085 -133 716 445 -131 246 360 2 470 085 -38 700 526 - 36 230 441 - -95 015 919 -95 015 919 Changes in net assets Deficit for the year - 103 206 128 -103 206 128 -97 919 726 -97 919 726 - -5 286 402 -5 286 402 Total changes -103 206 128 -103 206 128 -97 919 726 -97 919 726 - -5 286 402 -5 286 402 Opening balance as previously reported 9 097 171 -183 339 637 -174 242 466 2 470 085 -136 620 252 -134 150 167 -6 627 086 - 46 719 385 -40 092 299 Adjustments Correction of errors 43 3 996 798 3 996 798 3 996 798 3 996 798 - - - Restated* Balance at 01 July 2022 as restated* 9 097	Management does not implement adequate review controls on amounts recorded to ensure the accuracy of the calculations. ImpactThe above has resulted in misstatement of the opening balance by an amount of R 40 092 299	Statement of Net Assets Management agreed to the finding and the matter remains to be reported in audit report The Statement of net assets was not correctly prepared and disclosed as required by standard of GRAP 1, Presentation of financial statements. This was due to mathematical errors identified in determining the statement of changes in net assets. Consequently, the statement of changes in net assets was overstated by R40 092 299.	We agree with the contents of the audit finding and we propose corrections to the Statement of Net Changes in Assets upon finalisation of the audit adjustments. Below is the extract of the Statement of Net Changes before water and sanitation adjustments:	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
			171 -179 342 839 -170 245 668 2 470 085 - 132 623 454 -130 153 369 -6 627 086 -46 719 385 -40 092 299 Changes in net assets Surplus for the year -82 745 214 -82 745 214 -82 745 214 -82 745 214 - - - Total changes -82 745 214 -82 745 214 -82 745 214 -82 745 214 - - - Balance at 30 June 2023 9 097 171 -262 088 053 -252 990 882 2 470 085 -215 368 668 -212 898 583 -6 627 086 -46 719 385 -40 092 299		Revaluation reserve1. The municipality did not account for revaluation reserve in accordance with GRAP 17, Property, plant and equipment, due to duplicate recording of the fair value adjustment relating to investment properties. Consequently, the revaluation reserve as disclosed in note 16 was overstated by R6 627 086.			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
16	Segment reporting	The municipality did not present segment information as required by GRAP 18, Segment reporting. Various disclosures which include geographical information, revenue and expenditure attributable to geographical areas etc. was omitted from the notes to the financial statements. I was unable to determine the full extent of this misstatement on the Segment	<p>Contrary to the above, during the audit of Note 48: Segment information we noted below issues:</p> <p>The following has not been disclosed and were not presented in terms of GRAP 18 as: Paragraph 20; An entity shall disclose the following general information:</p> <p>a) The factors used to identify the entity's reportable segments</p> <p>b) whether segments have been aggregated and the basis of the aggregation</p> <p>(c) types of goods and/or services delivered by each segment.</p> <p>The following has not been disclosed and were not presented in terms of GRAP 18 as:</p> <p>(b) information about reported segment surplus or deficit, including specified revenues and expenses included in reported segment surplus or deficit, segment assets, segment liabilities and the basis of measurement, as described in paragraphs .21 to .23; and</p> <p>The following has not been disclosed and were not presented in terms of GRAP 18 as:</p> <p>(c) reconciliations of the totals of segment revenues, reported segment surplus or deficit, segment assets, segment liabilities and other material segment items to corresponding entity amounts as described in paragraph .27.</p> <p>Reconciliations of the amounts in the</p>	<p>Lack of proper review by management to ensure that they prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information</p> <p>Impact</p> <p>The above finding leads to</p> <ul style="list-style-type: none"> • Non-compliance with GRAP 18 • Misstatement of the segment information as included in the annual financial statements 	<p>Management response noted, audit adjustments were not allowed as management was allowed an opportunity to submit an updated GL/TB, thus have utilised their 1 adjustment. The matter remains to be reported in audit report</p> <p>Segment reporting</p> <p>1. The municipality did not present segment information as required by GRAP 18, Segment reporting. Various disclosures which include geographical information, revenue and expenditure attributable to geographical areas</p>	<p>We agree with the contents of the audit finding and we propose the following disclosure relating to Segment reporting, please note that the proposed disclosure below will exclude water and sanitation transactions as proposed under COMAF 17</p>	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		Information, as it was impracticable to do so.	<p>statement of financial position for reportable segments to the amounts in the entity's statement of financial position are required for each date at which a statement of financial position is presented. Information for prior periods shall be restated as described in paragraphs .28 and .29.</p> <p>The following has not been disclosed and were not presented in terms of GRAP 18 as:</p> <p>.31 An entity shall disclose the geographical areas in which it operates that are relevant for decision-making purposes, including any foreign countries.</p> <p>.32 An entity shall report the following geographical information, unless the necessary information is not available and the cost to develop it would be excessive:</p> <p>(a) external revenues from non-exchange transactions and external revenues from exchange transactions attributed to the geographical areas in which it operates;</p> <p>(b) total expenditure attributed to the geographical areas; and</p> <p>(c) non-current assets¹ other than financial instruments, deferred tax assets (where applicable), post-employment benefit assets, and rights arising under insurance contracts for the geographical areas.</p>		<p>etc. was omitted from the notes to the financial statements. I was unable to determine the full extent of this misstatement on the Segment Information, as it was impracticable to do so.</p>			

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
17	Principle Agent	I was unable to obtain sufficient appropriate audit evidence that the municipality presented the principal agent in accordance with GRAP 109, Accounting by Principals and Agents due to the status of the accounting records. I was unable to confirm the principal agent by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to principal agent as disclosed in	Contrary to the requirements above, the auditor noted that in the AFS as at 30 June 2023 submitted for audit the aggregate amount of revenue that the Municipality has received in compensation for the transaction carried out on behalf of Department of Roads and transports has not been disclosed. This not in adherence with the requirements of GRAP 109. 4. We further identified that the related costs for water related services of Dr. Ruth District municipality has been included for the account of Naledi Local Municipality even though the activities was for the benefit of and relates to the powers, functions and responsibilities of Dr. Ruth district municipality. The following notes is overstated with the below indicated amounts as it has not been removed from the face of the financial statements. • Note 13 Consumer Debtors/ Receivables from exchange transactions• Note 21_ Service Charges• Note 36 General expenditure• Note 38 Contracted services• Note 30 Employee Cost• Note 7 Payable from exchange transactions• Note 19 Provision 2023Impacted accounts Water Waste Water Total Water and Sanitation Impacted noteReceivables Opening Balance 132,367,016.54 104,362,366.59 236,729,383.13 Monthly billing 32,599,744.38 29,921,471.29 62,521,215.67 Collections - 24,589,943.86	Management did not prepare accurate financial statements. Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls Municipal manager and CFO did not ensure that further accounting related engagement are concluded with Dr Ruth district municipality related to the water related services as required by GRAP 109 par. 62, par. 63 and par.64	Management response noted, audit adjustments were not allowed as management was allowed an opportunity to submit an updated GL/TB, thus have utilised their 1 adjustment. The matter remains to be reported in audit report Principle Agent 1. I was unable to obtain sufficient appropriate audit evidence that the municipality presented the principal agent in accordance with GRAP 109, Accounting by Principals and Agents due to the status of the accounting records. I was unable to	We acknowledge and agree with the contents of the audit finding, this has been a legacy issue which was not correct to date. A methodology and workings have been provided to the External Auditors requesting their inputs to resolve the issue. The municipality proposes reclassification of these transactions as proposed in the methodology to the proposed other receivable account- Dr Ruth Loan Account. This accounting treatment will include the reversal of revenue, receivables, expenditures and	01/02/2024	30/06/2024

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
		note 60 of the financial statements.	<p>- 21,113,773.16 - 45,703,717.02</p> <p>Debt Write off - 11,735,757.18 -</p> <p>10,128,177.76 - 21,863,934.94</p> <p>Interest 8,293,519.86 6,538,567.26</p> <p>14,832,087.12 Closing Balance</p> <p>136,934,579.74 109,580,454.22</p> <p>246,515,033.96 Note 13</p> <p>- -</p> <p>Revenue - 28,309,716.79 - 26,070,028.62 -</p> <p>54,379,745.41 Note 21 Repairs and</p> <p>Maintenance 2,277,484.75</p> <p>237,202.83 2,514,687.58 Note</p> <p>36 Service Provider – Sebata</p> <p>643,696.25 643,696.25</p> <p>Note 38 Employee Related Cost</p> <p>13,739,941.52 2,079,289.72</p> <p>15,819,231.24 Note 30 Income/loss -</p> <p>35,402,130.34</p> <p>- Payables -</p> <p>Note 7 Vaalharts 35,989,441.02</p> <p>35,989,441.02 Note 7 Bonus Provision</p> <p>318,102.38 Note 19 Leave Provision</p> <p>2,149,862.38 Note 19 Total</p> <p>(Receivable)/Payable</p> <p>3,055,275.43 2022Impacted Accounts</p> <p>Water Waste Water Total Water and Sanitation</p> <p>Impacted noteReceivables Opening</p> <p>Balance 117,580,149.35</p> <p>90,141,881.14 207,722,030.49</p> <p>Monthly billing 45,745,575.49</p>		<p>confirm the principal agent by alternative means.</p> <p>Consequently, I was unable to determine whether any adjustment was necessary to principal agent as disclosed in note 60 of the financial statements.</p>	<p>payables to the loan account. We have further noted that the amounts for employee related cost included above were not accurate and we have thus included the correct amounts for both prior and current year as per the attached reviewed working papers.</p> <p>The municipality has all current year and prior reconciliations for the transactions and the only item outstanding is the posting of the journals to correct the issues raised.</p> <p>Below we propose our journals in order to account for the transactions accordingly:</p> <p>Description Debit</p>		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
			36,897,939.36 82,643,514.85 Collections - 20,823,687.77 - 16,966,361.39 - 37,790,049.16 Debt Write off - 14,372,333.90 - 7,980,593.22 - 22,352,927.12 Interest 6,840,375.71 5,249,312.71 12,089,688.42 Prior period corrections - 14,372,333.90 9,393.91 - 14,362,939.99 Closing Balance 120,597,744.98 107,351,572.51 227,949,317.49 Note 13 Revenue - 28,833,862.84 - 26,019,742.13 - 54,853,604.97 Note 21 Repairs and Maintenance 3,711,935.22 126,836.34 3,838,771.56 Note 36 Service Provider (Sebata) 489,339.90 489,339.90 Note 38 Employee Related Cost 13,906,152.28 14,360,182.31 28,266,334.59 Note 30 Income/(loss) - 22,259,158.92 Payables 1,915,656.93 Note 7 Vaalharts 35,989,441.02 35,989,441.02 Note 7 Bonus Provision 308,594.60 Note 19 Leave Provision 3,074,253.81 Note 19 Total (Receivable)/Payables 19,028,787.44			Credit Revenue: Water (Accumulated Surplus) 28 833 862.84 Revenue: Waste water (Accumulated Surplus) 26 019 742.13 Receivables-Water and Sanitation 54 853 604.97 Receivables Water and Sanitation 173 095 712.52 Loan Account-Dr Ruth Mompoti 173 095 712.52 Reversal of water and waste water revenue as well as Receivables Loan account 67 119 208.17 Repairs and maintenance: Water 3 711 935.22 Repairs and maintenance: Waste water 126 836.34 Service		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
						Provider - Sebata: Water 489 339.90 Employee related cost: Water 13 903 359.96 Employee related cost: Waste water 7 599 790.39 Payables 1 915 656.93 Accumulated surplus 35 989 441.02 Bonus Provision 308 594.60 Leave Provision 3 074 253.81 Transferring water and waste water transactions to loan account Description Debit Credit Revenue: Water 28 309 716.79 Revenue: Waste water 26 070 028.62 Receivables Water		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
						and Sanitation 54 379 745.41 Reversal of water and waste water revenue Loan account 63 935 181.42 Repairs and maintenance: Water 2 277 484.75 Repairs and maintenance: Waste water 237 202.83 Service Provider - Sebata: Water 643 696.25 Employee related cost: Water 13 739 941.52 Employee related cost: Waste water 8 579 450.29 Accumulated surplus 35 989 441.02 Bonus Provision 318 102.38 Leave Provision 2 149 862.38		

No	Audit Finding: Component	Heading of finding	Audit Findings	Root Cause	AGSA Recommendations	Management assessment of Root cause and Recommendations	Start Date	End Date
						Transferring water and waste water transactions to loan account		

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	After consultation with MECs for local government, the Minister may

performance indicators	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	<ul style="list-style-type: none"> • 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	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a “vote” as:</p> <p>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</p> <p>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</p>

APPENDICES

APPENDIX A – COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE					
COUNCIL MEMEBERS	FUL TIME / PART TIME	COMMITTEE ALLOCATION	WARD AND/ OR PARTY REPRESENT ED	% COUNCIL MEETING ATTENDED	% APOLOGIES FOR NON ATTENDANCE
	FT/PT			100%	100%
CLLR P GULANE	FT	SPEAKER OF COUNCIL	ANC	100%	--
CLLR G GROEP	FT	EXECUTIVE COMMITTEE CHAIRPERSON	ANC	98%	2%
CLLR M LETSHWENE	FT	INFRASTRUCTURE PORTFOLIO CHAIRPERSON AND EXCO MEMBER	ANC	95%	5%
CLLR F MGIDA	FT	COMMUNITY SERVICES PORTFOLIO CHAIRPERSON AND EXCO MEMBER	ANC	95%	5%
CLLR H VAN HUYSSTEEN	FT	FINANCE AND CORPORATE SERVICES PORTFOLIO CHAIRPERSON AND EXCO MEMBER	DA	65%	35%
CLLR J BRAND	PT	FINANCE AND CORPORATE SERVICES PORTFOLIO	DA	90%	10%
CLLR W BRITS	PT	FINANCE AND CORPORATE SERVICES PORTFOLIO	VFP	50%	20%

CLLR J A ADONIS	PT	MPAC MEMBER	DA	80%	20%
CLLR L JACOBS	PT	FINANCE AND CORPORATE SERVICES PORTFOLIO	ANC	90%	10%
CLLR K WILSON	PT	INFRASTRUCTURE PORTFOLIO MEMBER	ANC	98%	2%
CLLR L SETLHAKE	PT	INFRASTRUCTURE PORTFOLIO MEMBER	ANC	90%	5%
CLLR P SELOTLEGO	PT	MPAC CHAIRPERSON	ANC	100%	--
CLLR V MORAKILE	PT	COMMUNITY SERVICES PORTFOLIO MEMBER	ANC	98%	--
CLLR R MOLEHE	PT	COMMUNITY SERVICES PORTFOLIO MEMBER	ANC	95%	5%
CLLR O KOEPILE	PT	COMMUNITY SERVICES PORTFOLIO MEMEBER	EFF	85%	15%
CLLR K TSHITE	PT	INFRASTRUCTURE PORTFOLIO MEMBER	EFF	75%	20%
CLLR B MOKOMELE	PT	MPAC MEMBER	AZANIA	60%	20%
CLLR N TUNYISWA	PT	MPAC MEMBER	EFF	70%	25%

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral/Executive Committee) and Purposes of Committees	
Municipal Committees	
Infrastructure Development and Town Planning Portfolio Committee	Developing, amending, and recommending policies, plans , strategies, by-laws and programs relating to the department of Technical Services
Community services and LED Portfolio Committee	Developing, amending, and recommending policies, plans, strategies, by-laws and programs relating to the department of Community Services.
Finance and Corporate Services Portfolio Committee	Developing, amending, and recommending policies, plans, strategies, by-laws and programs relating to the department of Financial Services and that of Corporate Services.

APPENLDIX C – THIRD TIER ADMINISTRATIVE STRUCTURE

THIRD TIER STRUCTURE	
Directorate	Director/Manager (State title and name)
Municipal Manager	Mr. MT Segapo
Chief Financial Officer	Mr. KM Maruping
Community Services	Ms. E Makgahlela
Technical Services	Mr. SN Mongale
Corporate Services	Mr. TK Appolus

APPENDIX D – WARD REPORTING

WARD NAME	NAME OF WARD COUNCILLOR AND WARD COMMITTEE MEMBERS	COMMITTEE ESTABLISHED	NUMBER OF MONTHLY COMMITTEE MEETINGS HELD DURING THE YEAR	NUMBER OF MONTHLY REPORTS SUBMITTED TO SPEAKERS OFFICE ON TIME	NUMBER OF QUARTELY PUBLIC WARD MEETINGS HELD DURING YEAR
WARD 1	CLLR E.M LETSHWENE	N/A	N/A	OCT:10 NOV:10 DEC:10	1 ST QUARTER: 2 ND QUARTER:2 3 RD QUARTER:3
WARD 2	CLLR R MOLEHE	N/A	N/A	OCT:10 NOV:10 DEC:10	1 ST QUARTER: 2 ND QUARTER:1 3 RD QUARTER:
WARD 3	CLLR F.D MGIDA	N/A	N/A	OCT:09 NOV:10 DEC:10	1 ST QUARTER: 2 ND QUARTER:1 3 RD QUARTER:01
WARD 4	CLLR K.S WILSON	N/A	N/A	OCT:10 NOV:10 DEC:10	1 ST QUARTER: 2 ND QUARTER:1 3 RD QUARTER:
WARD 5	CLLR P.G.C GULANE	N/A	N/A	OCT:09 NOV:09 DEC:10	1 ST QUARTER: 2 ND QUARTER:1

					3 RD QUARTER:1
WARD 6	CLLR V.R MORAKILE	N/A	N/A	OCT:10 NOV:09 DEC:10	1 ST QUARTER: 0 2 ND QUARTER:1 3 RD QUARTER: 0
WARD 7	CLLR H VAN HUYSSTEEN	N/A	N/A	OCT:10 NOV:6 DEC:10	1 ST QUARTER:3 2 ND QUARTER:3 3 RD QUARTER:3
WARD 8	CLLR L.C JACOBS	N/A	N/A	OCT:09 NOV:09 DEC:10	1 ST QUARTER: 2 ND QUARTER:1 3 RD QUARTER:1
WARD 9	CLLR P.I SELOTLEGO	N/A	N/A	OCT:09 NOV:08 DEC:10	1 ST QUARTER: 0 2 ND QUARTER: 0 3 RD QUARTER:1

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE YEAR 2022/2023

REPORT OF THE AUDIT, RISK AND PERFORMANCE COMMITTEE TO THE COUNCIL OF THE NALEDI LOCAL MUNICIPALITY

1. Introduction

The Audit, Risk and Performance Committee have pleasure in submitting herewith the report of the Committee for the financial year ended 30 June 2023.

2. Background

The Audit, Risk and Performance Committee have been established as an independent Committee, in terms of Section 166 of the MFMA Act No. 56 of 2003 by Naledi Local Municipality. The Audit, Risk and Performance Committee have adopted its terms of reference.

3. Legal framework governing the Audit, Risk and Performance Committee

Section 166(1) of the Local Government: Municipal Finance Management Act, 2003 (Act number 56 of 2003 as amended) (MFMA) requires from each municipality to have an audit committee.

In terms of section 166(2)(a) of the MFMA the audit committee is an independent advisory body which must “amongst others” advise the municipal council on matters relating to-

- ✓ Internal financial controls and internal audits;
- ✓ Risk Management;
- ✓ Accounting policies;
- ✓ The adequacy, reliability and accuracy of financial reporting and information;
- ✓ Performance Management;
- ✓ Effective governance;
- ✓ Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation
- ✓ Performance evaluation; and
- ✓ any other issues referred to it by the municipality.

In addition sections 166(2) (b), (c), (d) and (e) require from the committee to review the annual financial statements, respond to Council on any issues raised by the Auditor General (South Africa) in the audit report, carry out such investigations into the financial affairs of the municipality and to perform such other functions as may be prescribed by the Council.

4. Audit, Risk and Performance Committee members and attendance

All members of the Committee are non-executive members, and all meetings of the committee were held in accordance with the Charter of the committee as approved by Council. The Audit, Risk and Performance Committee consist of the members listed hereunder and have the requisite and relevant skills and experience to fulfil audit committee's duties.

The Chairperson and members of the Audit, Risk and Performance Committee were appointed by Council from 01 November 2022 and during the current year 2 statutory meetings were held and other special meetings.

<i>Name of member</i>	<i>Number of statutory meeting Attended</i>
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Ms. J. Masite (Chairperson)	1
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Mr. E. Van Rensburg	2
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Mr. L. Berend	2
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The members of the Audit, Risk and Performance Committee also held in-committee meetings with the accounting officer, CFO, the internal audit function, collectively and individually, on matters related to governance, internal control, performance, financial information, risk and other relevant matters concerning the municipality.

5. Internal Audit

The Internal Audit is in-house and has discharged its mandate in terms of its charter. The internal Audit unit was established in the third quarter of the year. Due to capacity constrain the internal audit did not and managed to execute all projects as per the 2022/23 Annual Plan.

The following documents were approved by the ARPC and recommended to Council for adoption:

- Internal Audit Charter
- Audit Committee Charter(ARPC recommended)
- Risk Based Internal Audit Annual Plan
- Three Year Rolling Strategic Plan

The Audit, Risk and Performance Committee is concerned with the capacity constraints faced by the internal audit function in operating effectively and its ability to conduct its annual audits as per the operational plan to address the risks pertinent to the Naledi Local Municipality in its audits. The employment of additional personnel with an intensive training programme, and an automated audit management system should be considered. The Audit, Risk and Performance Committee expect these initiatives to contribute to the internal audit function becoming more efficient and effective.

6. Internal controls

Internal Audit reported system weaknesses and recommended corrective actions for management to address the deficiencies. Management has not implemented all internal audit recommendations to enhance the system of internal controls to the acceptable level.

The Committee is concerned that the repeating findings reported by the Auditor-General (AG) and the Internal Audit Function in prior years have not been fully and satisfactorily addressed which is reflected on the report of the Auditor-General for 2023.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and performance management is adequate but ineffective. The Audit, Risk and Performance Committee takes note of the internal control deficiencies reported by Internal Audit and advise management to immediately address the matters raised.

The following areas still need attention:

- Implementation of internal audit recommendations;
- Proper record keeping to ensure the reliability and integrity of information; and
- Implementation and monitoring of compliance checklist and process plan to ensure compliance with legislation.

7. Performance Management

The Committee has in terms of the performance of the municipality reviewed the functionality of the performance management system. The risk exposure to the municipality in relation to the performance management system is high with a significant effect on meeting strategic objectives. The risk of material findings on usefulness and reliability of performance information, and the non-compliance with legislation needs to be addressed immediately.

8. Risk Management

The Risk Management Manual which consisted of the Risk Management Framework and Policy, Risk Management Strategy, and Risk Management, Fraud and Anti-corruption Committee Charter was approved by council. Management implemented appropriate risk management activities to ensure that quarterly risk assessments are conducted; however the implementation and monitoring of the risk management strategy and implementation plan needs improvement to ensure effective risk mitigation for the achievement of annual targets.

The Audit, Risk and Performance Committee is concern that Risk Management has been not been fully embedded at the municipality

9. *Compliance with Legislation*

The Audit, Risk and Performance Committee have noted deficiencies that municipality is still not complying with in key legislation and relevant regulations that still need management attention on the following:

- Strategic planning and performance management;
- Financial statements;
- Expenditure management;
- Procurement and contract management;
- Revenue management;
- Assets management;
- Consequence management; and
- Human resource management.

10. YEAR- END REPORTING

The Audit, Risk and Performance Committee have reviewed the Annual Performance Report before the report was submitted to the Auditor-General and the quarterly reports submitted by management during the year.

11. *Evaluation of Annual Financial Statements and Annual Performance Report*

The Audit, Risk and Performance Committee have:

- reviewed and discussed the unaudited annual financial statements and annual performance report with the Accounting Officer;
- noted the outstanding issues in the annual financial statements at the time of review; and
- noted the outstanding issues on the usefulness and reliability of performance information at the time of review.

The Audit, Risk and Performance Committee recommended that management address all outstanding issues in the annual financial statements and annual performance report before submission to the Auditor-General of South Africa.

12. *Final Auditor-General of South Africa*

The Audit, Risk and Performance Committee have:

- Reviewed the Financial Statements to be included in the Annual Report.
- Discussed and adopted the Auditor-General Report and Management report and management response thereof.

- The Audit, Risk and Performance Committee have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

The Audit, Risk and Performance Committee concur and accept the audit opinion (adverse Audit Opinion).

The Audit, Risk and Performance Committee are concerned on the poor implementation of the previous financial year's action plan addressing the reported issues.

The Audit, Risk and Performance Committee recommend that:

- ✓ The municipality develops PAAP that will reflect root cause analysis.
- ✓ Internal Audit unit assesses the implementation of the Post Audit Action Plan.
- ✓ Consequence management is implemented where there has been negligence or non-submission of information.

13. CONCLUSION

The Audit, Risk and Performance Committee acknowledge the co-operation and assistance by the Naledi local municipality for coordinating the activities of the Committee.

The Audit, Risk and Performance Committee further acknowledge the commitment into good governance as shown by the Honorable Speaker (Cllr P Gulane), Mayor (Cllr CJ Groep) and Council

The committee expresses gratitude to the Municipal Manager (Mr. MT Segapo), Senior Management and staff for the support and commitment to the work of the Audit, Performance & Risk Committee.

The Audit, Risk and Performance Committee remain confident that if all matters raised by the Internal Audit and Auditor-General can receive due consideration and intervention, the audit opinion will improve.

We are committed to fully execute our assurance and oversight function to strengthening Corporate Governance.



Ms. S.J. Masite - CIA, CMIIA, CFE, CICP

Chairperson of the Audit, Risk and Performance Committee

Date: 25 January 2024

APPENDIX H – LONG TERM CONTRACTS

APPOINTED BIDDER	DESCRIPTION OF GOODS-SERVICES-PROJECTS	CONTRACT START DATE	CONTRACT END DATE	CONTRACTED VALUE
VNK JV Thavhani	Huhudi Taxi Routes:Phase 1	03-Sep-21	31-May-22	R 13 898 188,55
BVI Consulting Engineers Central	Huhudi Taxi Routes:Phase 1	11-Jan-21	31-May-22	R 1 118 100,00
Malankane Consulting Engineers (Pty) Ltd	Construction of Extension 25 Taxi Route Phase 1	05-Nov-21	31-May-22	R 1 556 966,76
Morekuri & Phanda Pressa JV	Construction of Extension 25 Taxi Route Phase 1	23-Sep-21	31-May-22	R 16 703 916,23
Malakane Consulting Engineers (Pty) Ltd	Provision of Engineering Services for the Paving of Vryburg Ext 25 - Taxi Route (Consultant)	16-Sep-16	07-Oct-17	R 1 066 629,74

Thenga Holdings (Pty) Ltd	Paving of Vryburg Extension 25 Taxi Route - Phase I	12-Apr-17	27-Sep-18	R 12 285 068,07
Vuka Africa Consulting Engineers	Professional Services for a Community Hall at Broedersput	29-Aug-17	0000/00/00	R 1 969 417,50
Vuikani Construction and Transport	Construction of a Community Hall in Broedersput	08-Feb-21	31-May-21	R 5 456 336,00
Acin JV Nozomi	Construction of a Community Hall in Broedersput	20-Feb-18	20-Jun-18	R 10 290 775,44
Malankane Consulting Engineers	Upgrading Of Access Roads In Greater Naledi Phase II	04-Nov-15	0000000	R 993 918,17

Ultimate Dynamic Civils	Upgrading of Access Roads in Greater Vryburg Phase II	04-May-16	30-Jun-17	R 12 237 358,39
Malankane Consulting Engineers	Construction Of Rekgarathhile Community Hall - Stella	04-Nov-15	07-Oct-18	R 586 500,71

VNK CIVIL CONTRACTORS JV PERRIZIN	REHABILITATION OF STREET IN COLRIDGE			R 5 519 028,02
MALANKANE CONSULTING ENGINEERS	REHABILITATION OF STREET IN COLRIDGE			R 785 597,20
PANEL	NLM2022-003A: PROVISION OF PANEL OF CONSULTANTS FOR VARIOUS PROFESSIONAL ENGINEERING RELATED SERVICES FOR THE PERIOD OF THREE(03) YEARS	15-Feb-22	Feb-25	
KGATELOPELE TRAFFIC SOLUTIONS	NLM2019-011A-1 : PROPOSAL FOR THE SUPPLY,INSTALLATION AND MAINTENANCE OF DIGITAL SPEED LAW ENFORCEMENT CAMERAS AND ADMINISTRATION OF THE BACK OFFICE.	31-Mar-22	01-Mar	Rate Based
PENT PROJECTS AND SERVICES	NLM2021-002A-3: SUPPLY AND DELIVERY OF ELECTRICAL MATERIAL FOR THREE (03) YEARS		Mar-25	R 3 596 700,00
BIONIC SOLUTIONS	NLM2019-009A-3: SUPPLY, DELIVERY, INSTALLATION AND MAINTENANCE OF CCTV CAMERAS	31-Mar-22	01-Apr-23	R 626 350,00

DEPHETHOGO TRADING CC	BID APPOINTMENT - NLM2020-003A-5: PROVISION OF SECURITY SERVICES FOR THREE (03) YEARS	30-Mar-22	Mar-25	R 37 701 009,00
PRO-PLAN CONSULTING ENGINEERS	NLM2022-003A: APPOINTMENT AS CONSULTANT FOR NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP PROGRAMME	07-Mar-22	Mar-25	
TRIPLE M ADVISORY (PTY) LTD	NLM2021-009A: BID PROPOSALS FOR VAT RECOVERY		01-Mar-25	Rate Based
KRMS CONSULTING ENGINEERS (PTY)LTD	NLM2022-003A: APPOINT AS CONSULTANTS TO COMPLETE PROJECT NLM2017-014A: PROFESSIONAL SERVICES FOR THE CONSTRUCTION OF A COMMUNITY HALL IN BROEDERSPUT	18-Mar-22	20-Mar-23	R 444 360,00
TMA CONSULTING ENGINEERS	NLM2022-003A: PROVISION OF PROFESSIONAL SERVICES FOR THE CONSTRUCTION OF COLRIDGE CEMETRY	08-Apr-22	31-Mar-23	R 786 728,80
TMA CONSULTING ENGINEERS	NLM2022-003A: PROVISION OF PROFESSIONAL SERVICES FOR THE CONSTRUCTION OF VRYBURG CEMETRY	08-Apr-22	31-Mar-23	R 587 052,69

TSHASHU CONSULTING AND PROJECT MANAGERS	NLM2022-003A: PROVISION OF PROFESSIONAL SERVICES FOR THE CONSTRUCTION OF HUHUDI CEMETRY	08-Apr-22	31-Mar-23	R 364 370,14
TSHASHU CONSULTING AND PROJECT MANAGERS	NLM2022-003A: PROVISION OF PROFESSIONAL SERVICES FOR THE CONSTRUCTION OF HUHUDI INTERNAL ROADS	08-Apr-22	31-Mar-23	R 2 719 984,60
KALAONE CONSULTANCY AND OTHER PROJECTS	NLM2022-006A: SUPPLY, DELIVERY AND INSTALLATION OF AIR CONDITIONERS (STELLA OFFICES)	25-Feb-22	28-Feb-23	R 579 800,00
PEZA CONSULTING (PTY) LTD	NLM2021-009A: PROVISION OF PANEL FOR FINANCIAL SERVICES FOR THREE YEARS – COMPILATION OF GRAP COMPLIANT FIXED ASSET REGISTER 2021	07-Apr-22	31-Mar-25	R 3 291 245,38
CCG SYSTEMS (PTY) LTD	NLM2021-009A: QUOTATION FOR INTERIM AND FINAL ANNUAL FINANCIAL STATEMENT FOR 2021/2022	08-Apr-22	31-Mar-25	R 5 843 638,75

VOLT CONSULTING ENGINEERS	NLM2022-020A- ELECTRIFICATION OF 99 HOUSEHOLDS AT COLRIDGE	22-Jun-22	01-Jul-23	R 268 000,00
VOLT CONSULTING ENGINEERS	NLM2022-021A- ELECTRIFICATION OF 250 HOUSEHOLDS AT REKGARATLHILE PHASE 2	22-Jun-22	01-Jul-23	R 505 000,00
RSZ ENGINEERS AND PROJECT MANAGERS	NLM2022-022A- PROPOSAL FOR PROVISION OF PROVESSIONAL SERVICES STORMWATER MANAGEMENT SYSTEM	21-Jun-22	01-Jul-23	R 980 827,43
ABSA BANK LTD	NLM2018-001A: PROCUREMENT OF BANKING SERVICES FOR NALEDI LOCAL MUNICIPALITY	01-Mar-18	28-Feb-23	RATE BASED
HYTEL NORTH WEST CC	NLM2019-005A: SUPPLY DELIVERY INSTALLATION AND MAINTENANCE OF TELEPHONE SYSTEM RENTAL	28-Sep-18	30-Sep-19	R 2 788 432,60
HYTEL NORTH WEST CC	NLM2019-005A: SUPPLY DELIVERY INSTALLATION AND MAINTENANCE OF TELEPHONE SYSTEM RENTAL (AMENDMENT)	01-Feb-19	31-Jan-22	R 2 788 432,60

VETA INVESTMENTS	NLM2014-027A SUPPLY, DELIVERY AND INSTALLATION OF ELECTRICITY METERS AND MANAGEMENT SYSTEM	01-Aug-21	31-Jul-24	
VETA INVESTMENTS	NLM2014-027A SUPPLY, DELIVERY AND INSTALLATION OF ELECTRICITY METERS AND MANAGEMENT SYSTEM	01-Aug-21	31-Jul-24	
MOEDI CONSULTING ENGINEERS (PTY) LTD	REHABILITATION OF WATER INFRASTRUCTURE IN NALEDI LOCAL MUNICIPALITY (RE-ALLOCATION OF MIG FUNDS FOR ALLEVIATION OF COVID-19)	01-Sep-20	31-Dec-20	R 2 026 448,18
BIZ AT DROP MANAGEMENT JV DROP DOT (PTY) LTD	CONSTRUCTION OF INTERNAL STREET IN HUHUDI	21-Jul-22	30-Nov-22	R 38 204 154,95
SEBCRA (PTY) LTD JV PEACEFUL PROJECT AND LOGISTICS (PTY) LTD	CONSTRUCTION OF HUHUDI CEMETERY	20-Jul-22	30-Nov-22	R 5 105 344,43
MVELASA TRADING JV REFILWE TLADI HOLDINGS	CONSTRUCTION OF VRYBURG CEMETERY	20-Jul-22	30-Nov-22	R 5 186 953,91
BOKONE PLANT AND SCAFFOLD HIRE (PTY) LTD	CONSTRUCTION OF COLRIDGE CEMETERY	21-Jul-22	30-Nov-22	R 3 231 197,55

APPENDIX K (i) – REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						
R' 000						
Vote Description	Year -1	Current: Year 0			Year 0 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Executive and Council Administration and Corporate Services	0	0	0	0	0%	0%
Community Services	0	0	0	0	0%	0%
Financial Services	16 037 684	13 213 148	25 354 912	17 238 946	-30%	100%
Technical Services	156 401 606	280 472 846	237 824 919	285 239 489	-2%	100%
	158 800 142	191 339 271	281 724 729	171 056 487	11%	100%
Total Revenue by Vote	331 239	485 025	544 905	473 535	(0)	0
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3						
T K.1						

APPENDIX K (ii) – REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
R '000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	26 485	23 572	28 075	23 042	-2%	-22%
Property rates - penalties & collection charges	8 541	8 285	9 054	8 456	2%	-7%
Service Charges - electricity revenue	12 355	10 254	12 478	13 219	22%	6%
Service Charges - water revenue	14 232	13 235	13 662	12 097	-9%	-13%
Service Charges - sanitation revenue	6 542	5 496	5 954	6 346	13%	6%
Service Charges - refuse revenue	1 865	1 622	1 865	1 510	-7%	-23%
Service Charges - other	5 643	5 530	5 925	5 304	-4%	-12%
Rentals of facilities and equipment	5 643	5 530	5 925	5 304	-4%	-12%
Interest earned - external investments	5 322	4 470	5 747	4 630	3%	-24%
Interest earned - outstanding debtors	8 455	8 455	8 624	9 554	12%	10%
Dividends received	1 254	1 003	1 191	1 354	26%	12%
Fines	2 516	2 063	2 264	2 340	12%	3%
Licences and permits	6 846	6 230	7 256	6 640	6%	-9%
Agency services	12 546	10 413	11 793	11 542	10%	-2%
Transfers recognised - operational	2 355	2 190	2 425	2 402	9%	-1%
Other revenue	48 542	40 776	48 542	46 115	12%	-5%
Gains on disposal of PPE	4 565	3 698	4 337	4 291	14%	-1%
Environmental Protection	5 649	4 971	6 157	4 971	0%	-24%
Total Revenue (excluding capital transfers and contributions)	179 353	157 791	181 274	169 118	6,70%	-7,19%

VOLUME II: ANNUAL FINANCIAL STATEMENTS



Naledi Local Municipality
Demarcation Code NW392
Annual Financial Statements
for the year ended 30 June 2023

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	Naledi Local Municipality is a Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996).
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Municipal Finance Management Act (Act no.56 of 2003)
Mayoral committee	
Executive Mayor	Cllr. C.J Groep (Mayor) Cllr. P.G Gulane (Speaker)
Councillors	Cllr. E.M Letswene Cllr. F.D Mgida Cllr. L.C Jacobs Cllr. P.I Selotlego Cllr. L.V Setlhake Cllr. V.R Morakile Cllr. R. Molehe Cllr. K.S Wilson Cllr. H.V Huyssteen Cllr. J Brand Cllr. J Adonis Cllr. W Brits Cllr. N P Tunyiswa Cllr. K Tshite Cllr. D Koepile Cllr. LG Stevens-19 October 2022 to 01 June 2023 Cllr. P Letsolo-09 November 2021 to 13 October 2022 Cllr. B Mokomele 07 June 2023 to date
Grading of local authority	Grade 3
Accounting Officer	Mr M.T. Segapo
Chief Finance Officer (CFO)	Mr M.D.K. Maruping
Registered office	Civic Center 19A Market Street Vryburg North West 8601
Business address	Civic Center 19A Market Street Vryburg North West 8601
Postal address	P.O Box 35 Vryburg 8600

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Bankers

ABSA
First National Bank

Auditors

Auditor General of South Africa
Registered Auditors

Attorneys

Modiboa Attorneys Inc
Duplessis Viviers Inc
M.E Tlou Attorneys and Associates Inc
Waks Silent Attorneys Inc
Mamatela Attorneys Inc

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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The reports and statements set out below comprise the annual financial statements presented to the council.:

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 period to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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.

The Auditor General South Africa is responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2023:

Accounting Officer
Mr M Segapo

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year three(3) meetings were held.

Name of member	Number of meetings attended
Ms. J S Masite (Chairperson)	3
Mr. E. Van Rensburg	3
Mr. L. Berend	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

Date: _____

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The municipality is engaged in the provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment. 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.

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated deficit of (220 058 536) and that the municipality's total liabilities exceed its assets by (252 990 882).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The detailed analysis on going concern is included on Note 55 to the annual financial statements.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared 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.

5. Corporate governance

General

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

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2023:



Accounting Officer
Mr M Segapo

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	11	321 606	1 084 291
Receivables from non-exchange transactions	12&14	160 755 954	58 828 947
Consumer debtors	13	138 352 470	125 682 884
Cash and cash equivalents	15	24 905 344	18 707 540
		324 335 374	204 303 662
Non-Current Assets			
Biological assets	3	2 403 530	3 333 867
Investment property	4	65 301 000	65 301 000
Property, plant and equipment	5	603 892 277	564 693 384
Heritage assets	6	1 532 001	1 398 001
		673 128 808	634 726 252
Total Assets		997 464 182	839 029 914
Liabilities			
Current Liabilities			
Other financial liabilities	18	994 145	7 141 491
Payables from exchange transactions	7	1 081 136 019	920 221 979
VAT payable	8	48 793 277	39 089 522
Consumer deposits	9	6 576 162	6 006 769
Employee benefit obligation	10	3 075 000	2 935 000
Unspent conditional grants	17	2 058 865	4 425 537
Provisions	19	37 165 049	29 771 342
		1 179 798 517	1 009 591 640
Non-Current Liabilities			
Employee benefit obligation	10	57 322 378	57 276 000
Provisions	19	13 334 169	6 614 762
		70 656 547	63 890 762
Total Liabilities		1 250 455 064	1 073 482 402
Net Assets		(252 990 882)	(234 452 488)
Reserves			
Revaluation reserve	16	9 097 171	2 470 085
Accumulated surplus / (deficit)		(262 088 053)	(236 922 573)
Total Net Assets		(252 990 882)	(234 452 488)

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	209 688 978	207 738 869
Rental of facilities and equipment	22	1 880 212	1 664 201
Licences and permits	23	1 488 049	2 747 706
Other income	24	3 053 334	3 986 850
Interest received	25	34 492 020	23 899 974
Total revenue from exchange transactions		250 602 593	240 037 600
Revenue from non-exchange transactions			
Taxation revenue			
Interest - Taxation revenue	26	7 745 123	3 992 036
Property rates	27	78 806 376	64 115 676
Transfer revenue			
Fines, Penalties and Forfeits	29	33 257 600	3 690 050
Government grants & subsidies	28	119 302 572	103 385 913
Public contributions and donations	51	2 250 000	-
Total revenue from non-exchange transactions		241 361 671	175 183 675
Total revenue	20	491 964 264	415 221 275
Expenditure			
Employee related costs	30	(232 905 933)	(217 709 161)
Remuneration of councillors	31	(8 421 462)	(8 139 045)
Depreciation and amortisation	32	(34 931 343)	(41 626 858)
Finance costs	33	(66 324 951)	(36 142 734)
Debt Impairment	35	(18 024 550)	(14 962 061)
Bulk purchases	37	(114 873 379)	(115 800 326)
Contracted services	38	(60 517 288)	(58 029 040)
General Expenses	36	(45 411 656)	(30 359 554)
Total expenditure		(581 410 562)	(522 768 779)
Operating surplus /(deficit)	39	(89 446 298)	(107 547 504)
Loss on disposal of assets and liabilities		(768 501)	-
Fair value adjustments	40	(273 599)	2 898 376
Actuarial gains/losses	10	7 743 184	1 443 000
		6 701 084	4 341 376
Deficit for the year		(82 745 214)	(103 206 128)

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2 470 085	(87 763 426)	(85 293 341)
Adjustments			
Correction of errors 43	-	(45 953 019)	(45 953 019)
Balance at 01 July 2021 as restated*	2 470 085	(133 716 445)	(131 246 360)
Changes in net assets			
Deficit for the Period	-	(103 206 128)	(103 206 128)
Total changes	-	(103 206 128)	(103 206 128)
Opening balance as previously reported	9 097 171	(183 339 637)	(174 242 466)
Adjustments			
Correction of errors 43	-	3 996 798	3 996 798
Restated* Balance at 01 July 2022 as restated*	9 097 171	(179 342 839)	(170 245 668)
Changes in net assets			
Surplus for the Period	-	(82 745 214)	(82 745 214)
Total changes	-	(82 745 214)	(82 745 214)
Balance at 30 June 2023	9 097 171	(262 088 053)	(252 990 882)

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		209 792 838	207 738 869
Grants		119 285 360	103 385 913
Interest income		34 492 020	23 899 974
		<u>363 570 218</u>	<u>335 024 756</u>
Payments			
Employee costs		(177 860 607)	(100 124 647)
Suppliers		(96 870 331)	(67 529 580)
Finance costs		(66 324 951)	(36 142 734)
		<u>(341 055 889)</u>	<u>(203 796 961)</u>
Net cash flows from operating activities	52	<u>22 514 329</u>	<u>131 227 795</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(63 993 721)	(46 516 111)
Proceeds from sale of property, plant and equipment	5	-	2 780 941
Net cash flows from investing activities		<u>(63 993 721)</u>	<u>(43 735 170)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(6 147 346)	(5 189 414)
Net cash flows from financing activities		<u>(6 147 346)</u>	<u>(5 189 414)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(47 626 738)</u>	<u>82 303 211</u>
Cash and cash equivalents at the beginning of the year		18 707 540	50 656 476
Cash and cash equivalents at the end of the year	15	<u>(28 919 198)</u>	<u>132 959 687</u>

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	272 281 793	7 815 863	280 097 656	209 688 978	(70 408 678)	59 - 1
Rental of facilities and equipment	1 744 725	164 595	1 909 320	1 880 212	(29 108)	59 - 2
Interest income	31 683 135	-	31 683 135	33 725 402	2 042 267	59 - 3
Licences and permits	1 201 510	7 930 841	9 132 351	1 488 049	(7 644 302)	59 - 4
Other income	2 863 218	1 109 048	3 972 266	3 053 334	(918 932)	59 - 5
Interest received - investment	600 000	600 000	1 200 000	766 618	(433 382)	59 - 6
Total revenue from exchange transactions	310 374 381	17 620 347	327 994 728	250 602 593	(77 392 135)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	67 789 259	307 455	68 096 714	78 806 376	10 709 662	59 - 7
Interest - Taxation revenue	5 900 625	-	5 900 625	7 745 123	1 844 498	59 - 8

Transfer revenue

Government grants & subsidies	92 577 000	1 701 985	94 278 985	119 302 572	25 023 587	59 - 9
Public contributions and donations	-	-	-	2 250 000	2 250 000	59 - 10
Fines, Penalties and Forfeits	8 384 000	-	8 384 000	33 257 600	24 873 600	59 - 11

Total revenue from non-exchange transactions	174 650 884	2 009 440	176 660 324	241 361 671	64 701 347	
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Total revenue	485 025 265	19 629 787	504 655 052	491 964 264	(12 690 788)	
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Expenditure

Employee Related costs	(238 762 854)	2 500 000	(236 262 854)	(232 827 583)	3 435 271	59 - 12
Remuneration of councillors	(7 949 289)	-	(7 949 289)	(8 421 462)	(472 173)	59 - 13
Transfers and grants	(320 000)	320 000	-	-	-	
Depreciation and amortisation	(41 508 744)	-	(41 508 744)	(34 931 343)	6 577 401	59 - 14
Finance costs	(15 000 000)	(13 500 000)	(28 500 000)	(65 323 260)	(36 823 260)	59 - 15
Debt Impairment	-	-	-	(18 024 550)	(18 024 550)	
Bulk purchases	(107 000 000)	804 919	(106 195 081)	(114 873 379)	(8 678 298)	59 - 16
Other expenditure	(114 052 251)	(21 059 469)	(135 111 720)	(107 008 985)	28 102 735	59 - 17

Total expenditure	(524 593 138)	(30 934 550)	(555 527 688)	(581 410 562)	(25 882 874)	
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Operating deficit	(39 567 873)	(11 304 763)	(50 872 636)	(89 446 298)	(38 573 662)	
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Loss on disposal of assets and liabilities	-	-	-	(768 501)	(768 501)	
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Fair value adjustments	-	-	-	(273 599)	(273 599)	59 - 18
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Actuarial gains/losses	-	-	-	7 743 184	7 743 184	59 - 19
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	-	-	-	6 701 084	6 701 084	
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Surplus/(Deficit)	(39 567 873)	(11 304 763)	(50 872 636)	(82 745 214)	(31 872 578)	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(39 567 873)	(11 304 763)	(50 872 636)	(82 745 214)	(31 872 578)	
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Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	985 000	-	985 000	321 606	(663 394)	59 - 20
Receivables from non-exchange transactions	37 628 000	-	37 628 000	160 755 954	123 127 954	59 - 21
Receivables from exchange transactions	211 471 000	(168 874 000)	42 597 000	138 352 470	95 755 470	59 - 22
Call investment	427 297 000	-	427 297 000	-	(427 297 000)	59 - 23
Cash and cash equivalents	(491 726 000)	236 584 000	(255 142 000)	24 905 344	280 047 344	59 - 24
	185 655 000	67 710 000	253 365 000	324 335 374	70 970 374	

Non-Current Assets

Biological assets	1 675 000	-	1 675 000	2 403 530	728 530	59 - 25
Investment property	57 637 000	-	57 637 000	65 301 000	7 664 000	59 - 26
Property, plant and equipment	651 631 000	(50 108 000)	601 523 000	603 892 277	2 369 277	59 - 27
Intangible assets	724 000	(300 000)	424 000	-	(424 000)	59 - 28
Heritage assets	1 359 000	-	1 359 000	1 532 001	173 001	59 - 29
	713 026 000	(50 408 000)	662 618 000	673 128 808	10 510 808	

Total Assets

	898 681 000	17 302 000	915 983 000	997 464 182	81 481 182	
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Liabilities

Current Liabilities

Other financial liabilities	(12 890 000)	-	(12 890 000)	994 145	13 884 145	59 - 30
Payables from exchange transactions	(744 618 000)	(18 639 000)	(763 257 000)	1 081 136 019	1 844 393 019	59 - 31
VAT payable	-	-	-	48 793 277	48 793 277	59 - 32
Consumer deposits	(5 020 000)	-	(5 020 000)	6 576 162	11 596 162	59 - 33
Employee benefit obligation	-	-	-	3 075 000	3 075 000	59 - 34
Unspent conditional grants	-	-	-	2 058 865	2 058 865	59 - 35
Provisions	(29 822 000)	-	(29 822 000)	37 165 049	66 987 049	59 - 36
	(792 350 000)	(18 639 000)	(810 989 000)	1 179 798 517	1 990 787 517	

Non-Current Liabilities

Other financial liabilities	(5 987 000)	-	(5 987 000)	-	5 987 000	59 - 37
Employee benefit obligation	-	-	-	57 322 378	57 322 378	59 - 38
Provisions	97 705 000	-	97 705 000	13 334 169	(84 370 831)	59 - 39
	91 718 000	-	91 718 000	70 656 547	(21 061 453)	

Total Liabilities

	(700 632 000)	(18 639 000)	(719 271 000)	1 250 455 064	1 969 726 064	
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Net Assets

	1 599 313 000	35 941 000	1 635 254 000	(252 990 882)	(1 888 244 882)	
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Net Assets

Reserves

Revaluation reserve	2 470 000	-	2 470 000	9 097 171	6 627 171	59 - 40
Accumulated surplus / (deficit)	1 596 843 000	35 941 000	1 632 784 000	(262 088 053)	(1 894 872 053)	59 - 41
Total Net Assets	1 599 313 000	35 941 000	1 635 254 000	(252 990 882)	(1 888 244 882)	

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Significant account policies

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

1.1 Basis of preparations

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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 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.

1.5 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:

In the application of the municipality's accounting policies, which are described above, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Trade receivables

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

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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.

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 19 - Provisions.

Useful lives of Infrastructure Assets and other assets

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

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 10.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows..

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationship. The modified cash basis of accounting is applied when a accounting for the payments on behalf of the principal. Expenses are only debited to loan account when they are paid on behalf of the principal not when they are accrued.

Additional information is disclosed in Note 60.

1.6 Biological assets

The entity recognises biological assets when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Derecognition of biological assets occurs when the asset is disposed of, or when it can no longer be used to provide the service.

1.7 Investment property

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

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

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

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

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

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

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

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Investment property (continued)

Fair value

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

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

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

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

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

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 4).

1.8 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.

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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	20-30 years
Roads and lights	Straight-line	10-40 years
Sewerage	Straight-line	25-30 years
Landfill site Perimeter Protection Structure	Straight-line	10-55 years
Recreational Facilities	Straight-line	30 years
Cemeteries	Straight-line	30 years
Halls	Straight-line	30 years
Libraries	Straight-line	30 years
Civic Buildings	Straight-line	30 years
Office Equipment	Straight-line	7 years
Furniture and Fittings	Straight-line	7 years
Motor Vehicles	Straight-line	7 years
Machinery and Equipment	Straight-line	5-10 year
IT Equipment	Straight-line	5 years
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.

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Property, plant and equipment (continued)

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 5).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

1.9 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Heritage assets (continued)

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets, 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.

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).

1.10 Financial instruments

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

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

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

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

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

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

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

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

A financial asset is:

- cash;
- a residual interest in 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 unissued capital;

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1.10 Financial instruments (continued)

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

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

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

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

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

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

- derivatives;
- 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.

Classification

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

Class	Category
Receivables from Exchange Transaction	Financial asset measured at amortised cost
Receivables from non-exchange Transaction	Financial asset measured at amortised cost
Cash and Cash Equivalent	Financial asset measured at amortised cost

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

Class	Category
Other Financial Liabilities-DBSA Loan	Financial liability measured at amortised cost
Payables from Exchange Transactions	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

1.11 Statutory receivables

Identification

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

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

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1.11 Statutory receivables (continued)

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

1.12 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.13 Leases

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

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

Finance leases - lessor

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

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

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1.13 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.14 Inventories

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

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

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

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

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

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

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 first-in, first-out (FIFO) 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.

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1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1.17 Impairment of non-cash-generating assets

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

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

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

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

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1.17 Impairment of non-cash-generating assets (continued)

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

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

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

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

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

Useful life is either:

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

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

1.18 Employee benefits

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

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

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

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

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

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

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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1.18 Employee benefits (continued)

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 entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

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1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity 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 entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- 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.

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1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity 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 entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

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.

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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1.18 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.19 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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1.19 Provisions and contingencies (continued)

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 deficit.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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

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1.19 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

1.20 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.

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1.21 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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 .

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.22 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 arises 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.

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.

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.22 Revenue from non-exchange transactions (continued)

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.

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.

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.

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.24 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.

1.25 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.

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.25 Accounting by principals and agents (continued)

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.

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 it 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 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.

1.26 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.27 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.

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

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.29 Irregular expenditure

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

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

1.30 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.31 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.

1.32 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 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 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 25 (as revised): Employee Benefits	01 April 2022	Unlikely there will be a material impact
<ul style="list-style-type: none">Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Biological assets

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	2 403 530	-	2 403 530	3 333 867	-	3 333 867

Reconciliation of biological assets - 2023

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets	3 333 867	(930 337)	2 403 530

Reconciliation of biological assets - 2022

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Depreciation	Prior period error	Total
Biological assets	1 523 134	(252 767)	460 471	(153 429)	1 756 458	3 333 867

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

4. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	65 301 000	-	65 301 000	65 301 000	-	65 301 000

Reconciliation of investment property - 2023

	Opening balance	Total
Investment property	65 301 000	65 301 000

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	57 637 000	7 664 000	65 301 000

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.

The valuation was carried out by DDP Values, a company specialising in municipal valuations. The valuation was led by Ms Cornelia Louw, Professional Valuer registered with South African Council for the Property Valuers Profession.

Comparable Sales Method of Valuation

The market approach is based on comparing the subject asset with identical or similar assets (or liabilities) for which price information is available, such as a comparison with market transactions in the same, or closely similar, type of asset (or liability) within an appropriate time horizon.

Accrued Depreciation Method of valuation

With this valuation method, the value of the improvements is calculated by determining new replacement cost less depreciation. Replacement cost refers to the cost of erecting an improvement which has the same utility, attributes and characteristics. Depreciation is calculated on functional obsolescence, physical deterioration and economical obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.

The resulting difference is the estimated present value of the improvements. Theoretically, depreciation can begin to accrue from the moment construction is completed even in a building that is functionally the highest and best use of a site.

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	74 535 106	-	74 535 106	74 535 106	-	74 535 106
Buildings	43 515 232	(35 024 207)	8 491 025	43 122 223	(34 394 751)	8 727 472
Plant and machinery	11 472 335	(7 589 447)	3 882 888	11 439 970	(6 607 069)	4 832 901
Furniture and fixtures	5 570 213	(3 901 931)	1 668 282	4 615 075	(2 838 543)	1 776 532
Motor vehicles	9 313 353	(4 507 983)	4 805 370	7 052 655	(3 322 134)	3 730 521
Office equipment	891 185	(656 511)	234 674	891 185	(533 384)	357 801
Computer equipment	8 654 553	(3 505 347)	5 149 206	5 414 328	(2 517 260)	2 897 068
Infrastructure	553 455 589	(175 647 377)	377 808 212	557 062 532	(215 607 321)	341 455 211
Community	120 151 523	(65 042 835)	55 108 688	120 151 523	(61 568 692)	58 582 831
Emergency	255 018	(182 846)	72 172	255 018	(150 375)	104 643
Other assets	1 904 527	(716 362)	1 188 165	1 904 527	(586 909)	1 317 618
WIP-Community Assets	32 509 778	-	32 509 778	27 936 969	-	27 936 969
WIP - Road network	33 990 831	-	33 990 831	33 990 831	-	33 990 831
WIP-Electrical Network	4 447 880	-	4 447 880	4 447 880	-	4 447 880
Total	900 667 123	(296 774 846)	603 892 277	892 819 822	(328 126 438)	564 693 384

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Change in Estimate	Depreciation	Total
Land	74 535 106	-	-	-	-	74 535 106
Buildings	8 727 472	968 500	-	-	(1 204 947)	8 491 025
Plant and machinery	4 832 901	32 365	-	-	(982 378)	3 882 888
Furniture and fixtures	1 776 532	1 312 938	-	-	(1 421 188)	1 668 282
Motor vehicles	3 730 521	2 250 000	-	-	(1 175 151)	4 805 370
Office equipment	357 801	-	-	-	(123 127)	234 674
Computer equipment	2 897 068	3 240 225	-	-	(988 087)	5 149 206
Infrastructure	341 455 211	51 616 884	(768 501)	11 929 948	(26 425 330)	377 808 212
Community	58 582 831	-	-	-	(3 474 143)	55 108 688
Emergency Equipment	104 643	-	-	-	(32 471)	72 172
Other equipment	1 317 618	-	-	-	(129 453)	1 188 165
WIP-Community Assets	27 936 969	4 572 809	-	-	-	32 509 778
WIP-Road Network	33 990 831	-	-	-	-	33 990 831
WIP-Electrical Network	4 447 880	-	-	-	-	4 447 880
	564 693 384	63 993 721	(768 501)	11 929 948	(35 956 275)	603 892 277

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Change in Estimate	Prior Period Error	Depreciation	Total
Land	76 150 106	-	-	-	-	(1 615 000)	-	74 535 106
Buildings	10 975 865	-	-	-	-	(1 036 914)	(1 211 479)	8 727 472
Plant and machinery	7 855 246	-	(1 659 471)	-	-	(433 191)	(929 683)	4 832 901
Furniture and fixtures	2 467 693	14 200	(34 982)	-	-	-	(670 379)	1 776 532
Motor vehicles	3 803 109	1 800 552	(942 858)	-	-	433 191	(1 363 473)	3 730 521
Office equipment	550 458	-	(49 961)	-	-	-	(142 696)	357 801
Computer equipment	1 083 796	2 538 552	(55 960)	-	-	-	(669 320)	2 897 068
Infrastructure	361 322 779	508 000	-	7 691 218	3 356 865	(57 339)	(31 366 312)	341 455 211
Community	50 952 341	-	-	10 915 294	-	(52 216)	(3 232 588)	58 582 831
Emergency equipment	131 498	-	(946)	-	-	-	(25 909)	104 643
Other equipment	1 495 034	-	(36 763)	-	-	-	(140 653)	1 317 618
WIP-Community Assets	34 279 453	4 572 810	-	(10 915 294)	-	-	-	27 936 969
WIP-Road Network	480 443	33 510 388	-	-	-	-	-	33 990 831
WIP-Electrical Network	8 567 489	3 571 609	-	(7 691 218)	-	-	-	4 447 880
	560 115 310	46 516 111	(2 780 941)	-	3 356 865	(2 761 469)	(39 752 492)	564 693 384

Pledged as security

Carrying value of assets pledged as security:

ERF 5673 portion of ERF 506 Vryburg with a carrying value of R was pledged as security for the DBSA Loan.

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	9 047 932	26 651 223	35 699 155
Additions/capital expenditure	37 081 997	4 572 809	41 654 806
Transferred to completed items	(7 691 218)	(10 915 294)	(18 606 512)
	38 438 711	20 308 738	58 747 449

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	84 322 254	26 651 223	110 973 477
Additions/capital expenditure	8 094 262	-	8 094 262
Transferred to completed items	(83 368 584)	-	(83 368 584)
	9 047 932	26 651 223	35 699 155

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.

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	1 195 501	-	1 195 501	1 156 001	-	1 156 001
Art Collections, antiques and exhibits	336 500	-	336 500	242 000	-	242 000
Total	1 532 001	-	1 532 001	1 398 001	-	1 398 001

Reconciliation of heritage assets 2023

	Opening balance	Fair value adjustment	Total
Historical buildings	1 156 001	39 500	1 195 501
Art Collections, antiques and exhibits	242 000	94 500	336 500
	1 398 001	134 000	1 532 001

Reconciliation of heritage assets 2022

	Opening balance	Fair value adjustment	Total
Historical buildings	1 180 981	(24 980)	1 156 001
Art Collections, antiques and exhibits	177 520	64 480	242 000
	1 358 501	39 500	1 398 001

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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7. Payables from exchange transactions

Trade payables	920 998 363	775 488 972
Retentions	8 681 116	5 291 100
Advanced payments	50 135 589	45 122 017
Bonus Accrual	4 158 150	3 823 515
Leave Accrual	22 086 796	30 098 750
Unallocated deposits	75 076 005	60 397 625
	1 081 136 019	920 221 979

8. VAT payable

Tax refunds payables	48 793 277	39 089 522
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9. Consumer deposits

Electricity	4 248 894	3 893 116
Refuse	2 164 922	1 938 506
Hiring	162 346	175 147
	6 576 162	6 006 769

10. Employee benefit obligations

Post-employment medical aid benefits

The municipality provides certain post-employment medical aid benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid fund, with which the municipality is associated, a member is entitled to continued as a member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out at 30 June 2023 by Arch Actuarial Consulting CC. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Long-service awards

The municipality has an obligation to provide long service awards benefits to all its permanent employees. The municipality operates an unfunded defined benefit plan. Under the plan, a long-service award is payable to employees, employed before 1 July 2014, in the form of cash bonuses for every three years of service completed, from six years to 45 years of service. For employees employed as of 1 July 2014 LSA is offered in the of leave days for every five years of service completed, from ten years of service to 45 years of service.

The most recent actuarial valuations of the present value of the obligation at 30 June 2023 was carried out by Arch Actuarial Consulting CC. The present value of the defined benefit obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
10. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the unfunded obligation at the beginning of the year	(60 211 000)	(56 025 000)
Net Actuarial gains	7 743 184	1 443 000
Current service cost	(4 055 000)	(3 496 000)
Expected vesting service costs	2 978 438	3 312 000
Interest costs	(6 853 000)	(5 445 000)
	(60 397 378)	(60 211 000)
Non-current liabilities	(57 322 378)	(57 276 000)
Current liabilities	(3 075 000)	(2 935 000)
	(60 397 378)	(60 211 000)
Changes in the present value of the post employment medical aid benefit are as follows:		
Present value of unfunded obligation at the beginning of the year	(46 456 000)	(42 618 000)
Actuarial gains / losses	7 922 000	1 793 000
Current service costs	(2 854 000)	(2 376 000)
Expected subsidy (benefits) payments	-	1 084 000
Interest costs	(5 440 000)	(4 339 000)
	(46 828 000)	(46 456 000)
Changes in the present value of the long service awards liability are as follows:		
Present value of unfunded obligation at the beginning of the year	(13 755 000)	(13 407 000)
Actuarial gains / losses	(178 816)	(350 000)
Current service costs	(1 201 000)	(1 120 000)
Expected subsidy (benefits) payments	2 266 816	2 228 000
Interest costs	(1 413 000)	(1 106 000)
	(14 281 000)	(13 755 000)
Net expense recognised in the statement of financial performance		
Current service cost	4 055 000	3 496 000
Interest cost	6 853 000	5 445 000
Actuarial (gains) losses	(7 443 184)	(1 443 000)
Expected benefits vesting	2 266 815	(3 312 000)
	5 731 631	4 186 000
Key assumptions used - Post-employment medical aid benefits		
Discount Rate used for Medical Aid	12,53 %	11,85 %
Health Care Cost Inflation Rate	8,14 %	8,45 %
Net Discount Rate-PEMA	4,06 %	3,14 %
Key assumptions used - Long Service Award		
Discount rate used	11,15 %	10,98 %
General Earning Inflation Rate	6,50 %	7,33 %
Net discount rate	4,36 %	3,40 %

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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10. Employee benefit obligations (continued)

Other assumptions - Post-employment medical aid benefit

Average retirement age	62	62
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Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
Accrued liability	46 828 000	46 456 000	42 618 000	33 511 000	38 028 000

Sensitivity analysis on the Accrued Liability for the year ending 30 June 2023

	Eligible employees	Continuation members	Total
Central assumptions	33 162 000	13 666 000	46 828 000
Health care inflation (+1%)	39 288 000	14 819 000	54 107 000
Health care inflation (-1%)	28 206 000	12 651 000	40 857 000
Discount rate (+1%)	28 419 000	12 696 000	41 115 000
Discount rate (-1%)	39 081 000	14 782 000	53 863 000
Post-employment mortality (+1 yr)	32 327 000	13 197 000	45 524 000
Post-employment mortality (-1 yr)	33 983 000	14 136 000	48 119 000
Average retirement age (-1 yr)	36 827 000	13 666 000	50 493 000
Membership continuation (-10%)	28 740 000	13 666 000	42 406 000

- - -

Sensitivity analysis on current service and interest costs for the year ended 30 June 2023

	Current service cost	Interest cost	Total
Central assumptions	2 854 000	5 440 000	8 294 000
Health care inflation rate (+1%)	3 504 000	6 360 000	9 864 000
Health care inflation rate (-1%)	2 348 000	4 695 000	7 043 000
Discount rate (+1%)	2 387 000	5 119 000	7 506 000
Discount rate (-1%)	3 455 000	5 803 000	9 258 000
Post-employment mortality (+1 yr)	2 774 000	5 276 000	8 050 000
Post-employment mortality (-1 yr)	2 931 000	5 605 000	8 536 000
Average retirement age (-1 yr)	3 098 000	5 856 000	8 954 000
Membership continuation (-10%)	2 474 000	4 897 000	7 371 000

- - -

Other assumptions - Long-service award

Sensitivity analysis on the Unfunded Accrued Liability

	Liability	Total
Central assumptions	14 281 000	14 281 000
General earnings inflation rate (+1%)	15 051 000	15 051 000
General earnings inflation rate (-1%)	13 574 000	13 574 000
Discount rate (+1%)	13 564 000	13 564 000
Discount rate (-1%)	15 074 000	15 074 000
Average retirement rate (+2 yrs)	16 489 000	16 489 000
Average retirement rate (-2 yrs)	12 463 000	12 463 000
Withdrawal rates (x2)	12 083 000	12 083 000
Withdrawal rates (x0.5)	15 715 000	15 715 000

- - -

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
10. Employee benefit obligations (continued)		
Sensitivity analysis on current service and interest costs for the year ended 30 June 2023	Current service cost	Interest cost
Central assumptions	1 201 000	1 413 000
General earnings inflation rate (+1%)	1 295 000	1 498 000
General earnings inflation rate (-1%)	1 115 000	1 335 000
Discount rate (+1%)	1 125 000	1 454 000
Discount rate (-1%)	1 286 000	1 365 000
Average retirement rate (+2 yrs)	1 355 000	1 647 000
Average retirement rate (-2 yrs)	1 064 000	1 224 000
Withdrawal rates (x2)	901 000	1 164 000
Withdrawal rates (x0.5)	1 415 000	1 577 000
	-	-
11. Inventories		
Consumable stores	316 350	177 225
Maintenance materials	5 256	765 976
Water for distribution	-	141 090
	321 606	1 084 291
Water for distribution		
Water losses	37	-
		141 090
12. Receivables from non-exchange transactions		
Traffic fines	48 558 434	16 078 730
Consumer debtors - Rates	112 197 520	42 750 217
	160 755 954	58 828 947
13. Consumer debtors		
Gross balances		
Electricity	159 358 907	142 433 538
Water	140 408 191	136 723 418
Sewerage	108 426 016	105 839 063
Refuse	101 776 384	99 022 617
Housing rental	28 870 373	23 148 299
	538 839 871	507 166 935
Less: Allowance for impairment		
Electricity	(106 421 320)	(106 421 320)
Water	(124 338 660)	(106 314 110)
Sewerage	(78 154 927)	(78 154 927)
Refuse	(72 051 397)	(72 051 397)
Housing rental	(18 542 297)	(18 542 297)
Other (specify)	(978 800)	-
	(400 487 401)	(381 484 051)

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
13. Consumer debtors (continued)		
Net balance		
Electricity	52 937 587	36 012 218
Water	16 069 531	30 409 308
Sewerage	30 271 089	27 684 136
Refuse	29 724 987	26 971 220
Housing rental	10 328 076	4 606 002
Other (specify)	(978 800)	-
	138 352 470	125 682 884
Electricity		
Current (0 -30 days)	5 479 627	6 110
31 - 60 days	2 867 494	3 501 108
61 - 90 days	2 237 390	2 867 494
91 - 120 days	2 673 679	2 237 390
>121 days	129 177 021	111 919 750
Allowance for impairment	(89 497 624)	(84 519 634)
	52 937 587	36 012 218
Water		
Current (0 -30 days)	3 180 901	610 580
31 - 60 days	2 394 293	569 052
61 - 90 days	3 124 366	2 394 293
91 - 120 days	2 713 057	3 124 366
>121 days	126 297 936	113 548 550
Allowance for impairment	(121 641 022)	(89 837 533)
	16 069 531	30 409 308
Sewerage		
Current (0 -30 days)	2 363 990	4 951
31 - 60 days	2 039 005	1 023 029
61 - 90 days	1 938 631	2 039 005
91 - 120 days	1 917 265	1 938 631
>121 days	97 584 160	83 623 756
Allowance for impairment	(75 571 962)	(60 945 236)
	30 271 089	27 684 136
Refuse		
Current (0 -30 days)	2 156 443	4 656
31 - 60 days	1 806 723	902 783
61 - 90 days	1 715 056	1 806 723
91 - 120 days	1 697 757	1 715 056
>121 days	91 649 254	83 793 543
Allowance for impairment	(69 300 246)	(61 251 541)
	29 724 987	26 971 220
Housing rental		
Current (0 -30 days)	121 591	138 025
31 - 60 days	137 270	174 395
61 - 90 days	121 991	128 835
91 - 120 days	133 211	125 233
>121 days	22 634 236	20 213 699
Allowance for impairment	(12 820 223)	(16 174 185)
	10 328 076	4 606 002

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
13. Consumer debtors (continued)		
Other (specify)		
> 365 days	(978 800)	-
Summary of debtors by customer classification		
Total		
> 365 days	230 279 561	125 682 884
	230 279 561	125 682 884
Less: Allowance for impairment	(91 927 091)	-
	138 352 470	125 682 884
Less: Allowance for impairment		
> 365 days	(400 487 401)	(381 484 051)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(381 484 051)	(381 484 051)
Contributions to allowance	(19 003 350)	-
	(400 487 401)	(381 484 051)
14. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	205 990 725	136 543 422
Less: Allowance for impairment		
Consumer debtors - Rates	(93 793 205)	(93 793 205)
Net balance		
Consumer debtors - Rates	112 197 520	42 750 217
Rates		
> 365 days	112 197 520	42 750 217
15. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balance	24 905 344	18 707 540

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA- (Primary bank account)	5 042 022	2 065 218	13 348 493	24 676 334	2 065 218	13 348 493
Current account 40-7028-2707						
ABSA - Gold account	484 467	413 545	4 556 446	-	413 545	4 556 446
40-8587-6208						
ABSA-CAL-LACC 40-9402-1220-Library Grant Call Account	30 713	30 329	1 188 574	-	30 329	1 188 574
ABSA-CALL-ACC-40-9402-1408-EPWP Call Account	38 520	32 354	489 568	-	32 354	489 568
ABSA-CALL-ACC-40-9402-1589-INEP Call Account	92 391	3 418 677	2 966 564	-	3 418 677	2 966 564
ABSA-CALL-ACC-40-9402-1872-District Conditional Grant call account	54 399	2 506 810	889	-	2 506 810	889
ABSA-MSIG Call Account-40-9402-1589	-	-	1 087	-	-	1 087
ABSA-CALL-ACC-40-9402-2111-FMG Call account	83 540	507 827	3 404 071	-	507 827	3 404 071
ABSA-CALL-ACC-40-9402-2315-MIG Call account	74 058	7 321 643	17 702 765	-	7 321 643	17 702 765
ABSA-IDC Grant Call Account-40-9402-2446	-	-	1 025	-	-	1 025
ABSA-CALL-ACC-40-0493-7311	428 327	-	-	-	-	-
ABSA-CLAS-BUS-41-0549-8081	20 336	-	-	-	-	-
ABSA-Smart Meter project Call account 40-9402-1872	-	-	630	-	-	630
ABSA-Energy Efficiency and demand side management grant Call account 40-9402-2535	-	-	126	-	-	126
FNB- Current account	169 326	378 386	283 551	-	378 386	283 551
54160030382						
FNB- Gold account	174 697	135 336	320 897	-	135 336	320 897
62543367397						
FNB- Fixed deposit	7 900	7 900	7 900	-	7 900	7 900
70416052060						
ABSA- LGSETA Call account	-	-	1 157	-	-	1 157
4094020761						
ABSA- Equitable share Call account 4094021000	495	1 642 466	6 382 732	-	1 642 466	6 382 732
Total	6 701 191	18 460 491	50 656 475	24 676 334	18 460 491	50 656 475

16. Revaluation reserve

Opening balance	2 470 085	2 470 085
Change during the year	6 627 086	-
	9 097 171	2 470 085

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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17. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	133	(2)
Intergrated National Electrification Programme	(62)	656 938
IDC Grant	2 066 616	2 066 616
Financial Management Grant	(7 822)	-
Disaster Grant	-	1 701 985
	2 058 865	4 425 537

Movement during the year

Income recognition during the year	2 058 865	4 425 537
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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 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

18. Other financial liabilities

At amortised cost

DBSA loan	994 145	7 141 491
The loan accrues interest at a fixed rate, interest on default is charged at 9% and is capitalised every month. The loan is repayable in monthly instalments of R300 000.00 over 5.92 years, however the municipality has been repaying the loan at R500 000.00 monthly in order to adjust for the previously overdue on the loan account. The loan will be settled within 12 months in the coming financial year		

Current liabilities

At amortised cost	994 145	7 141 491
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Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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19. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Interest	Change in estimates	Total
Environmental rehabilitation	36 386 104	2 183 165	11 929 949	50 499 218

Reconciliation of provisions - 2022

	Opening Balance	Interest	Change in Estimate	Total
Environmental rehabilitation	32 394 944	634 295	3 356 865	36 386 104
Non-current liabilities			13 334 169	6 614 762
Current liabilities			37 165 049	29 771 342
			50 499 218	36 386 104

The Municipality has the obligation to rehabilitate the landfill sites of Naledi. The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites.

The provision is recognised at the present value of the expenditure. The valuation of the landfill site provision was done by Ekolaw Consulting, on behalf of PMT Management Consulting, a company which in environmental consultancy services to municipalities and the professional valuator on the project was Adv. Coen Herbst, with extensive experience and expertise relevant for this type of work.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted..

Environmental rehabilitation provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

20. Revenue

Service charges	209 688 978	207 738 869
Rental of facilities and equipment	1 880 212	1 664 201
Licences and permits	1 488 049	2 747 706
Other income	3 053 334	3 986 850
Interest received - investment	34 492 020	23 899 974
Property rates	78 806 376	64 115 676
Government grants & subsidies	119 302 572	103 385 913
Public contributions and donations	2 250 000	-
Traffic fines	33 257 600	3 690 050
	484 219 141	411 229 239

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
20. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	209 688 978	207 738 869
Rental of facilities and equipment	1 880 212	1 664 201
Licences and permits	1 488 049	2 747 706
Other income	3 053 334	3 986 850
Interest received - investment	34 492 020	23 899 974
	250 602 593	240 037 600
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	78 806 376	64 115 676
Transfer revenue		
Government grants & subsidies	119 302 572	103 385 913
Public contributions and donations	2 250 000	-
Traffic fines	33 257 600	3 690 050
	233 616 548	171 191 639
21. Service charges		
Prepaid Electricity	70 372 803	69 022 265
Sale of electricity-Conventional	59 466 489	59 939 643
Sale of water	29 116 637	28 791 761
Sewerage and sanitation charges	26 428 100	25 986 953
Refuse removal	24 304 949	23 998 247
	209 688 978	207 738 869
22. Rental of facilities and equipment		
23. Licences and permits		
Licences and Permits	1 488 049	2 747 706
24. Other income		
Clearance Fees	174 235	458 350
Tender Documents	176 090	198 586
Entrancen Fees	13 378	18 056
Advertising	10 318	5 284
Cementry fees	386 704	499 498
Building Plans	326 037	248 726
Rezoning Fees	224 673	268 978
Connection and Reconnection fees	85 173	244 762
Administration, management fees and Other	1 656 726	2 044 610
	3 053 334	3 986 850

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
25. Interest income		
Interest income		
Sewerage	6 538 573	5 250 221
Interest Income from Bank	766 618	1 221 856
Electricity	11 543 651	5 614 024
Water distribution	8 293 520	6 847 124
Solid waste refusal	6 319 308	4 966 749
Interest on Property Rentals	1 030 350	-
	34 492 020	23 899 974
26. Interest from non-exchange receivables		
Interest - Assessment Rates	7 745 123	3 992 036
27. Property rates		
Rates received		
Residential	18 614 619	18 549 788
Commercial	19 910 010	20 184 598
State-owned Properties	29 628 975	14 078 493
Industrial Properties	3 070 267	2 872 736
Agricultural properties	7 582 505	8 430 061
	78 806 376	64 115 676

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Government grants & subsidies		
Operating grants		
Equitable share	63 237 126	58 599 835
Municipal Finance Management Grant	2 864 346	2 550 000
Expanded Public Works Programme	1 218 737	1 379 000
	67 320 209	62 528 835
Capital grants		
Municipal Infrastructure Grant	43 823 000	33 914 002
Integrated National Electrification Programme	6 457 000	4 251 061
Municipal Disaster Recovery Grant	1 702 363	2 692 015
	51 982 363	40 857 078
	119 302 572	103 385 913
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	50 237 994	44 786 076
Unconditional grants received	66 663 209	58 599 835
	116 901 203	103 385 911
Equitable Share		
In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.		
Financial management grant		
Current-year receipts	2 850 000	2 550 000
Conditions met - transferred to revenue	(2 850 000)	(2 550 000)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Provide explanations of conditions still to be met and other relevant information.		
Expanded public works programmes		
Balance unspent at beginning of year	-	129 557
Current-year receipts	1 214 000	1 379 000
Conditions met - transferred to revenue	(1 214 000)	(1 379 000)
Offsetting of unspent grants against equitable share	-	(129 557)
	-	-
Conditions still to be met - remain liabilities (see note 17).		
Provide explanations of conditions still to be met and other relevant information.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	(2)	11 779 184
Current-year receipts	43 823 000	33 914 000

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Government grants & subsidies (continued)		
Conditions met - transferred to revenue	(43 823 000)	(33 914 000)
Offsetting of unspent grants against equitable share	135	(11 779 186)
	133	(2)
Conditions still to be met - remain liabilities (see note 17).		
Provide explanations of conditions still to be met and other relevant information.		
Intergrated National Electrification Programme		
Balance unspent at beginning of year	656 938	64 090
Current-year receipts	6 457 000	4 908 000
Conditions met - transferred to revenue	(6 457 000)	(4 251 062)
Offsetting of unspent grants against equitable share	(657 000)	(64 090)
	(62)	656 938
Conditions still to be met - remain liabilities (see note 17).		
Provide explanations of conditions still to be met and other relevant information.		
IDC Grant		
Balance unspent at beginning of year	2 066 616	2 066 616
Conditions still to be met - remain liabilities (see note 17).		
Provide explanations of conditions still to be met and other relevant information.		
Grant 11		
Other	(7 822)	-
Conditions still to be met - remain liabilities (see note 17).		
Provide explanations of conditions still to be met and other relevant information.		
Disaster Relief Grant		
Balance unspent at beginning of year	1 701 985	1 701 985
Conditions met - transferred to revenue	(1 701 985)	-
	-	1 701 985
Conditions still to be met - remain liabilities (see note 17).		
Provide explanations of conditions still to be met and other relevant information.		
29. Traffic fines		
Fines	33 257 600	3 690 050

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Employee related costs		
Basic	151 405 698	131 835 410
Bonus	12 324 913	14 787 472
Medical aid - company contributions	11 021 607	9 975 546
UIF	1 322 374	1 120 201
WCA-Bargain Council	80 718	77 816
SDL	1 947 643	1 733 966
Standby Allowance	574 456	9 015
Leave pay provision charge	(6 311 330)	5 219 831
Scarcity Allowance	454 335	545 170
Current Service Cost	4 055 000	184 000
Shift Allowance	2 332 550	2 132 985
Travel, motor car, accommodation, subsistence and other allowances	12 439 846	11 022 511
Overtime payments	11 537 887	11 073 631
Long-service awards	2 266 816	2 122 712
Acting allowances	718 620	751 807
Housing benefits and allowances	1 528 378	2 500 982
Pension	24 350 004	21 776 396
Uniform Allowance	444 000	456 000
Cellphone Allowance	412 418	383 710
	232 905 933	217 709 161

Remuneration of Municipal Manager

Annual Remuneration	913 068	846 504
Rural Allowance	35 188	36 650
Contributions to UIF, Medical and Pension Funds	10 459	12 410
Pension Fund and housing allowances	123 387	309 027
	1 082 102	1 204 591

Municipal Manager from 1 July 2022 to 31 October 2022, contract ended. Re-appointed effective 13 March 2023.

Remuneration of Chief Finance Officer

Annual Remuneration	1 063 463	1 123 217
Rural Allowance	45 339	47 729
Bonus	94 455	70 000
Contributions to UIF and SDL	14 248	14 369
Telephone allowance	9 000	9 000
	1 226 505	1 264 315

Remuneration of Community Services Director

Annual Remuneration	1 063 463	1 327 532
Rural Allowance	45 339	58 883
Bonus	94 455	70 000
Contributions to UIF and SDL	14 248	16 524
Telephone Allowance	9 000	9 000
	1 226 505	1 481 939

Remuneration of Corporate Services Director

Annual Remuneration	860 475	1 266 251
Rural Allowance	45 339	60 417
Bonus	94 455	70 000
Contributions to UIF and SDL	11 908	15 819

Naledi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Employee related costs (continued)		
Medical aid and pension fund allowances	201 285	145 410
Telephone allowance	9 000	9 000
	1 222 462	1 566 897
Remuneration of Technical Services Director		
Annual Remuneration	1 063 463	1 471 678
Rural Allowance	45 339	63 398
Bonus	94 455	70 000
Contributions to UIF and SDL	14 745	18 193
Telephone allowance	9 000	9 000
Acting Allowance	49 686	18 244
	1 276 688	1 650 513
Acted as Municipal Manager from 1 November 2022 to 12 March 2023.		
31. Remuneration of councillors		
Mayor	978 995	844 436
Former Mayor	-	228 166
Speaker	787 504	474 652
Mayoral Committee Members	2 175 658	1 949 390
Councillors	4 479 305	4 642 401
	8 421 462	8 139 045
32. Depreciation and amortisation		
Property, plant and equipment	34 931 343	41 626 858
33. Finance costs		
Interest	66 324 951	36 142 734
34. Auditors' remuneration		
Fees	5 477 938	6 683 895
35. Debt impairment		
Debt impairment	18 024 550	14 962 061

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
36. General expenses		
Advertising	222 720	80 599
Auditors remuneration	5 477 938	6 683 895
Bank charges	1 078 454	490 028
Computer expenses	577 323	580 930
Consumables	8 433 373	3 978 152
Entertainment	-	7 000
Fines and penalties	650	-
Hire Charges	1 920 896	2 048 549
Insurance	2 164 792	1 660 126
Conferences and seminars	1 175 525	489 282
Motor vehicle expenses	225 422	253 269
Fuel and oil	3 808 357	2 606 196
Postage and courier	-	848
Subscriptions and membership fees	2 461 004	2 188 801
Telephone and fax	7 189 350	4 436 817
Travel - local	3 443 820	748 692
Title deed search fees	2 824	3 427
Uniforms	-	1 059 608
Eskom Own Consumption Expenditure	2 863 663	1 531 172
Ward Committee	1 005 960	1 174 630
Repairs and maintenance	54 111	48 554
Bursaries	3 305 474	288 979
	45 411 656	30 359 554
37. Bulk purchases		
Electricity - Eskom	114 873 379	115 800 326
Electricity losses		
38. Contracted services		
Outsourced Services		
Administrative and Support Staff	4 948 985	524 611
Catering Services	506 076	671 168
Personnel and Labour	14 039 716	12 099 369
Electrical	2 288 816	2 115 783
Consultants and Professional Services		
Business and Advisory	14 388 449	20 550 111
Legal Cost	6 897 967	6 417 801
Contractors		
Abstraction costs	100 942	109 416
Maintenance of Buildings and Facilities	70 631	1 547 820
Repairs and Maintenance	533 613	1 652 834
Safeguard and Security	16 742 093	12 340 127
	60 517 288	58 029 040
39. Operating deficit		
Operating deficit for the year is stated after accounting for the following:		
Loss on sale of property, plant and equipment	(768 501)	-
Depreciation on property, plant and equipment	34 931 343	41 626 858
Employee costs	241 327 395	225 848 206

Naledi Local Municipality

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Figures in Rand	2023	2022
40. Fair value adjustments		
Investment property (Fair value model)	-	6 627 086
Biological assets - (Fair value model)	(407 599)	(3 728 710)
Heritage Assets-(Fair value model)	134 000	-
	(273 599)	2 898 376
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property Plant and Equipment	61 767 659	20 246 026
• Prior Year Correction	-	(3 129 179)
	61 767 659	17 116 847
Total capital commitments		
Already contracted for but not provided for	61 767 659	17 116 847
Total commitments		
Total commitments		
Authorised capital expenditure	61 767 659	17 116 847

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42. Contingencies		
Contingent liabilities		
Plaintiff claimed from the Naledi Local Municipality a total amount of R509 992,62 plus interest and cost. A plea was filed and furthermore our opponents did their discovery affidavit.	509 992	509 993
Matter is defended. Plaintiff has been appointed to assist the Municipality with VAT Recovery. Waiting for a trial date.	897 417	897 417
Naledi Mun / MP Nthali Plaintiff claimed R2 000 000,00 as a result of the fact that she fell on 14/7/14.	2 000 000	2 000 000
Naledi Local Municipality / Erante Consultants CC The plaintiff instituted action against the Municipality and claimed an amount of R250 000,00, R642 954,97, R704 559,65 and R1 301 281,20	2 898 795	2 898 796
This action was instituted by the plaintiff on 4/7/2018. Notice of intention to defend was filed on 12/7/2018. Since the nothing has transpired. There was criminal proceedings instituted but the 2nd defendant, Sipho Masilo was found not guilty.	200 000	200 000
H.B. Macala/ Naledi Local Municipality-Plaintiff claims interest in terms of section 28(1)(a)(i) of the alienation of Land Act 68 of 1981 for payments paid to the Municipality and that was to be refunded.	65 772	65 772
Plaintiff is claiming for an amount of R21 934, 48 for damages suffered for the repairs on her vehicle following a collision with a pothole at Hoffman Galeng Street.	21 934	21 943
Municipality was summoned base on delict for damages to a motor vehicles that was involved in a collision with a pothole.	62 357	62 357
Applicants applying for an order directing the MEC to place the Municipality under administration and to appoint Special Master to administer the finances of the Municipality in relation to revenue generated from distribution of bulk services. Matter is being defended albeit the fact that there is no Council resolution to that effect	3 660 426	-
Municipality was summoned for an amount of R72 127,90 based on delict for a collision between a motor vehicle and a pothole.	72 127	72 127
Naledi was summoned herein for damages to a damages to a vehicle that drove through a pothole.	16 090	16 090
Municipality as well as sub contractor was summoned based on delict for a structure that was removed and secondly due to the fact that the plaintiff makes the averment that he was assaulted by the sub contractor.	171 000	171 000
In this matter the plaintiff claimed an amount of R17 490,64. The matter is opposed and we did defend and asked for certain information.	17 491	17 491
Plaintiff's claim is based on delict for bodily injuries and medical expenses due to the faact that he fell in a hole.	800 000	800 000
Review and setting aside of an administrative decision to award Tender: NLM2021-009A: provision of Panel for Financial Services for 3 Years to the Second Respondent.	1 291 999	-
GM Molale-Plaintiff claiming an amount of R175 653,16 for damages suffered as a result of collision with a pothole.	175 653	-
Plaintiff, Mr. Makwati suing the municipality and Municipal Manager for defamation of character.	274 178	-
VANDANEX (PTY) LTD // NALEDI LM Plaintiff alleges that the Municipality was over-paid when applications for clearance certificates were made.	109 249	-
Naledi LM/ African Hotel Dev. PTY LTD t/a Onomo Hotel Durban-Plaintiff summoned the Municipality for certain accomodation in Durban which is supposed and wee filed a plea in this regards. Since filing the plea on 25/2/21 nothing further has transpired.	35 000	25 000
Naledi LM/ Karenza Erasmus-The Municipality was summoned herein for an amount of R8059,85. The claim is based on delict in that was alleged that the Municipality did not maintain the roads and as a result of a pothole the plaintiff sustained	8 060	8 060
Naledi LM/ Joherda Electrical Contractors- The Plaintiff instituted action against the Municipality for an amount of R105 147,80 for services rendered.	105 148	105 148
Malankane Engineers is claiming an amount of R1 219 910,25 plus interest and costs from the Municipality.	1 219 910	1 219 910
Naledi LM/ Vryburg Truck & Auto CC- Plaintiff instituted action against the Municipality for a total amount of R399 000,00 plus interest and costs.	399 000	399 000
Telkom SA SOC-Damages to cables that was damaged by Municipality however since the plea was filed on 11/8/15 nothing transpired.	31 619	31 619

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42. Contingencies (continued)		
NALEDI LM/ LEEMAT CONSOLIDATED. Municipality was summoned for R2 107 232,25	2 107 232	-
Kelesite Beauty Baatege & 3 others Claims for damages arising from loss of livestock owing to contaminated sewage water.	4 723 360	4 041 960
	21 873 809	13 563 683

Contingent assets

Reitum Investments & 4 others-Application to declare the valuation, sale, transfer and registration of a portion of land described as certain portion of (remainder extent) of erf 506 Vryburg, measuring approximately 100 000m ² to be unlawful, invalid and	2 047 260	1 875 000
NALEDI LM and MT Segapo/ F. Pestana & Best ever Trading 542 CC-In this matter summons was issued against Pestana and Best Ever Trading. The amounts claimed herein is Claim A- R5 102 774,45, Claim B- R496 155,68,	5 598 930	5 598 930
NLM want to issue summons against charmakor for the illegal electricity connection and usgae, the Municipality been asked to quantify the amount of the claim and issue Charmakor with the statement to enable us to claim and that has not happened, there are delays in attending to this matter from the Municipality side.,	168 961	-
Naledi Local Municipality / Erante Consultants CC. The plaintiff instituted action against the Municipality and claimed an amount of R250 000,00, R642 954,97, R704 559,65 and R13 012 181,20 . The matter was defended in 2012 and the defendant also filed a counterclaim for an amount of R 192 000	192 000	192 000
Cathey Construction vs Naledi Local Municipality. Municipality is claiming an amount of R 92 700 for goods paid for but not delivered	-	97 200
	8 007 151	7 763 130

43. Prior period errors

Property Plant and Equipment was adjusted with an amount of R 3 026 796, due to incorrect journal posted in the prior year resulting in the correction of Opening balances), Furthermore there was an incorrect payment certificate amounting to R327 486.43 which was a commitment balance not a payment [

During 2021-2022 financial year Gross Receivables from both Exchange and Non-exchange Transactions did not agree with the Aging Analysis which serves as a source of recording Receivables resulting in a qualification paragraph These errors have been corrected from the opening balance of 01 July 2021 which was deemed as the earliest period for the prior year correction.

Payables from exchange transactions were understated in the prior resulting in a qualification paragraph the effect of the restated balances are reflected below

Landfill site Provision stated at R 36 386 104 in the prior was understated on the Trial Balance and the General Ledger by an amount of R3 996 798.00 between the AFS and the TB. The error was corrected on the TB to align the balances

During the year under review Leave Provision for prior year was incorrectly disclosed as R23 955 707 as a results of incorrect calculation for the leave. The error has been corrected and restated below]

During the year under review Bonus Provision was incorrectly stated as R 7 315 019 on the audited financial statements as a result of incorrect calculation, the recalculation was performed and the error has been corrected

Trade Payables was understated in the prior year due to completeness supporting schedules, the errors have been corrected refer to the note below.

The correction of the error(s) results in adjustments as follows:

44. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Naledi Local Municipality

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44. Prior-year adjustments (continued)				
2022				
	Note	As previously reported	Correction of error	Restated
Receivables from non-xchange Transaction		56 971 136	1 857 811	58 828 947
Receivables from Exchange Transaction		126 678 296	(995 412)	125 682 884
Property, Plant and Equipment		570 303 716	(327 487)	569 976 229
Cash and cash equivalents		18 460 491	247 049	18 707 540
Leave Provision	7	(23 955 707)	(6 143 043)	(30 098 750)
Bonus Provision	7	(7 315 019)	3 491 503	(3 823 516)
Payables from Exchange transactions	7	(659 830 198)	(51 127 006)	(710 957 204)
		81 312 715	(52 996 585)	28 316 130

Statement of financial performance

2022

45. Unauthorised expenditure

Opening balance as previously reported	413 597 886	353 524 553
Add: Unauthorised expenditure - current	72 749 062	60 073 333
Closing balance	486 346 948	413 597 886

46. Fruitless and wasteful expenditure

Opening balance as previously reported	224 823 657	208 993 390
Add: Correction of error	-	(13 337 290)
Add: Fruitless and wasteful expenditure identified - current	58 119 632	29 167 557
Closing balance	282 943 289	224 823 657

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46. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Eskom bulk accounts	Under investigation	54 302 346	26 357 236
SARS penalties and interests	Under investigation	600 317	454 882
DBSA - Interest on late payments	Under investigation	352 654	810 587
COIDA - Interest on late payments	Under investigation	386 604	270 362
Auditor General - Interest on late payments	Under investigation	1 638 448	874 555
Department of water and sanitation	Under investigation	213 154	209 757
Eskom small accounts - interest on late payments	Under investigation	77 000	120 476
Other creditors - Interest on late payments	Under Investigation	549 107	69 699
		58 119 630	29 167 554

Disciplinary steps taken/criminal proceedings

No investigation has been finalised hence no disciplinary steps have been taken.

47. Irregular expenditure

Opening balance as previously reported	342 876 315	239 454 664
Add: Correction of error	-	27 133 929
Add: Irregular expenditure - current	44 029 658	62 005 158
Add: Irregular expenditure - Prior period	26 346 963	14 282 564
Closing balance	413 252 936	342 876 315

Naledi Local Municipality

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47. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

Competitive bidding processes not followed to the satisfaction of the SCM Policy and other applicable legislation	58 232 516	63 357 083
Three written quotations not invited	11 814 058	12 930 638
Payments done in excess of prescribed remuneration thresholds for political office bearers	70 699	-
Payments on in excess of the variation as prescribed by legislation	259 347	-
	70 376 620	76 287 721

48. 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..

Deviations

Exceptional cases	4 249 121	2 170 790
Emergency	3 764 039	3 639 916
Sole Provider	283 297	116 364
	8 296 457	5 927 070

49. Segment information

General information

Naledi Local Municipality

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49. Segment information (continued)

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. Information reported about these segments 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.

50. Other revenue

Other income	3 053 334	3 986 850
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51. Public contributions and donations

Motor Vehicle-UD Truck CWE Quester 330 received from Department of Forestry, Fisheries and Environment	2 250 000	-
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The above donation is not attached to any conditions

52. Cash generated from operations

Deficit	(82 745 214)	(103 206 128)
Adjustments for:		
Depreciation and amortisation	34 931 343	41 626 858
Other non-cash item	768 501	-
Fair value adjustments	273 599	(2 898 376)
Debt impairment	18 024 550	14 962 061
Movements in retirement benefit assets and liabilities	186 378	4 243 659
Movements in provisions	14 113 114	3 991 160
Changes in working capital:		
Inventories	762 685	140 003
Consumer debtors	(30 694 136)	(77 701 969)
Other receivables from non-exchange transactions	(101 927 007)	(5 477 614)
Provisions	160 914 040	195 107 316
Employee benefit obligation	9 703 755	70 555 372
Unspent conditional grants	(2 366 672)	(9 613 913)
Consumer deposits	569 393	(500 634)
	22 514 329	131 227 795

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53. Related parties

Relationships	Refer to Accounting Officer's report
Accounting Officer	Refer to Employee Related Cost Note 32
Members of Key Management	Refer to Note 33
Councilors	DM Bareng (Daughter to Bareng AN)
Close family member of key management	

DM Bareng is no longer a Councilor for the year under review

Related party balances

Salaries paid to related parties of Councilors and Key Management		
DM Bareng (Daughter to Bareng AN)	226 111	194 792
AG Groep (Elder brother to CJ Groep)	498 914	480 703
Q Groep (Twin Brother to CJ Groep)	310 319	160 596

54. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk

Liquidity risk

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. The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality has a DBSA loan which was restructured in 2016 due to non-payment by the municipality. The municipality has managed to repay the loan and as at 30 June 2023 the loan balance was R994 145. The municipality owes Eskom over R791 million due to non-payment of the Eskom account and as at year end the municipality committed to apply for the Eskom Debt Relief as per the MFMA Circular No. 124 of the National Treasury.

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Naledi Local Municipality

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54. Material losses through criminal conduct (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

ERF5673 portion of ERF 506 Vryburg with a fair value of R26 430 000 was pledged as security for DBSA loan. This loan will be settled within 12 months in the upcoming financial year as the remaining balance due is R 994 000.00.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2023	2022
Receivables from exchange transactions	166 919 806	125 682 884
Receivables from non-exchange transactions	123 773 938	58 828 947
Cash and Cash Equivalent	24 905 344	18 460 491

There were no changes in the approach on how credit risk is managed during the period under review. .

Cash and Cash Equivalents

Deposits of the municipality are only held by reputable banks. There are no restrictions on the deposits held, no cash was pledged as security.

Credit risk is further managed and guided by the Cash Management and Investment Policy.

Receivables from Exchange Transactions

Receivables comprise of a large number of local users. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderated due to the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors, the municipality effectively has the right to terminate services to consumers but in practice this is difficult to apply.

For accounts that are in arrears the municipality encourages settlement by "levying of penalty charges" demand for payment and as a last resort "handing over to lawyers", whichever procedure is applicable in terms of Council's credit control and debt collection policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable. Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be past due.

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from Poaching (theft) and the potential spread of Diseases of wild animals in the nature reserve.

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54. Material losses through criminal conduct (continued)

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.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2023 and 2022, the municipality's borrowings at variable rate were denominated in the Rand value.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Interest Rate Risk

Financial Instrument	2023	2022
Cash and Cash Equivalent	24 905 344	13 625 922
Long-term Borrowings	(994 145)	(7 141 491)
	23 911 199	6 484 431

55. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated deficit of (262 088 053) and that the municipality's total liabilities exceed its assets by (252 990 882).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality:

The municipality had a deficit during the year under review. The municipality's current assets to current liability ratio causes a material uncertainty on the municipality's going concern. Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account.

Contingent Liabilities – Naledi Local Municipality has disclosed Contingent Liabilities in the 2022/2023 Financial year. Should the outcome of the cases not be favourable to the Municipality this could result in significant Financial Losses to the entity thus casting significant doubt on the entity's ability to continue as a going concern.

Despite the above negative indicators, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution. The municipality is adequately funded by National Government to continue its operations.

Where applicable the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

The municipality is implementing optimal revenue enhancement strategy and credit control and debt collection policy along with cost containment policy to improve liquidity. In line with debt collection management has proposed incentive scheme to encourage consumer payment of services. Management has developed the UIF and W reduction strategy and reviewing the current financial plan for adoption by

Naledi Local Municipality

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55. Events after the reporting date (continued)		
<p>The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The municipality is in a possession of the Financial Recovery Plan through Section 139 (a) and (c) of the MFMA .</p> <p>The municipality is in a process of applying for Debt Relief with Eskom which will boost the ability of the municipality to continue as a going concern. At year end the municipality owed Eskom R791 000 000.00</p> <p>The municipality is in a process of converting conventional meters to smart prepaid meters to assist with boosting collection, this is being done through the INEP programme.</p> <p>The municipality is in a process of enforcing the Service Level Agreement with Dr Ruth District Municipality to ensure that operational costs relating to Water Services are covered by the District as well as receiving an Agency Fee for service being provided.</p>		
56. Unauthorised, Irregular and Fruitless and Wasteful Expenditure		
*Refer to reconciling notes in the annual report		
57. In-kind donations and assistance		
Motor Vehicle-UD Truck CWE Quester 330 received from Department of Forestry, Fisheries and Environment		
Public contributions and donations	2 550 000	-
58. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	12 797 866	12 383 065
Current year subscription / fee	2 504 846	2 188 801
Amount paid - current year	(6 950 000)	(1 774 000)
	8 352 712	12 797 866
Audit fees		
Opening balance	15 455 425	14 044 390
Current year subscription / fee	5 481 505	6 683 895
Current year Interest on Outstanding	1 638 448	874 555
Amount Paid-current year	(4 528 441)	(6 147 416)
	18 046 937	15 455 424
PAYE and UIF		
Current year subscription / fee	35 320 118	29 380 862
Amount paid - current year	(35 920 435)	(29 380 862)
Amount paid - Interests and Penalties	600 317	-
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	55 898 096	49 530 430
Amount paid - current year	(55 898 096)	(49 530 430)
	-	-

Naledi Local Municipality

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58. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT payable	48 793 277	39 089 522
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VAT output payables and VAT input receivables are shown in note .

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 2023:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mr JA Adonis	268	-	268
Mr PGC Gulane	2 263	238 342	240 605
Mr LC Jacobs	-	255	255
Ms PI Selotlego	2 263	135 488	137 751
Ms VR Morakile	220	9 353	9 573
Ms N Tunyiswa	2 263	156 699	158 962
Mr WH Brits	55 503	3 081 596	3 137 099
Van Huyssteen H & CB	1 290	-	1 290
Matshidiso KA	1 373	15 378	16 751
Mgida AM	-	74	74
Moncho MZM	2 263	51 566	53 829
	67 706	3 688 751	3 756 457

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mr CJ Groep	4 268	4 688	8 956
Mr JA Adonis	246	-	246
Mr WH Brits	-	1 850	1 850
Mr PGC Gulane	2 033	198 144	200 177
	6 547	204 682	211 229

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

59. Budget differences

Material differences between budget and actual amounts

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59. Budget differences (continued)

59-1 Loadshedding as a factor has affected the consumption of electricity by consumers thus the under performance in terms of service charges related to electricity.

The increase in number of indigent household negatively affected revenue performance of the municipality for all the services. Water distribution being affected due to loadshedding.

59-2 The difference is below 5% thus no explanation required.

59-3 Shortfall in revenue collection due to the current economic conditions that has resulted in unemployment and a rise in inflation.

59-4 Licenses and permits had a decrease due to the variation on the MOA where the Municipality involuntarily opted to pay the debt it has with the Dept of Transport with the monies that were due to the Municipality.

59-5 Other income decreased in the current year due to a decrease in the issuing of clearance certificates, selling of tender documents, the connection and reconnection fees e.t.c which the Municipality does not have control over.

59-6 Lack of sound financial management practices where payments are held to a maximum of 30 days, collections are expedited and monies retained for lengthy periods in the bank.

59-7 . Property rates increased in the current year due to new properties being built and more business properties being upgraded through out the town, where the values of the properties increased significantly resulting in an increase in the billing of properties.

59-8 Interest from non-exchange transactions increased due to the non-payment from rate payers and cumulative debt balance.

59-9 Government grants and subsidies increased in the current year due to additional MIG grant funding that was not adjusted within the stipulated timeframe of 60 days as a result of the delay in council processes.

59-10 Public contributions and donations increased in the current year as a result of the unanticipated donation of a truck that was not adjusted within the stipulated timeframe of 60 days as a result of the delay in council processes.

59-11 Fines, Penalties and Forfeits increased in the current year as a result of the function being outsourced to a private firm tasked with the enforcement of the municipal by laws for road use.

59-10 Employee Related costs reduced in the current year due to cost containment measures on all authorised overtime and other allowances as outlined in the financial plan.

59-12 Remuneration of councillors increased as a result of the backpay in the councillor's upper limits as applied in the prior years.

59-13 The decrease in Transfers and grants is as a result of the Municipality not awarding any transfers or donations to any party as no requests were received in the current year

59-14 Depreciation and amortisation decreased as compared to the budget as the Municipality did not encounter any significant impairment on classes of assets.

59-15 Finance costs increased in the current year due to none payment of outstanding creditors as a result of an unfavourable financial position for the Municipality.

59-16 Bulk purchases decreased in the current year as compared to the prior year actual due to the impact of loadshedding. However, the overspending was as a result of the Municipality under budgeting as it was anticipated that loadshedding would have an impact in the bulk purchases expenditure.

59-17 Other expenses decreased due to the implementation of cost containment measures and the implementation of the financial recovery plan of the Municipality

59-18 None as item not budgeted for.

59-19 None as item not budgeted for

59-20 The decrease is as a result of cost containment measures that resulted in less inventory purchases than anticipated and the rapid spending of inventory on hand due to the municipality implementing programs on roads patching and electrical maintenance amongst others

59-21 Receivables from exchange increased in the current year due to none payment from customers.

59-22 Receivables from exchange increased in the current year due to none payment from customers.

59-23 The amount decreased as the Municipality had to pay its commitments to reduce its commitments at year end

59-24 The increase in Biological assets was as a result of the fair value adjustments which were favourable

59-25 Increase on investment property is as a result of the increase in fair value due to revaluation as was done on the properties

59-29 Decrease in Intangible assets is as a result of the Municipality not being required to procure any more softwares as only the maintenance of licenses was required.

59-30 The increase in Heritage assets was as a result of the fair value adjustments which were favourable

59-31 Other financial liabilities reduced due to the Municipality paying more to reduce the loan amount owed to DBSA

59-32 Payables from exchange increased due to the Municipality not having sufficient funds to cover all its commitment as it is under financial recovery

59-33 VAT Payable decreased due to the Municipality not spending according to the budget as it is under financial recovery and its spending is on constraint. Furthermore the introduction of cost containment has resulted in fewer transactions of procurement being undertaken.

Naledi Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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59. Budget differences (continued)

59-34 Consumer deposits increased as a result more developments being undertaken within the Municipal boundaries where customers pay for accounts and plans for such developments

59-35 Not applicable

59-36 Not applicable

59-37 The increase in the Provisions is as a result of the landfill site that is currently not operational but is being used, thus increasing the provision for rehabilitation and restoration

59-38 Not applicable

59-39 The increase in the Provisions is as a result of the landfill site that is currently not operational but is being used, thus increasing the provision for rehabilitation and restoration

59-40 Increase in the Revaluation reserve is as a result of the fair value adjustments on the properties of the Municipality that are held for capital appreciation and earning of rentals

59-41 Difference is as a result of the restatement of the balances on the statements of both performance and position of the Municipality

60. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is/are as follows:

Principal Agent Relationship-Department of Transport

The municipality is an Agent for the North West Department Road and Transport for Licences and Permits. The Arrangement is that the municipality keeps 20% of the monies received for this service and 80% is paid over the department.

The agreement requires the municipality to perform all the registering and testing functions on behalf of the department which consist of Motor vehicle registration and licencing, Driving licence test centre functions and Vehicle testing station functions.

The Principal Agent Service Agreement was previously suspended due to failure by the municipality to pay over monies collected on behalf of the department. Furthermore an arrangement was entered into for the municipality to use its 20% to pay for the outstanding debt as well as additional monthly fees until such time the debt is settled. The remaining balance as 30 June 2023 was **R2 939 546.35**

Although there is no formal contract signed, the principal agent relationship still exists taking into account substance over form of the transactions relating to licences and permits

Principal Agent Relationship-Dr Ruth District Municipality

Furthermore the municipality is an Agent of Dr Ruth District Municipality where it performs the service for the provision of retail water and sanitation. The District is to pay a portion of the Equitable share and all expenses incurred for this service; however the service level agreement is silent with regards to commission percentage the municipality is supposed to receive for this service, a letter has been sent to the District to address the limitations of the SLA.

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Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand	2023	2022
60. Accounting by principals and agents (continued)		
Entity as agent		
Additional information		
Municipality Acting as an agent		
Revenue received or to be received on behalf of the principal	64 973 051	54 853 605
Expenditure paid or incurred on behalf of the principal	(20 581 064)	(32 594 446)
	44 391 987	22 259 159
Receivables held on Behalf of the principal		
Opening Balance	235 367 379	227 949 317
Revenue receivable	26 550 086	20 227 287
	261 917 465	248 176 604
Payables held on behalf of the principal		
Opening Balance	69 071 832	69 071 832
Expenses Incurred	20 581 064	25 831 262
	89 652 896	94 903 094

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

Fee paid

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]