

# **LEKWA-TEEMANE LOCAL MUNICIPALITY “NW 396”**



**2023/2024 ANNUAL REPORT**

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

### COMPONENT A: MAYOR’S FOREWORD



**Cllr Sebang Motlhabi**

#### **FOREWORD**

As the Mayor of Lekwa-Teemane Local Municipality, it is my honour to present the 2023/2024 Annual Report, a comprehensive reflection of our collective achievements, challenges, and milestones over the past year. This report not only highlights the strides we have made in service delivery, economic development, and social upliftment but also underscores our unwavering commitment to the values of transparency, accountability, and inclusivity.

The past year has tested our resilience as a community, and yet it has also been a year of immense growth. Guided by our Integrated Development Plan (IDP), we have focused on addressing the critical needs of our citizens, improving basic services, and fostering sustainable development. Our infrastructure projects, community empowerment initiatives, and partnerships with stakeholders have contributed to the progress detailed in this report.

While we celebrate our successes, we are acutely aware of the work that remains. The challenges of unemployment, inequality, and the provision of quality services persist. As a municipality, we remain committed to innovating and collaborating to find sustainable solutions that address these challenges and create a better future for all.

I extend my gratitude to the Municipal Council, municipal administration, our dedicated staff, and all stakeholders whose tireless efforts have contributed to the outcomes highlighted in this report. Together, we continue to strive towards the vision of a prosperous, united, and thriving Lekwa-Teemane.

I invite all readers to engage with this report, reflecting on our progress and providing valuable feedback that will inform our path forward. It is only through open dialogue and shared commitment that we can achieve our goals and build a municipality that meets the aspirations of its people.

Thank you for your continued support. Together, we will keep moving forward.

A handwritten signature in black ink, appearing to read 'S M Motlhabi', written over a horizontal dotted line. The signature is stylized and cursive.

**CLLR S M MOTLHABI**  
**MAYOR: LEKWA-TEEMANE LOCAL MUNICIPALITY**

MUNICIPAL MANAGER'S OVERVIEW



**Municipal Overview and background**

Lekwa- Teemane Local Municipality Annual Report for the 2023/24 financial year has been compiled in accordance with section 46 of the Local Government Municipal Systems Act. No 32 of 2000 (as amended) section 127 (2) of the Local Government Municipal Finance Management Act, No 56 of 2003 as well as accompanying circulars, templates and guidelines. In particular, MFMA Circular No. 63 issued in September 2012, added guidance to the preparation of this annual report, requiring all municipalities to report within the established framework and for such reports to be submitted. This report records the performance and progress made by Lekwa Teemane Local Municipality in fulfilling its strategic objectives contained in the Integrated Development Plan and Service Delivery Budget Implementation Plan as approved by Council.

The Municipality for the year under review was able to drastically reduce the vacancy rate especially on Senior Managers and Managerial positions by appointing Municipal Manager, Chief Finance Manager, Director Corporate, Director Community and Technical Services respectively. Unfortunately, the Municipal Manager resigned around April 2024 just before end of financial year leaving the vacancy of the Municipal Manager.

Regarding the implementation of capital projects the Municipality have received an MIG allocation of R16.3 million and managed to spend 100% in implementing the following projects which were in phases:

- Utlwanang paved road
- Boitumelong taxi rank
- Multipurpose center
- Utlwanang taxi rank

The above demonstrated improvement in the implementation of MIG as compared to prior year where there was a rollover of around R 3 Million which was declined by National treasury,

Apart from the abovementioned grant the municipality was able to implement Bloemhof paved road through disaster grant of R 12,458,364 which was completed.

In terms of the financial viability aspect the Municipality received disclaimer audit opinion which can mainly be attributed to prior year issues which had impact on the current audits. Although the audit report paragraphs were decreased from 26 to 22 much work still needs to be done including but not limited to early preparation of PAAP, as well as its implementation and monitoring by ensuring that issues which are the cause drivers of the disclaimer are detected and eliminated.

The municipality was placed under voluntary debt relief of Eskom. Although the compliance in terms of the conditions was satisfactory the main aspects such as payment of current account, ringfencing of electricity revenue as well as implementation of smart meters were not realised. The latter posed a risk of the municipality to remain on the Debt relief.

The Eskom and Water Affairs are the main creditors which both are at the litigation stage, it is encouraging to report that towards the year end progress was made between Dr Ruth Segomotsi Mompati District Municipality ( Water Service Authority ) and Magalies Water ( Water Service Prodder ) to own up to the Eskom debt with regard to treatment plants as well as water affairs debt with regard to abstraction of raw water, much as both matters are

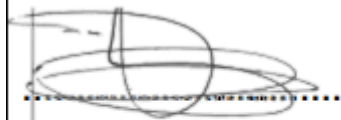
at the litigation stage for the first time there seems to be an appetite to engage on intergovernmental process as parties involved are organs of state.

### **Community Participation**

The Municipality has 7 wards within its jurisdiction. The main area of concern from communities relates to lack of water, sanitation, electrical and road infrastructure. The water reservoir capacity is not able to meet the demands of Christiana and surrounding communities. With the introduction of District Development Model, the appointment of Director Technical Services and improved communication channel between the District and the municipality, we hope that this will be history and our communities will enjoy pleasure out of this

The Mayor through imbizos interacted with communities in both Christiana and Bloemhof. As part of community involvement and service delivery the municipality hosted several Thuntsa Lerole programmes and the Office of the Seaker developed and implemented ward based reporting tool to ensure that community needs are escalated to relevant authorities

Notwithstanding the financial challenges as indicated the municipality closed the financial year with a positive and encouraging financial situation amid its failure to address bulk accounts



**K.J.Lesaisane**

**Acting Municipal Manager**

*T.1*

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## THE VISION AND MISSION

### VISION

“To create a responsive and caring municipality for all who live in it”

### MUNICIPAL MISSION

To render Services effectively and efficiently in a sustainable manner to our community  
To promote developmental local government through community participation

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## MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### INTRODUCTION TO BACKGROUND

As of June 30, 2024, 868 households in Christiana town and 90 in Bloemhof along the Vaal River banks still rely on septic tanks for sewage disposal, as they are not yet connected to the sewer network. The municipality services these households daily using vacuum trucks, a challenging task that often results in overflows into streets and, in some cases, watercourses.

In Bloemhof De Hoek, sewer reticulation for 99 households has been constructed, but these households have not yet been connected to the waterborne sewer system due to discrepancies in levels, delaying the project's handover.

Refuse removal has been a significant success for the municipality, despite limited resources. Over 98% of households receive weekly refuse removal services, as more areas are formalized, improving access for collections. The remaining households without refuse removal services are in new, inaccessible informal areas, making it nearly impossible for the municipality to provide services. The landfill sites are managed according to best environmental practices, strategically located along major roads leading into and out of Christiana and Bloemhof.

Township establishment has become an annual activity at Lekwa-Teemane, with over 500 fully subsidized units completed in Bloemhof and Christiana during the current financial year across various projects. Geluksoord Ext 4 in Christiana and Bloemhof Ext 10 in Bloemhof have been completed, while Bloemhof Ext 12 and 13 are planned for development within the next two years. In addition to fully subsidized housing, the municipality is expanding housing opportunities through the establishment of restructuring zones and the sale of municipal land to applicants who do not qualify for full subsidies, a process initiated in late 2018.

Town planning approvals have been delayed due to the need to align with the Spatial Planning and Land Use Management Act, 2013 (SPLUMA). The municipality is working to achieve compliance to accelerate economic development and increase revenue. The SPLUMA by-law was adopted in 2017, followed by the Spatial Development Framework (SDF) and the Municipal Planning Tribunal (MPT) in 2019, and the Land Use Scheme in 2020.

T. 2

## MUNICIPAL FUNCTIONS

The Municipality is currently performing the following powers and functions:		
MUNICIPAL FUNCTION	YES/NO	PERFORMANCE ANALYSIS
Air Pollution	Yes	Not performed
Building Regulations	Yes	Inadequately performed
Electricity Reticulation	Yes	Performed with INEP and Eskom
Local Tourism	Yes	Performed through LED Unit
Municipal Planning	Yes	Performed through IDP
Storm Water	Yes	Inadequately Performed
Trading Regulations	No	Provincial competency
Potable Water	Yes	Performed
Sanitation	Yes	Inadequately performed
Municipal Health Services	No	Provincial Competency
Billboards and Advert in public places	Yes	Inadequately performed
Cemeteries	Yes	Inadequately Performed
Cleansing	Yes	Inadequately Performed
Control of Public Nuisance	Yes	Inadequately Performed
Fencing and Fences	Yes	Inadequately performed
Local amenities	Yes	Inadequately Performed
Local Sports Facilities	Yes	Inadequately performed
Municipal Parks and Recreation	Yes	Inadequately Performed
Municipal Roads	Yes	Inadequately Performed
Public Places	Yes	Inadequately Performed
Refuse Removal	Yes	Inadequately Performed
Street Lighting	Yes	Inadequately Performed
Street Trading	Yes	Inadequately Performed
Pontoon and Ferries	Yes	Inadequately Performed
Noise pollution	Yes	Inadequately Performed
Pounds	Yes	Inadequately Performed
Furthermore, the following functions are performed on an agency basis:		
Library Services		
Traffic and Licensing		

## POPULATION

Population Details									
Population '000									
Age	2021/22			2022/23			2023/24		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4	3088	3142	6230	3225	3370	6595	3225	3370	6595
Age: 5 - 9	2875	2822	5697	3693	3640	7333	3693	3640	7333
Age: 10 - 19	5005	4952	9957	5018	5240	10258	5018	5240	10258
Age: 20 - 29	4899	4473	9372	4308	4521	8829	4308	4521	8829
Age: 30 - 39	3781	3514	7295	4400	4682	9082	4400	4682	9082
Age: 40 - 49	2769	2769	5538	2876	2903	5779	2876	2903	5779
Age: 50 - 59	2130	2183	4313	2260	2224	4484	2260	2224	4484
Age: 60 - 69	1278	1491	2769	1163	529	1692	1163	529	1692
Age: 70+	852	1225	2077	1048	1354	2402	1048	1354	2402

Source: Statistic South Africa

Overview of Neighbourhoods within Lekwa-Teemane LM
<b>Settlement Type</b>
<b>Towns</b>
Bloemhof
Christiana
<b>Townships</b>
Coverdale
Boitumelong
Salamat
Utlwanang
Geluksoord
<b>Rural settlements</b>
Bloemhof Farms
Christiana Farms
<b>Informal settlements</b>
Golf view
Bloemhof Ext 12
Bloemhof Ext 13

Natural Resources	
Major Natural Resource	Relevance to Community
Land	Access to land
	High Agriculture Potential
	Food Production
Water	Access to water
	Food Production
Mineral Resources: Diamond	Job Creation
	Economic Development
T.4	

**COMMENT ON BACKGROUND DATA:**  
 The main road is the N12 highway, which is the tourist attraction as it passes along the Vaal River and Bloemhof dam. Other smaller feeder roads exist connecting villages to the main rural towns, for example Britten. However, most of these are not tarred and largely unusable during summer when occasional flooding occur making access between the villages and rural towns impossible. The major towns are Bloemhof and Christiana and these are predominantly farming towns, hence the major private sector employers are farmers. Both of these towns can be described as rural to semi-rural and spreads.

Apart from these two rural towns most of the residents live in villages. This is an issue that needs to be addressed by the LTLMA. The revised Lekwa-Teemane Spatial Development Framework (draft, 2006) discusses the municipality in two distinct levels where separate.

T.5

## SERVICE DELIVERY OVERVIEW

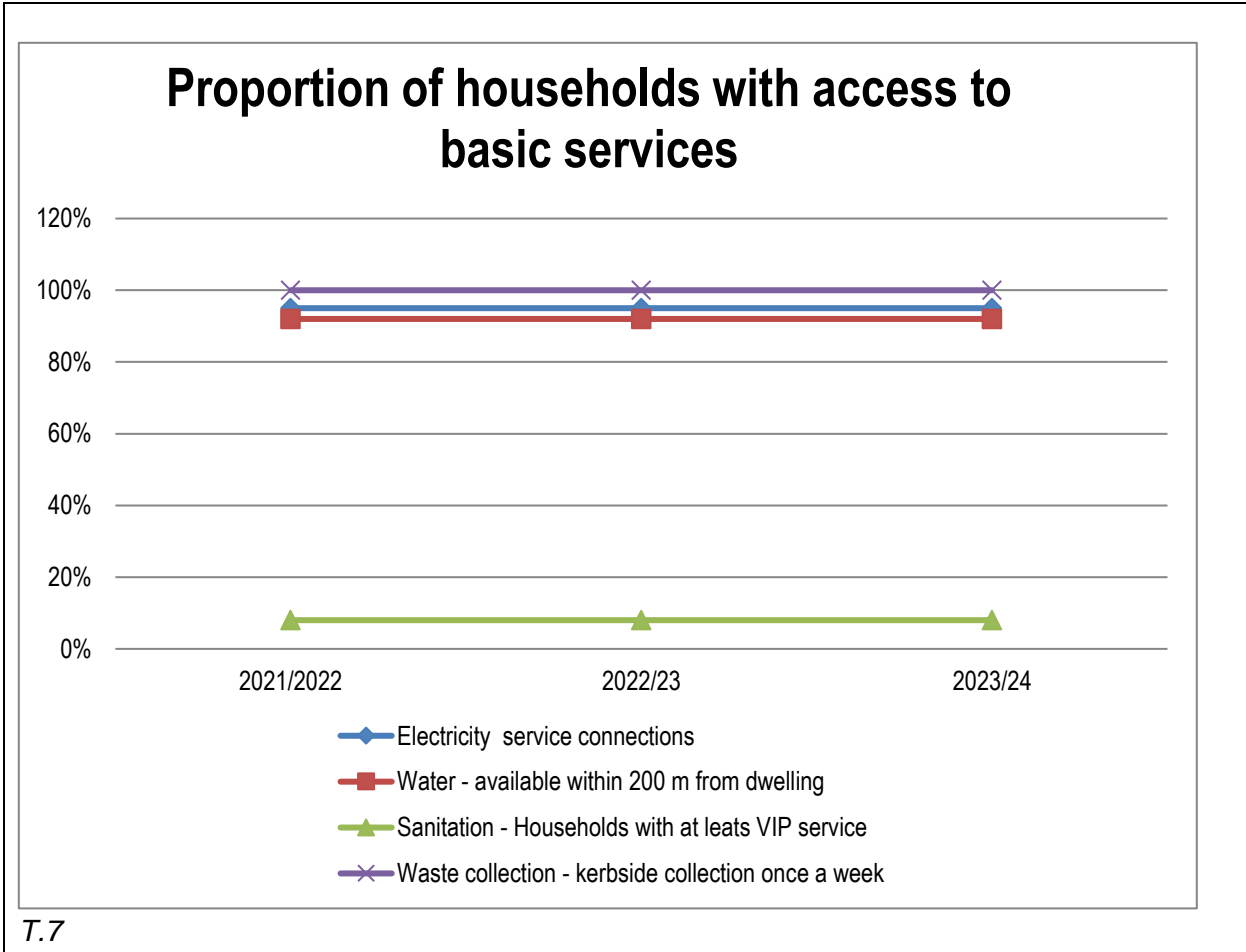
### SERVICE DELIVERY INTRODUCTION

Overall, the municipality is making progress in achieving the Millennium Development Goals related to basic service delivery. However, the rising number of indigent households presents a significant challenge to the sustained provision of these services, as fewer households are able to afford them. Despite this, the municipality is committed to ensuring that every household receives a minimum level of service. *No new water, sanitation and electrical connections were undertaken in the year under review. The municipality managed to install about 15 communal standpipes in informal areas which previously did not have any water*

T.6

Proportion of Households with minimum level of Basic services			
	2021/2022	2022/23	2023/24
Electricity service connections	95%	95%	95%
Water - available within 200 m from dwelling	92%	92%	92%
Sanitation - Households with at least VIP service	8%	8%	8%

Waste collection - kerbside collection once a week	100%	100%	100%
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**COMMENT ON ACCESS TO BASIC SERVICES:**

A high staff shortage in some basic service provision departments is a major risk for the municipality as well as the lack of equipment. The current municipal fleet is constantly breaking down as most of it is old and cannot be serviced properly. The majority of the bulk infrastructure is aged and needs constant repairs, maintenance and servicing. The bulk water and sanitation infrastructure (water and waste water treatment plants and pump stations) are aged and inadequate to cater for the current population. Except for the Bloemhof Water Treatment Works which is currently being upgraded the rest of the bulk infrastructure needs immediate attention and upgrading

T.8

## FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

The Lekwa-Teemane Local Municipality is dependent on rates and services income as well as grants income, which are core to the municipal income. The municipality's sustainability is dependent on the effective management of its resources as well as the community's effective contributions to and participation in the budgeting process as well as the payment of rates and services. Non-payment of rates and services is a national concern and the municipality is not free from the problem. The collection of outstanding debt remains a big challenge.

T.9

Financial Overview: Year 2023/24			
			R' 000
Details	Original budget	Adjustment Budget	Actual
<b>Income:</b>			
Grants	86 976	124 421	117 949
Taxes, Levies and tariffs	205 176	206 062	191 391
Other	78 449	75 114	92 629
<b>Sub Total</b>	<b>370 601</b>	<b>405 597</b>	<b>436 443</b>
Less: Expenditure	351 681	372 811	514 027
<b>Net Total*</b>	<b>18 920</b>	<b>49 845</b>	<b>(77 584)</b>
* Note: surplus/(deficit)			T.10

Operating Ratios	
Detail	%
Employee Cost	18
Repairs & Maintenance	2
Finance Charges & Impairment	36%
T.11	

### COMMENT ON OPERATING RATIOS:

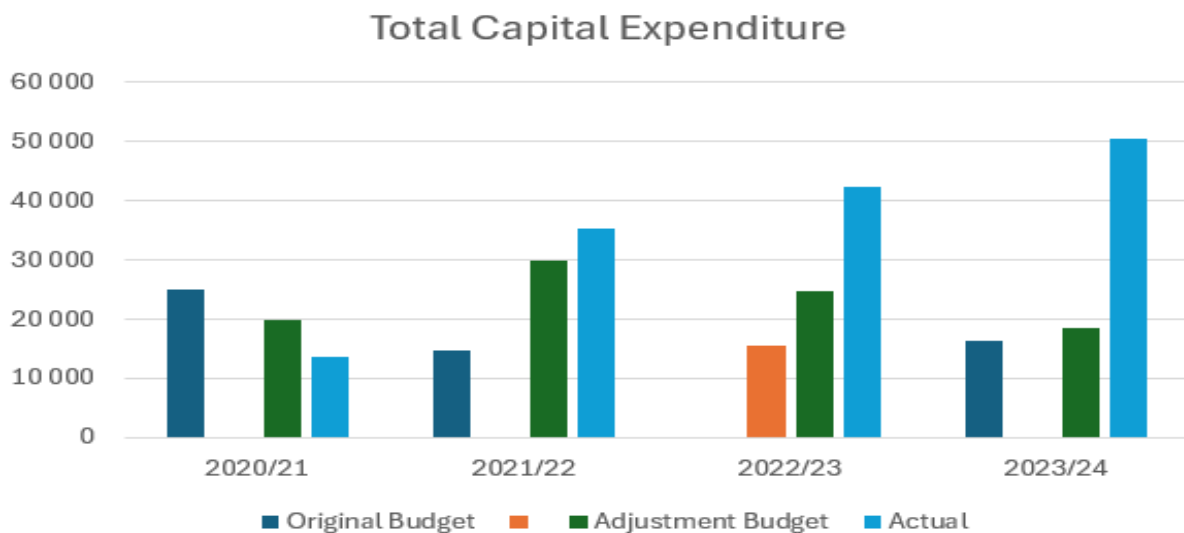
#### **Expected norms for items identified in T 11 under Operating ratios are as follows:**

- 1 Employee Costs- approximately 21% to total operating cost
- 2 Repairs and maintenance- approximately 33 % to total operating cost
- 3 Finance Charges and Depreciation- approximately 12% to total operating cost

T.12

Total Capital Expenditure: 2023 to 2024				
	R'000			
Detail	2020/21	2021/22	2022/23	2023/24
Original Budget	24 883	14 624	15 485	16 298
Adjustment Budget	19 986	30 012	24 857	18 472
Actual	13 676	35 177	42 436	50 583

*T.13*



*T14*

## ORGANISATIONAL DEVELOPMENT OVERVIEW

### ORGANISATIONAL DEVELOPMENT PERFORMANCE

The municipality currently has a 20% vacancy rate for senior management positions, primarily due to the municipal manager's resignation in April 2024. Overall, the municipality has a 6% vacancy rate, with most critical positions filled. The majority of vacant positions are at the entry level. The organizational structure has been reviewed to include only funded positions, preventing an inflated vacancy rate caused by unfunded roles.

*T.15*

## AUDITOR GENERAL REPORT

### AUDITOR GENERAL REPORT: 2023/24

The Auditor General issued a disclaimer of opinion on the municipality's consolidated and separate financial statements due to the significance of the issues outlined in the basis for disclaimer of opinion section of the auditor's report. Additionally, AGSA was unable to obtain sufficient and appropriate audit evidence to form an opinion on these financial statements.

*T.16*

## 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 2020/21 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	January
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	March
17	Oversight report is made public	

No.	Activity	Timeframe
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	March
<i>T.17</i>		

## CHAPTER 2 – GOVERNANCE

### POLITICAL GOVERNANCE

#### INTRODUCTION TO POLITICAL GOVERNANCE

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

Section 156 (2) of the Constitution provides that the legislative power of a Municipality vests exclusively in its Council. The Municipal Council performance both legislative and Executive functions and focuses on legislative, oversight and participatory role.

It has delegated its executive function to the Mayor. Council's primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from Council's function as policy maker, Councillors are also actively involved in community work and the various social programmes in the Municipal area.

*T.18*

Political Structure	Functions
<b>Mayor</b> <b>CLLR S.M. Motlhabi</b>	The mayor identifies the needs of the municipality, review and evaluate those needs, in order of priority, recommends to the municipal council strategies, programmes and services to address priority needs through the IDP and estimates the value of revenue and expenditure, taking into account any applicable national and provincial development plans and recommends and determines the best way to deliver strategies, programmes and services to maximum benefit of the community. The Mayor is also responsible for the approval of the Service Delivery and Budget Implementation Plan
<b>Speaker</b>	The Speaker presides over the meetings of Council, and ensures that meetings are

	conducted according to rules of order of the Council.
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**COMMITTEES OF COUNCIL**

Corporate Services and Good Governance :Cllr J. Dabampe  
 Finance Committee :Cllr J. Dabampe  
 Community Services and LED :Cllr- L.D. Legabe  
 Infrastructure Development and Town Planning :Cllr L.D. Legabe  
 Municipal Public Accounts Committee : Cllr T. Setsetse

T.19

**COUNCILLORS**

The municipal council consists of fourteen members elected by mixed member proportional representation. Seven are elected past the post voting in seven wards, while the remaining seven are chosen from party lists so that the total number of party representatives is proportional to the number of votes received.

T.20

**2.2 ADMINISTRATIVE GOVERNANCE**

**INTRODUCTION TO ADMINISTRATIVE GOVERNANCE**

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

The Administration component of Lekwa-Teemane Local Municipality is headed by the Municipal Manager, comprises of four (4) Directorates, headed by the Directors who report directly to the Municipal Manager in terms of Section 56 of Municipal Systems Act 32 of 2000.

The Managers Strategic Planning and Operations, Integrated Development Planning and Performance Management System (PMS) also report directly to the office of the Municipal Manager.

*Refer to Appendix C*

<b>TOP STRUCTURE</b>		
<b>Name</b>	<b>Position</b>	<b>Functions</b>
Vacant Jeffrey Leseisane	Acting 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

TOP STRUCTURE		
Name	Position	Functions
		responsibilities outlined under Section 55 of the Local Government: MSA, Act 32 of 2000, as amended and any other relevant duties as may be delegated by the Mayor and Council.
Filled Thapelo Moseki	Chief Finance Officer	The CFO is responsible for ensuring effective and efficient strategic management of the finance department, which includes budgetary management, financial accounting management, SCM, Credit Control Management, investment and banking, treasury management and risk management.
Filled Jan Botha Sparks	Director Community Services	This Director Community Services is responsible for Parks, Cemeteries, Housing, Waste Collection and Traffic
Filled Jeffrey Leseisane	Director Corporate Services	The Director Corporate Services is responsible for establishing and maintaining structures, with the parameters of legality and good governance, that will provide Administration that is appropriately relevant, Legal Support, Human Resource Management and IT
Filled Mbulelo Duba	Director Technical Services	The Director Technical Services is responsible for Water, Sanitation, Electricity and Roads Services of the Municipality and the maintenance of infrastructure.

## OMPONENT B: INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Intergovernmental Relations assist sector stakeholders to ensure that planning is aligned. Promoting Intergovernmental Relations (IGR) helps to make everyone aware that there is one seamless government working together to serve the people. It builds teamwork within the various spheres of government and between all stakeholders.

Intergovernmental Relations activities include:

Planning and budgeting  
Consultations  
Dispute resolutions  
Reporting  
Feedback

T.21

## 2.3 INTERGOVERNMENTAL RELATIONS

### INTERGOVERNMENTAL RELATIONS

The primary purpose of the intergovernmental relations in the municipality is to enhance improve relations with other stakeholders by mobilizing resources and forging strategic partnerships which will ensure coordination of service delivery with other spheres of government. This is realized through coordination and management of all municipal relationships with other spheres of government and facilitation of information sharing through the intergovernmental relations at Lekwa-Teemane Local Municipality

T.22

### RELATIONSHIPS WITH MUNICIPAL ENTITIES

The municipality has 1 agency, Lekwa-Teemane Development Agency. The Agency is tasked and responsible for finding investors and ensuring that there is development within the municipality. The municipality is responsible for playing oversight over the Agency.

T.23

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

*Note: MSA section 17 (2): requires a municipality to establish and organise its administration to facilitate a culture of accountability amongst its staff. Section 16 (1): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. Section 18 (a) - (d): requires a municipality to supply its community with information concerning municipal governance, management and development.*

T.24

## 2.4 PUBLIC MEETINGS

**COMMUNICATION, PARTICIPATION AND FORUMS**

Ward Committees have been established in all wards to ensure public participation and accountability. These are some of the mechanisms that the municipality uses to distribute information and address the challenges of the communities in an effective manner. The Ward Public Meetings held also provide a platform for effective interaction and accountability for Council and the community.

*T.25*

**WARD COMMITTEES**

The municipality has established seven Ward Committees, which drives information in terms of the needs of the communities.

*T.26*

<b>NATURE AND PURPOSE OF MEETING</b>	<b>DATE OF EVENT</b>	<b>NUMBER OF PARTICIPATING MUNICIPAL COUNCIL</b>	<b>NUMBER OF PARTICIPATING MUNICIPAL ADMINISTRATORS</b>	<b>NUMBER OF COMMUNITY MEMBERS ATTENDING</b>
<b>Ward 1 Public Meetings</b>	None	None	None	None
<b>Ward 2 Public Meeting</b>	21\07\2023 20\02\2024	One	Two	182 105
<b>Ward 3 Public Meetings</b>	None	None	None	None.
<b>Ward 4 Public Meetings</b>	30\11\2023	None	None	56
<b>Ward 5 Public Meetings</b>	09\09\2023 10\09\2023 05\10\2023 12\10\2023 12\11\2023 25\01\2024 26\01\2024	Two  Two	Two  Two	195 155 102 205 255 112 185

<b>Ward 6 Public Meetings</b>	None	None	None	None
<b>Ward 7 Public Meetings</b>	27\08\2023	One	Three	100
	26\11\2023	One	Two	155
	28\01\2024			105
	30\01\204			85

**COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:**

The year 2023/2024 was challenging as other ward councillors were not holding public meetings as expected. The Speaker will have to monitor that aspect in order to ensure that the Ward Councillors hold meetings as expected. .

T.27

2.5.IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs 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
* Section 26 Municipal Systems Act 2000	T.28

**COMPONENT D: CORPORATE GOVERNANCE**

**OVERVIEW OF CORPORATE GOVERNANCE**

The scope of corporate governance includes political, administrative, inter-governmental governance and public accountability and participation to ensure that the municipality is managed to the desired requirements of the community and within the rules, processes and laws by which the municipality operates and is regulated and controlled

## 2.6 RISK MANAGEMENT

### RISK MANAGEMENT

To ensure that municipal complies with the requisite standards of corporate governance, the MFMA states that the accounting officer of a municipality has to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal controls. The benefits that will accrue from having and maintain the systems will include inter alia:

- Objectives are more likely to be achieved;
- Damaging things will not happen or are less likely to happen; and
- Beneficial things will be or are more likely to be achieved

Lekwa-Teemane Local Municipality has no capacity to carry this role internally. The internal audit and risk management units of the Dr. Ruth Segomotsi Mompati District Municipality offer this service to the municipality.

After the assessment of the risk factors in the municipality – the Risk management unit lists the following as the top six risks to the municipality

- Reliance on external resources to achieve internal objectives
- Theft of municipal resources/property
- External interference on decision-making
- Revenue collection (or lack of)
- Extreme overtime
- Failure to maintain IT environment.

T.30

## 2.7 ANTI-CORRUPTION AND FRAUD

### FRAUD AND ANTI-CORRUPTION STRATEGY

The Anti-corruption Policy was developed by the Municipality and adopted by the Council on the 31<sup>st</sup> May 2018 and reviewed on the 31 May 2024

T.31

## 2.8 SUPPLY CHAIN MANAGEMENT

### OVERVIEW SUPPLY CHAIN MANAGEMENT

The supply chain management aims at supporting the strategic decision of the Municipality thereby ensuring effective and efficient service delivery to its internal and external clients, also to ensure that purchasing and procurement of goods and services are done according to prescribed legislations and Lekwa-Teemane Local Municipality Supply Chain Management Policy. The municipality has established the following committees: Bid specification, Bid Evaluation and the Adjudication committees. The Municipality has supply management policy regulating the procurement process.

T.32

### **2.8.1. SUPPLY CHAIN MANAGEMENT FUNCTIONALITY.**

The Supply Chain Management Policy of the Lekwa-Teemane Local Municipality is deemed to be fair, equitable, transparent, competitive and cost-effective as required by Section 217 of the Constitution. The Supply Chain Management Policy complies with the requirements of Section 112 of the MFMA as well as the Supply Chain Regulations of 2005.

During the year bid committee meetings were held as follows:

- Bid Specification – 5
- Bid Evaluation – 7
- Bid Adjudication – 7

### **2.8.2. SUPPLY CHAIN MANAGEMENT POLICY**

Lekwa-Teemane Local Municipality adopted and approved a Supply Chain Management Policy outlining the process and procedures for the acquisition of goods and services by way of quotations or competitive bidding process, often referred to as the Procedure Manual for Supply Chain Management.

The policy further provides for a system on demand management, acquisition management, logistics and disposal management as well as risk and performance management.

The Procedure Manual or policy further prohibits the awarding of contracts to certain categories of persons in line with the MFMA and Municipal Supply Chain Regulations.

Ethical standards are part of the policy and detail how Supply Chain Practitioners, role players and officials must conduct themselves when dealing with supply chain issues which are not limited to procurement alone, but include other issues of competition, fair dealing, value of money, effectiveness as well as cost effectiveness as is required by the Constitution of the Republic.

The declaration of interest is emphasized and awarding to persons whose tax matters are not in order is not permissible.

Deviation from Supply Chain Management Regulations are permissible under the following circumstances:

- Emergency

- Sole Supplier
- Impractical or impossible to follow the process
- Special works of art

The Supply Chain Management Policy is reviewed when there are policy changes as its implementation as Supply Chain is a highly regulated environment.

### 2.8.3. LOGISTICS AND DISPOSAL MANAGEMENT

The system of logistics management deals mainly with the following aspects:

- The placing of manual orders for all acquisitions other than those from petty cash; and
- Before payment is approved, certification by the responsible officer that the goods and services has been received or rendered.

No goods, items or any inventory items were disposed of during the 2022/2023 financial year.

### 2.8.4. Awards made by the Bid Adjudication Committee

The Bid Adjudication Committee (BAC) makes recommendation to the Accounting Officer on all bids and the awarding of contracts. The BAC does not have delegated powers to make any awards. Refer to page **70** for awards made during the year under review.

## 2.9 BY-LAWS

By-laws Introduced during 2023/24					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
Draft	Draft	None	None	None	None
*Note: See MSA section 13.					T.33

#### COMMENT ON BY-LAWS:

It should be noted, however that by-laws have reviewed and gazetted on issues that are related to budget related policies – i.e. Credit Control Policy, Tariff Policy and Rates Policy. The Municipality also adopted the Spatial Planning and Land Use Management by-law during the year under review.

The following by-laws are at draft stage and were submitted to Portfolio Committee and are since to be processed for adoption by Council after which community participation processes will take place before gazetting them:

- 1 Standing rules of order
- 2 public nuisances
- 3 building control
- 4 law enforcement
- 5 trading

T.34

#### **COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:**

The Municipality has planned to upgrade its website, but it could not be implemented due to the cash-flow challenges. External IT Support Services has been appointed to manage the Internet and Municipal Website and the information is submitted by the Municipality for advertisement. Much as the communication officer was appointed this aspect still need to be enhanced

T.35

#### **2.10. PUBLIC SATISFACTION ON MUNICIPAL SERVICES**

#### **PUBLIC SATISFACTION LEVELS**

Public satisfaction within the municipality is conducted in a form of Suggestion Boxes and a Complain Register. In areas where the community feels the municipality can improve, such inputs are registered in the Suggestion Box and attended.

The Municipality makes use of Public Participation to communicate information to the Community and all issues raised by Communities are registered and channeled through the relevant departments for urgent attention. Other complaints and complements are received in writing by the Community members and they are acknowledged and attended. In complementing the previous year methods , ward based development tool has been developed to ensure that ward committees records community complaints

T.36

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

#### **INTRODUCTION**

Service Delivery is in terms of the Constitution of the Republic of South Africa, Schedule 4, Part B determines the functions of the municipality and therefore its responsibility towards the community. In terms of the IDP and the strategic objectives of the Lekwa-Teemane Local Municipality, certain issues are set out to be achieved during the financial year.

T.37

#### **COMPONENT A: BASIC SERVICES**

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

#### INTRODUCTION TO BASIC SERVICES

The following have been achieved during 2023/24 financial period:

Provided 100% of registered and approved indigents earning less than R3, 500 per month (indigents) with access to free basic services

- Access to basic water
- Access to basic sanitation
- Access to basic electricity
- Access to basic refuse removal

The above-mentioned achievements are part of municipal functions, as in terms of the Constitution of the Republic of South Africa, Schedule 4, and Part B Function.

The following tables indicate the Municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and Section 43 of the MSA.

These key performance indicators are linked to the National Key Performance Areas.

T.38

### 3.1. WATER PROVISION

#### INTRODUCTION TO WATER PROVISION

*Note: Recent legislation includes the Water Services Act 1997 and the General Enabling Act 2005*

The Municipality is a Water Service Provider (WSP) and Dr Ruth Segomotsi Mompati District is a Water Service Authority (WSA). 89% of households within the Municipality has access to yard water connections. The WSA has contracted Magalies Water for the operation and maintenance of bulk water infrastructure. The municipality is responsible for the maintaining of internal reticulation.

There have been water supply issues over the years and mainly due to failing bulk infrastructure. The upgrading of water treatment plants has been identified as one of the key projects that would alleviate the water supply problems. The municipality will be engaging the stakeholders to ensure that implementation of these projects is fast-tracked

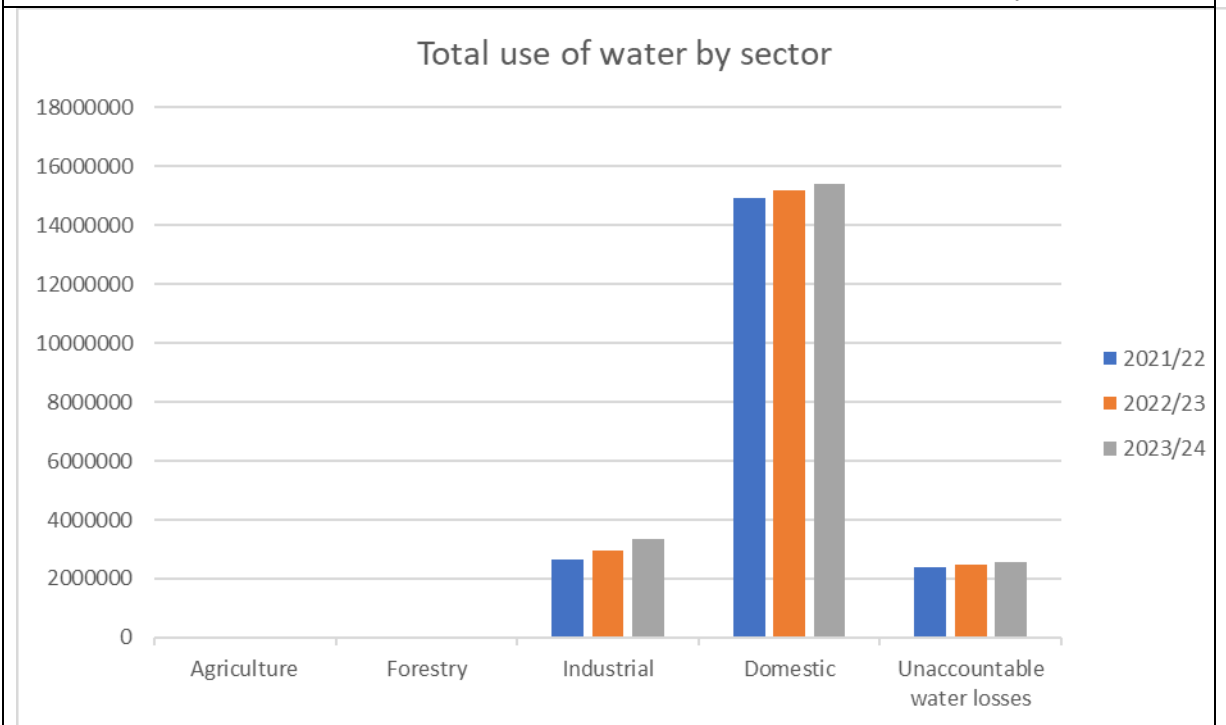
The Municipal IDP prioritises the upgrading of the Christiana Water Purification Plant. The plant cannot cater for the current demand and has to be upgraded within the MTEF period. The town with the townships continues to expand as more areas are proclaimed and RDP houses are built.

The Bloemhof Water Purification Plant is currently being upgraded in the year under review. The scope of works also included installing of generators which would assist in ensuring water is treated and distributed during loadshedding. *The generators have been installed and commissioned*

T.39

Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2021/22	Raw Water	Raw Water	2 632 723	14 917 313	2 377 502
2022/23	Raw Water	Raw Water	2 962 680	15 185 825	2 477 357
2023/24	Raw Water	Raw Water	3 333 015	15 398 427	2 581 406

T.40



T.41

**WATER USE BY SECTOR:**

The Magalies water purifies a total of 19,10 Megalitres (M) per day. This is made of 10,5Ml in Bloemhof and 8,60 Ml in Christiana. Water usage accounts for 13% of the water consumption. Unaccounted water accounts to an annual 12% loss of total production and the domestic usage accounts for the bulk of the usage at 75% of the annual production.

T.42

Employees: Water Services					
Job Level	2022/23	2023/24			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	12	12	12	1	8%
4 - 6	0	0	0	0	0%
16 - 18	2	2	2	0	0%
Total	14	14	12	1	7%

*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.43

**COMMENT ON WATER SERVICES PERFORMANCE OVERALL:**

The Municipal IDP prioritises the upgrading of the Christiana Water Purification Plant. The plant cannot cater for the current demand and has to be upgraded within the MTEF period. The town with the townships continues to expand as more areas are proclaimed and RDP houses are built.

The Bloemhof Water Purification Plant is currently being upgraded in the year under review. The scope of works also included installing of generators which would assist in ensuring water is treated and distributed during loadshedding. The generators have been installed and commissioned.

T.44

**3.2 WASTE WATER (SANITATION) PROVISION**

**INTRODUCTION TO SANITATION PROVISION**

The Municipality has eradicated all bucket systems within the Municipality. 94% of households have access to waterborne sanitation and 6% makes use of septic tanks.

In Christiana there are approximately 898 septic tanks which the municipality services using a vacuum truck and sewer reticulation for 99 households was constructed in Bloemhof in the Die Hoek area however the households were not connected to sewer system. These septic tanks have a significant impact on the operational costs as the Municipality makes use of honey suckers (suction trucks) to empty the tanks.

The municipality has undertaken a project under the Provincial Infrastructure Grant. This project entails the decommissioning of septic tanks in Christiana and replacing it with a waterborne sewer system. The project commenced in December 2022 and the project is still under construction, delays were experienced due to changes in scope as well as applications for approval for variation orders and contract price adjustments

T.45

Employees: Sanitation Services					
Job Level	2022/23	2023/24			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	9	10	9	1	10%
4 - 6	0	0	0	0	0%
13 - 15	2	2	2	0	0%
Total	11	12	11	1	9%

*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.47

**COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:**

The Municipality's priority for the next 5 years is targeted at the upgrading of the wastewater treatment plants. With the town and townships gradually expanding, the priority is to ensure the plants can accommodate the expected effluent.

T.48

**ELECTRICITY**

**INTRODUCTION TO ELECTRICITY**

*Note: Recent legislation includes the Electricity Amendment Acts 1989; 1994; 1995; and the Electricity Regulation Act 2006.*

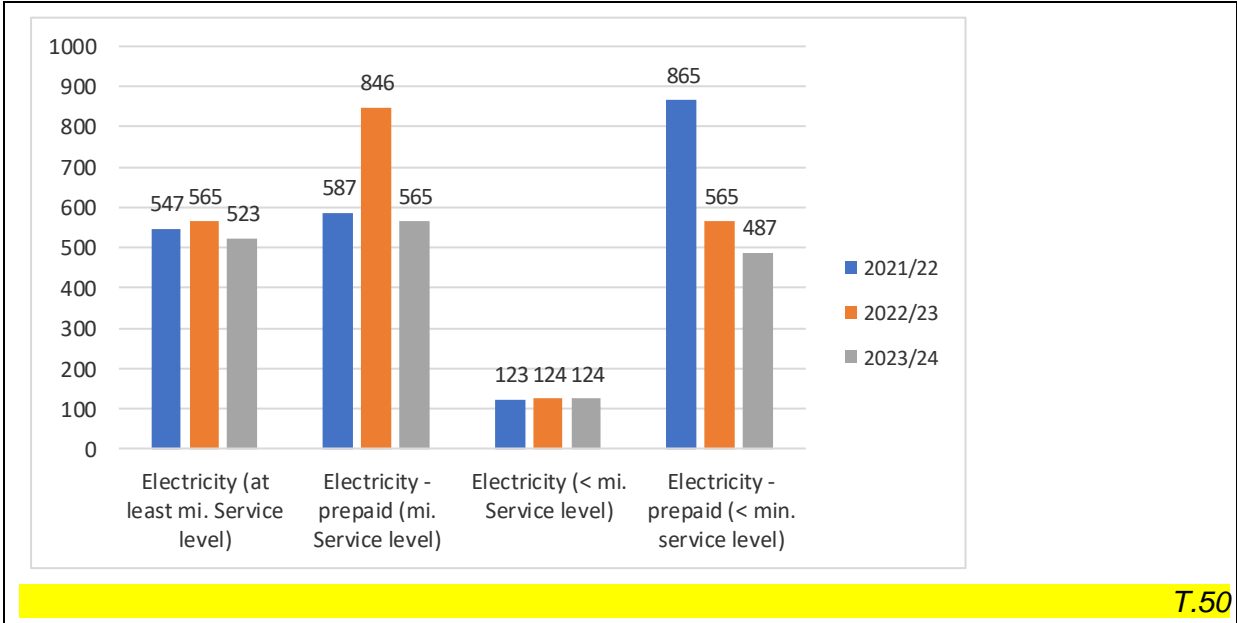
The Municipality is a licence holder for provision of electricity to about 45% of households in Lekwa Teemane Local Municipality. Access to electricity within the Municipality, including areas provided by Eskom, is 95%.

The Municipality currently has a backlog of 1,500 households (Eskom area) within the jurisdiction. The Municipality is also responsible for public lighting. There is a total of 71 high mast lights. The Municipality continues providing basic electricity to households registered as indigents.

*The municipality in the year under review managed to repair 13 high mast lights that were non functional*

*55 meters were replaced in the year under review*

T.49



Electricity Service Delivery Levels				
Description	Households			
	Year -3 Actual No.	Year -2 Actual No.	Year -1 Actual No.	Year 0 Actual No.
<b><u>Energy: (above minimum level)</u></b>				
Electricity (at least mi. Service level)	655	547	565	523
Electricity - prepaid (mi. Service level)	565	587	846	565
<i>Minimum Service Level and Above sub-total</i>	1,220	1,134	1,411	1,088
<i>Minimum Service Level and Above Percentage</i>	52.8%	52.8%	66.3%	62.1%
<b><u>Energy: (below minimum level)</u></b>				
Electricity (< mi. Service level)	112	123	124	124
Electricity - prepaid (< min. service level)	955	865	565	487
Other energy sources	24	26	28	54
<i>Below Minimum Service Level sub-total</i>	1,091	1,014	717	664
<i>Below Minimum Service Level Percentage</i>	47.2%	47.2%	33.7%	37.9%
<b>Total number of households</b>	2,310	2,147	2,127	1,753

**T.51**

Employees: Electricity Services					
Job Level	2022/23	2023/24			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)

	No.	No.	No.	No.	%
0 - 3	6	6	6	0	0%
4 - 6	2	2	2	0	0%
16 - 18	2	2	2	0	0%
Total	10	10	10	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.  
 T.52

**COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:**

The municipality managed to repair 13 high mast lights in the year under review which were previously non functional. The remainder of the high mast lights are still awaiting Eskom to replace breakers on their networks  
 T.53

**.4 WASTE MANAGEMENT (THIS SECTION INCLUDES: KERBSIDE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)**

**INTRODUCTION TO WASTE MANAGEMENT**

Waste collection within the municipality is above 97% from every household. This figure also includes industrial and business collection points within the municipality. Collection is done diligently every week per area. Street cleaning continues unabated weekly in both towns by waste and cleansing department staff. In other areas, the municipality makes use of the Community Works Programme and EPWP workers to provide this service. The acquisition of a new refuse removal truck in 2018 has greatly improved the provision of this service. As communities expand, especially informal settlements, the municipality formalises these areas to ensure they also receive service. The new informal settlement of Bloemhof Ext 12,13 and Geluksoord Ext 5 is the latest such community with high numbers of disadvantaged households who are now receiving basic refuse collection. Through programmes such as the accelerated service delivery "Thunsa Lerole" initiatives, the municipality managed to reduce the number of illegal dumping sites.

T.54

Description	Households		
	2021/22	2022/23	2023/24
	Actual No.	Actual No.	Actual No.
<b><u>Solid Waste Removal: (Minimum level)</u></b> Removed at least once a week <i>Minimum Service Level and Above sub-total</i> <i>Minimum Service Level and Above percentage</i>	18 524	18 524	18 524

<b><u>Solid Waste Removal: (Below minimum level)</u></b> Removed less frequently than once a week Using communal refuse dump Using your refuse dump Other rubbish disposal No rubbish disposal <i>Below Minimum Service Level sub-total</i> <i>Below Minimum Service Level Percentage</i> <b>Total number of households</b>	Supplied within minimum standards	Supplied within minimum standards	Supplied within minimum standards
	<b>18 524</b>	<b>18 524</b>	<b>18 524</b>
T.55			

<b>Employees: Solid Waste Management Services</b>					
Job Level	2022/23	2023/2024			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 17	50	50	48	2	4%
Total	50	50	48	2	4%
<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>					
T.56					

**COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL:**

The municipality currently operates 2 unlicensed landfill sites which were initially licensed to the Dr Ruth Segomotsi Mompati District Municipality. Two new sites have been identified to developed landfill sites. The planning and licensing will commence in the near future. The licenses have since been given to the municipality. In terms of the powers and functions the waste function is a shared service between the District Municipality and Lekwa-Teemane. However, there is a need to review our waste management by-law. The municipality must align its integrated waste management plan with the National Environmental Management Laws Amendment Act (NEMLA) The Municipality is in the process to appoint Waste Officers to co-ordinate compliance of this act. In order curb illegal dumping sites, the Municipality converted some of the open spaces into parks. Owners of vacant land are urge to fence off their-properties

T.57

### 3.5 HOUSING

#### **INTRODUCTION TO HOUSING**

The municipality has made noticeable progress in the provision of housing in line with National housing standards and most cases has performed above the provincial average. Several township establishments have been undertaken in the municipality spread over multiple years. Along with that, the municipality is now embarking on providing housing opportunities as

opposed to concentrating only on fully subsidised housing. This entails creating a wider range of housing options for different markets ranging from rental units, fully subsidised units, Finance Linked Individual Subsidy Programme and Restructuring zones.

On top of these formalised programmes, the municipality has been swift to intervene and provide basic services in several informal settlements which crop up unpredictably. The municipality has provided basic services such as water, cleansing and internal roads to such areas.

T.58

Percentage of households with access to basic housing			
Year-end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2020/21	20000	16950	84%
2021/22	20000	16950	84%
2022/23	20000	16950	85%
2023/24	20000	17244	86%

T.59

#### Employees: Housing Services

Job Level	2022/23		2023/24		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 17	2	2	2	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.

T.60

#### COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

The municipality undertook projects in both Christiana Geluksoord Ext 4, Ext 5 and Bloemhof Ext 11,12 & 13. In Bloemhof Ext.12 bulk infrastructure is at 90% complete. The municipality is not a housing implementing agent but rather makes municipal land available for the development of social housing. The funding was provided by the provincial Department of Local Government and Human Settlements thus all the expenditure on housing does not reflect on the municipal balance sheet. Every aspect of housing projects excluding land availability is provided for within the housing subsidy provided and managed by the above-mentioned department. The Department of Human Settlements is currently assisting the Municipality in installing water and sanitation in these areas Bloemhof Ext.12 and Geluksoord Ext.5. A contractor has been appointed by the Department of Human Settlements to build 500 housing units in Bloemhof Ext.12 This will be the first phase of the 1500 housing units. All disputes on portion 5582 ext.12 were successfully attended.

T.61

### 3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

#### INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Section 194 of the Constitution provides the Objects of Local Government, its existence and mandate. Lekwa-Teemane Local Municipality provides free basic services to its residents as per the Indigent Register.

T.62

#### Free Basic Services To Low Income Households

	Number of households										
	Total	Households earning less than R3.500 per month									
		Total	Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
		Access	%	Access	%	Access	%	Access	%		
2021/22	18,500	18,500	13,000	70%	11,000	59%	14,500	78%	8,000	43%	
2022/23	18,500	18,500	13,000	70%	11,000	59%	14,500	78%	8,000	43%	
2023/24	18524	7741	7741	100%	7741	100%	7741	100%	7741	100%	

T.63

#### COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

The municipality provides free basic services to all indigents that have been registered on the indigent register. The municipality also provide paupers funerals for famalies who cannot bury their loved ones.

T.64

### COMPONENT B: ROAD TRANSPORT

### 3.7 ROADS

#### INTRODUCTION TO ROAD TRANSPORT

The Municipality's Road network has a total length of 120km. Of that, 60km has an acceptable wearing course – that is, asphalt, chip and spray, paving, etc. The other 60km is gravel roads and taken as a backlog.

T.65

Gravel Road Infrastructure				
	Total gravel roads	New gravel roads constructed	Gravel roads up-graded to tar/paving	Kilometres Gravel roads graded/main-tained
2019/20	63	0	0	3
2020/21	63	0	0	3
2021/22	60	0	3	3
2022/23	60	0	0	3.1
2023/24	58.9	0	1.1	17.5

T.66

Tarred Road Infrastructure Kilometres					
	Total tarred/paved roads	New tar/paved roads	Existing tar roads re-tarred	Existing roads tar re-sheeted	Tar roads maintained
2019/20	57	1	0	0	6
2020/21	57	3	0	0	3
2021/22	60	3	0	0	3
2022/23	60	0	0	0	0
2023/24	61.1	1.1	2.4	0	0
					T.67

Cost of Construction/Maintenance R' 000						
	Gravel			Tar/Paved		
	New	Gravel Tar/Paved	Maintained	New	Re-worked	Maintained
2020/21	0.00	10 600 000	4 640 000.00	10 600 000.00	0.00	7 450 000
2021/22	0.00	10 600 000	4 640 000.00	10 600 000.00	0.00	7 450 000
2022/23	0.00	0.00	0		0	0
2023/24	0.00			13 000 000	12 458 000	
						T.68

Employees: Road Services					
Job Level	2022/23		2023/24		
	Employees	Posts	Employees	Vacancies (fulltime equiva-lents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	8	8	7	1	12%
4 - 6	3	3	3	0	0%
16 - 18	2	2	2	0	0%
Total	13	13	12	1	8%

*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.69

Capital Expenditure 2023/24: Roads and Stormwater R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
Project A	12 458 000	0	12 458 000	0%	0
Project B	13 000 000	0	13 000 000	0%	0
Project C	0	0	0	0%	0
<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.70</i>

**COMMENT ON THE PERFORMANCE OF ROADS OVERALL:**

Municipality has from time to time conducted maintenance of infrastructure, however due to lack of resources the maintenance has not been carried out efficiently.

Municipality managed to rehabilitate 2.4km of tar road to paving under the MDRG

Municipality managed to construct 1.1km from gravel to paving under MIG

*T.71*

**3.9 WASTEWATER (STORMWATER DRAINAGE)**

**INTRODUCTION TO STORMWATER DRAINAGE**

Storm water drainage is classified as a functional area of Municipalities under Schedule 5B of the Constitution.

Key objectives for continued maintenance are:

- Assets are maintained to perform at optimum levels during their life cycle – reducing service disruptions;
- Critical areas are identified early and managed;
- Performance of assets is reviewed to suit service delivery and to ensure assets are fit for purpose;
- The costs of maintaining the assets over their life cycle is quantified and justified;
- Information is gathered to assist future decision-making and budgeting;

The maintenance includes the following:

- Removal of silt in the storm water channels;
- Weed control (encroachment) in the storm water channels;
- Removal of silt in the storm water culverts;
- Removal of debris in the storm water culverts;
- . Cleaning of v-drains

*T.72*

Stormwater Infrastructure				
Kilometres				
	Total Stormwater measures	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2021/22	60	3	0	6.5
2022/23	60	0	0	3.1
2023/24	60	0	0	0.952
				T.73

Cost of Construction/Maintenance				R' 000
	Stormwater Measures			
	New	Upgraded	Maintained	
2021/22	0	4557	0	
2022/23	0	0	1300	
2023/24	13 000	12 458	0	
			T.74	

Employees: Stormwater Services					
Job Level	2022/23	2023/24			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	8	8	7	1	12%
4 - 6	3	3	3	0	0%
16 - 18	2	2	2	0	0%
Total	13	13	12	1	8%

*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.75

**COMMENT ON THE PERFORMANCE OF STORM WATER DRAINAGE OVERALL:**

**INTRODUCTION TO STORMWATER DRAINAGE**

Storm water drainage is classified as a functional area of Municipalities under Schedule 5B of the Constitution.

Key objectives for continued maintenance are:

- Assets are maintained to perform at optimum levels during their life cycle – reducing service disruptions;
- Critical areas are identified early and managed;
- Performance of assets is reviewed to suit service delivery and to ensure assets are fit for purpose;
- The costs of maintaining the assets over their life cycle is quantified and justified;
- Information is gathered to assist future decision-making and budgeting;

*The maintenance includes the following:*

- *Removal of silt in the storm water channels;*
- *Weed control (encroachment) in the storm water channels;*
- *Removal of silt in the storm water culverts;*
- *Removal of debris in the storm water culverts;*

*Municipality constructed 1.1 km of stormwater and upgraded 2.4 km*

*Municipality has from time to time conducted maintenance of infrastructure, however due to lack of resources the maintenance has not been carried out efficiently.*

T.76

## COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

### INTRODUCTION TO PLANNING AND DEVELOPMENT

Economic development is dependent on sound town planning frameworks and legislation being in place within a municipality. Clear town planning policies have a direct bearing on investor confidence within a municipality. The town planning legislation is in place but may be outdated and not in line with new national legislation as well keeping up with other legislation such as the Local Government: Municipal Systems Act, 2000.

T.77

#### 3.10 PLANNING

##### INTRODUCTION TO PLANNING

The Lekwa-Teemane Land Use Scheme was adopted in 2020 as well as the Spatial Development Framework. These two form the backbone of municipal planning. Besides these legislations, the municipality has appointed one town planner but still needs to appoint other staff in the planning unit. All town planning applications were handled by the town planner and sometimes by external consultants. This arrangement worked well in terms of the old town planning ordinances dating back to 1986. The introduction of the Spatial Planning and Land Use Management Act, of 2013 changed the town planning landscape. This change in legislation has placed planning approvals in limbo within the municipality as there was no structure to approve planning applications. The absence of the Municipal Planning Tribunal effectively meant that the municipality was not able to approve any planning applications for a very long time.

The term for the Municipal Planning Tribunal (MPT) lapsed and it was advertised for establishment after the council resolution of Aug 2023. Through an advert of call for nomination, the Municipality only received one application, hence a re-advert has to be done for the call for nomination. Finally, the municipality has made great progress in establishing the Municipal Planning Tribunal which has begun processing planning applications.

**T.78**

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
Planning application received	3	0	10	3	70	33
Determination made in year of receipt	0	0	0	0	70	3
Determination made in following year	0	0	0	0	0	0
Applications withdrawn	0	0	0	0	0	0
Applications outstanding at year end	0	0	0	0	0	0
<i>T.79</i>						

**COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:**

Bloemhof Ext 12 township establishment completed and ext.13 in a planning phase. Gekloof ext.5 township establishment completed; these establishments are primarily for mixed housing settlements within the Municipality.

*T.80*

**3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)**

**INTRODUCTION TO ECONOMIC DEVELOPMENT**

The municipality gives support to emerging SMMEs through infrastructure projects i.e Water Pipeline to Schweizer-Reneke, resealing of the N12 within Lekwa-Teemane LM, Bloemhof Dam Wall Development Project, Sewer Networks around the Hoek taxi ranks and multi-purpose centre. etc. The municipality was unable to review the LED Strategy due to lack of capacity. An intervention was sourced from Finance, Economy and Enterprise Development Department (FEED) and Dr RSM LED Unit. A commitment was made by both to assist the municipality to review the LED Strategy in the 2018/2019 financial year though this has not materialised mainly due to budgetary constraints. The municipality was under immense pressure to implement the integrated LED Strategy and therefore resorted to reviewing the strategy in-house. It must be noted that Covid-19 has a huge negative impact on SMMEs because it restricted a number of economic activities. The Municipality is an active participant in the District Development Model.

*T.81*

Sector	2022/23	2023/24
Agric, forestry and fishing	1.5	1.5

Mining and quarrying	2	2
Manufacturing	63	63
Wholesale and retail trade	52	52
Finance, property, etc.	52	52
Govt, community and social services	25	25
Infrastructure services	41	41
Total	236.5	236.5
	<b>T.81</b>	

**COMMENT ON LOCAL JOB OPPORTUNITIES:**

The municipality has Economic Development Plan, which aims to attract investors and create an environment for meaningful participation of SMMEs

<b>Jobs Created during 2023/24 by LED Initiatives (Excluding EPWP projects)</b>				
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)				
2021/22	700	0	700	Appointment letters & ID copies
2022/23	100	0	100	Appointment letters & ID copies
2023/24	986	0	986	Appointment letters, ID copies and control list
<b>T 82</b>				
<b>Job creation through EPWP* projects</b>				
Details	EPWP Projects		Jobs created through EPWP projects	
	No.	No.	No.	No.
2021/22	1			120
2022/23	1			120
2023/24	1			72
* - Extended Public Works Programme				<b>T.83</b>

<b>Employees: Local Economic Development Services</b>					
Job Level	2022/23	2023/24			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
13 - 15	0	0	0	0	100%
16 - 18	1	1	1	0	0%

Total	1	1	1	0	0%	<b>T.84</b>
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## COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres

### INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

The municipality not only provides basic services to its residents, but has a number of complimentary social services which are meant to enhance the life experience of its residents. These services are meant to complement the other main services offered by the municipality to uplift communities especially those that may not afford private leisure and entertainment. To this end the municipality maintains a number of facilities such as play parks, libraries and stadiums.

T.85

### 3.12 LIBRARIES AND COMMUNITY FACILITIES

#### INTRODUCTION TO LIBRARIES AND COMMUNITY FACILITIES

Besides the sports facilities, there are libraries in Bloemhof and Christiana. The third library in Boitumelong (Bloemhof was burnt years back during protests actions in 2014). The Boitumelong/Coverdale library is the planning stages. This library will cater for the Boitumelong and Coverdale communities. The Utlwanang Library is still not complete. The Department of Arts Culture Sports and Recreation is in the process to look at other avenues to complete it.

The sportsgrounds and libraries are complimented by an array of public open spaces and play parks scattered around the municipality, mostly in township areas where the majority of the population is based.

The Geluksoord park was revamped by local youth through a social responsibility contribution from a contractor but is vandalised again.

T.86

Employees: Libraries					
Job Level	2022/23	2023/24			
	Employ-ees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	4	4	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.*

**T.87**

**COMMENT ON THE PERFORMANCE OF LIBRARIES; ARCHIVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC) OVERALL:**

The two stadiums, namely the Geluksoord and Boitumelong stadiums were fully funded by the Department of Culture, Arts and Traditional Affairs (North West). The operating costs have been integrated into the operations of the Sports and Recreation Section within the municipality as we use the same personnel in the maintenance of the facilities.

T.88

**3.13 CEMETERIES**

**INTRODUCTION TO CEMETERIES**

The municipality maintains 8 cemeteries between Christiana and Bloemhof with no known crematorium services provided in the municipality. The current cemeteries available are sufficient to sustain burial service for the next few years.

T.89

<b>Employees: Cemeteries</b>					
<b>Job Level</b>	<b>2022/23</b>	<b>2023/24</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
0	0	0	0	0	0

*Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalent 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 total by 250 to give the number of posts equivalent to the accumulated days.*

T.90

**COMMENT ON THE PERFORMANCE OF CEMETORIES:**

No capital projects have been planned or completed in the last few years in this section

T.91

**COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES**

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

**INTRODUCTION TO CORPORATE POLICY OFFICES**

Chapter 7 of the Constitution of the Republic of South Africa states that a municipality comprises councillors, officials and the community. In order for the municipality to govern its affairs

correctly it must consult with the community to ensure that needs are correctly determined, explained and included in the IDP for Service Delivery purposes.

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

In order for the municipality to be able to address service delivery matters, the municipality must within limits approve a budget that will be commensurate with the needs/projects identified for the particular year. This budget must also address staff matters and this can only be achieved through a costed organogram that must be cost-effective but that also provides sufficient management and other positions in order for the municipality to be able to render effective and satisfactory services.

Management must ensure that tools of the trade are made available to staff. This includes ICT services and networks, including the necessary licenses.

In order for the municipality to finance service delivery it must ensure that the budgetary expenditure will be redeemed through cash collection that will be generated by payment for services. Payment for services will be covered by payment for rates and taxes and will include proper and sufficient municipal service delivery network such as water pipes and reservoirs as well as sewer and electrical networks and plant and equipment.

7.92

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### 3.24 EXECUTIVE AND COUNCIL

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

#### INTRODUCTION TO EXECUTIVE AND COUNCIL

In terms of chapter 7 section 151 (2) of the Constitution of the Republic of South Africa, 101 of 1996, the executive and legislative authority of a municipality is vested in its municipal council.

The municipal Council of Lekwa-Teemane Local Municipality recognised as a municipality with Speaker/Mayor which is combined with a ward participatory system in terms of chapter 12 of the Municipal Structures Act, 117 of 1998. Section 152 of the Constitution categorically and clearly spells out the objectives of local government and the powers and functions of municipalities are determined in section 156 of the Constitution.

The executive authority of the Council vested with the Speaker/Mayor, who must however report to Council and is assisted by Councillors established for Portfolio and who may make decisions. However, there are certain matters on which the Speaker/Mayor as the head of the

municipality cannot make decisions i.e. the approval of budget and IDP and bylaws, as these matters cannot be delegated and must be approved by Council.

In terms of delegation of powers certain matters may be delegated by Council to the Mayor, who will in turn subdelegate to the Municipal Manager. The Municipal Manager may also sub-delegate to Directors, who may in turn further sub-delegate to other officials.

T.93

### 3.26 HUMAN RESOURCE SERVICES

Employees: Human Resource Services					
Job Level	2022/23	2023/24			
	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	2	2	2	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	1	1	1	0	0%
19 - 20	0	0	0	0	0%
Total	3	3	3	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.*

T.94

### 3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

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

Employees: ICT Services					
Job Level	2022/23	2023/24			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 20	1	3	2	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.*

T.95

### 3.28 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

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

Employees: Property; Legal; Risk Management; and Procurement Services					
Job Level	2022/23	2023/24			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0		0	0	0
4 - 6	0		0	0	0
7 - 9	0		0	0	0
10 - 12	0		0	0	0
13 - 15	1	1	1	0	0
16 - 18	0		0	0	0
19 - 20	0		0	0	0
Total	1	1	1	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.*

**T .96**

## COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

### KEY PERFORMANCE AREA 1: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

**T.S**=Technical services **C.S**=Community services **M.O**=mayor's Office **BTC**=Budget and Treasury Office **CP.S**=Corporate Services **MM**=Municipal Manager's Office

OBJECTIVE	KPI.NO	DEPT	KEY PERFORMANCE INDICATOR	TID	BASEINE	BUDGET	ANNUAL TARGET 2023/24	ACTUAL	REASON FOR DEVIATION	POSSIBLE SOLUTION	POE
	<b>1</b>	TECHNICAL SERVICES	Number of High Mast lights to be repaired/maintained in (Bloemhof and Christiana)	General maintenance of high mast lights inclusive of replacement of globes/luminaires	71 High mast lights	OPEX	71 High Mast lights to be repaired/maintained in (Bloemhof and Christiana) by end June 2024	<b>Not Achieved</b>  60 maintained and repaired	Limited Resources. Outstanding Eskom accounts. Some lights need Eskom to repair their breakers as it in their jurisdiction	Purchasing of fleet and increased man power. Service provider appointed to repair some high mast lights in Bloemhof. Eskom has been contacted to repair breakers.	Maintenance report
	<b>2</b>	COMMUNITY SERVICES	Number of households with basic solid waste collection	Weekly households refuse collection	18 524 households to receive weekly solid waste collection	OPEX	18 524 households to receive weekly solid waste collection by June 2024	<b>Achieved</b> 12019 ((Bloemhof) + <b>6505</b> (Christiana) = <b>18 524</b> households received solid waste collection by September 2023	None	None	Maintenance report
	<b>3</b>	COMMUNITY SERVICES	No of landfill sites maintained	General maintenance of landfill sites as required by the National Environmental	2 landfill sites maintained periodically	OPEX	2 landfill sites maintained by end June 2024	<b>Achieved</b>  2 Landfill sites maintained by	None	None	Maintenance report

			Management Waste Act, 2008				September 2023			
<b>4</b>	COMMUNITY SERVICES	Number of sports facilities maintained	Quarterly maintenance of 3 existing sports facilities in Boitumelong Coverdale and Geluksoord which includes Cleaning, grass cutting, irrigation, weed control	3 sports facilities maintained quarterly	OPEX	3 sports facilities maintained on a quarterly basis by end June 2024	<b>Achieved</b> 3 Sports facilities maintained in Geluksoord, Boitumelong, and Coverdale by June 2024.	None	None	Maintenance report
<b>5</b>	COMMUNITY SERVICES	Number of municipal parks and gardens maintained	General maintenance of the Geluksoord park and Municipal gardens and islands grass-cutting, trimming, watering and cleaning.	Maintenance of municipal park (grass cutting, removal of weeds, watering of	OPEX	2 municipal parks and gardens maintained monthly by end June 2024	<b>Achieved</b> Municipal gardens in Prince Street Bloemhof and Park in Boitumelong maintained	N/A	N/A	Maintenance report
<b>6</b>	COMMUNITY SERVICES	Number of community hall renovated	Refurbishing of the hall through, repainting,	1 Utwanang Hall Renovated	OPEX	1 Hall Renovated by end June 2024	<b>Not achieved</b>	Budgetary constraints	Make provision in the next financial year	Completion certificate

<b>7</b>	COMMUNITY SERVICES	Number of illegal dumping sites cleared	Cleaning of inappropriately disposed litter at identified hotspots	New KPI	OPEX	20 illegals dumping sites cleared by June 2024	<b>Achieved</b> 38 Illegal Dumping Sites Cleared.	N/A	N/A	Maintenance reports and photos
<b>8</b>	COMMUNITY SERVICES	Number of new cemeteries established	Creation of a new burial site in Geluksoord ext.5	Current cemeteries full	OPEX	2 new cemeteries established by end June 2024	<b>Not Achieved</b>	Lack of cash flow	Seek funding to establish the new cemeteries	
<b>9</b>	COMMUNITY SERVICES	Number of roadblocks conducted	Law enforcement operations	4 Roadblocks conducted	OPEX	8 Road Blocks conducted by end June 2024	<b>Achieved</b> 8 Road Blocks conducted	N/A	N/A	
<b>10</b>	TECHNICAL SERVICES	KM of municipal roads maintained	Maintenance include resealing, road patching, grading/blading	7 KM of municipal roads maintained	OPEX	5 KM of municipal roads maintained by end June 2024	<b>Achieved</b> 17,5KM of road maintained	None	None	Maintenance report
<b>11</b>	TECHNICAL SERVICES	KMs of storm water drainage maintained	Cleaning of the drainage system by removing all impediments for the drainage	5km storm-water drainage maintained	OPEX	10 km of storm water drainage maintained by end June 2024	<b>Not Achieved</b> 0,952 KM	Limited Resources	Purchasing of fleet and increased manpower. Procurement or rental of jet cleaner to assist in maintaining	Maintenance report

									under-ground stormwater systems	
<b>12</b>	TECHNICAL SERVICES	KMs of municipal internal roads paved	The progression from a gravel road to a paved one	1 Km of internal roads paved	OPEX	2 KMs of municipal internal roads paved by the end June 2024	<b>Achieved</b>	None	None	Completion certificate
<b>13</b>	TECHNICAL SERVICES	Number of Taxi rank constructed	Building of a taxi rank	New	OPEX	2 Taxi rank constructed by the end of June 2023	<b>Achieved</b>	Projects not completed due to over expenditure. Boitumelong is practically complete outstanding works is paving, Utlwanang taxi rank completed	None	Completion certificate
<b>14</b>	TECHNICAL SERVICES	Number of recreational parks constructed	The creation of new recreation park facility	New	OPEX	2 Recreational parks constructed by the end June 2024	<b>Not achieved.</b> No budget provision in financial year	Project has been registered and is earmarked to be implemented in 2025/26 FY		

<b>15</b>	COMMUNITY SERVICES, TECHNICAL SERVICES, BUDGET AND TREASURY OFFICE AND CORPORATE SERVICES	Number of Departmental risk registers updated	An updated risk register, reflecting the risks within the municipality	No updated risk registers	OPEX	4 Departmental risk registers updated by end of June 2024	<b>Achieved</b> 4 risks registers updated	N/A	N/A	Updated risk register
<b>16</b>	COMMUNITY SERVICES, TECHNICAL SERVICES, BUDGET AND TREASURY OFFICE AND CORPORATE SERVICES	Number of Departmental meetings conducted	Departmental meetings to communicate internal matters and resolutions	No departmental meetings held (New KPI)	OPEX	4 Departmental meetings conducted by end June 2024	<b>Achieved</b> 4 Departmental meetings conducted by end June 2024	N/A	N/A	Minutes and attendance registers
<b>17</b>	COMMUNITY SERVICES, TECHNICAL SERVICES, BUDGET AND TREASURY OFFICE AND CORPORATE SERVICES	Number of Departmental reports submitted to the MM, 5 days after the end of the quarter	Performance reports to the MM on the implementation of the SDBIP as per the PMS framework	No reports submitted	OPEX	4 Departmental reports were submitted to the MM, 5 days after the end of each quarter	<b>Achieved</b> 4 Departmental reports submitted to the MM, 5 days after the end of each quarter	N/A	N/A	Quarterly reports

<b>18</b>	COMMUNITY SERVICES, TECHNICAL SERVICES, BUDGET AND TREASURY OFFICE AND CORPORATE SERVICES	Number of progress reports on the implementation of Audit Action Plan submitted to the MM	To record progress of the implementation of the audit action plan to address the prior year audit findings	No progress on implementation of PAAP	OPEX	2 reports detailing progress on the implementation of the Audit Action Plan by end June 2024	<b>Achieved</b> 2 reports was submitted	None	None	Copy of reports
<b>19</b>	COMMUNITY SERVICES	Rand value income collected from outstanding traffic fines	Revenue generated through traffic fines	Poor collection on traffic fines (New KPI)	OPEX	R400 000 collected from traffic fines by end June 2024	<b>Not achieved</b>	Lack of personal and equipment	Recruitment of additional personal.	
<b>20</b>	COMMUNITY SERVICES	Number of multi-purpose centres constructed	Building of multipurpose hall in Boitumelong (Bloemhof)	(New KPI)	OPEX	Construction of Multi-purpose centre by end June 2024	<b>Not achieved.</b>	Contractor slow progress. Contractor was terminated.	Municipality in talks with consultant to quantify outstanding works and once in agreement works will be ceded to consultant to complete	Completion Certificates
<b>21</b>	TECHNICAL SERVICES	KMs of sewer pipelines maintained	Clearing, repairing and unblocking of sewer line for the free flow	5km of sewer pipelines maintained (New KPI)	OPEX	10km of sewer pipelines maintained by end June 2024	<b>Achieved</b> 77,81KM maintained			

**KEY PERFORMANCE AREA 2: LOCAL ECONOMIC DEVELOPMENT**

OBJECTIVE	KPI.NO	DEPT	KEY PERFORMANCE INDICATOR	TID	BASELINE	BUDGET	ANNUAL TARGET 2023/24	ACTUAL	REASON FOR DEVIATION	POSSIBLE SOLUTION	POE
Strengthening the enabling environment through more flexible regulations, better access to finance and markets, improved infrastructure	22	COMMUNITY SERVICES	No of reviewed and adopted LED Strategy aligned to the Provincial and National LED Strategy/Framework	Review the LED strategy to align with the Provincial and National Strategy	Outdated LED strategy	OPEX	1 LED Strategy aligned to the Provincial and National LED Strategy/Framework reviewed and adopted by end June 2024	<b>Not Achieved</b> Letter of request to DEDECT to be assisted on the Review of The LED Strategy	Budget constraints	Engage DEDECT to speed up the appointment of service provider	
	23	COMMUNITY SERVICES	Number of municipal LED intergovernmental platforms convened	LED intergovernmental engagement session	4 LED intergovernmental platforms convened	OPEX	4 LED intergovernmental platforms convened by June 2024	<b>Not Achieved</b> Only three intergovernmental forums convened	Lack of attendance	To co-ordinate more stakeholders	
	24	COMMUNITY SERVICES	Number of work opportunities created through CWP	500 work opportunities created through CWP	600 work opportunities created through CWP by June 2023	OPEX	400 work opportunities created through CWP by June 2024	<b>Achieved</b> 400 work opportunities created through CWP by June 2024	N/A	N/A	List of participants approvals

25	COMMUNITY SERVICES	Number of jobs created through the municipality's local economic development initiatives including capital projects	100 jobs created through the municipality's local economic development initiatives including capital projects	100 jobs created through the municipality's local economic development initiatives including capital projects by end June 2023	OPEX	100 jobs created through the municipality's local economic development initiatives including capital projects by end June 2023	<b>Achieved</b> 100 jobs created through the municipality's local economic development initiatives including capital projects by end June 2024			Contracts/ Appointment letters
26	COMMUNITY SERVICES	Number of work opportunities created through EPWP	120 work opportunities created through EPWP	140 work opportunities created through EPWP by end June 2023	R950,000	72 work opportunities created through EPWP by end June 2024	<b>Achieved</b> 72 work opportunities created through EPWP by end June 2024	N/A	N/A	Contracts

**KEY PERFORMANCE AREA 3: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT**

OBJECTIVE	KPI.NO	DEPT	KEY PERFOR- MANCE IN- DICTOR	TID	BASEINE	BUDGET	ANNUAL TARGET 2023/24	ACTUAL	REASON FOR DEVIATION	POSSIBLE SOLUTION	POE
Build and strengthen the financial management of the municipality to enhance service delivery and achieve clean audit	<b>27</b>	<b>BUDGET AND TREASURY OFFICE</b>	Number of financial policies reviewed adopted by council	1. Credit Control debts collection, 2. Asset management policy, 3. Indigent policy, 4. Property rates policy, 5. Supply chain management policy, 6. Tariff policy, 7. Cash Management policy, 8. Budget policy, 9. Borrowing policy, 10. Cost containment policy - Review 3 policies per quarter and if changes adopted by council	Finance policies 1. Credit Control debts collection, 2. Asset management policy, 3. Indigent policy, 4. Property rate policy, 5. Supply chain management policy, 6. Tariff policy, 7. Cash management policy, 8. Budget policy, 9. Borrowing policy, 10. Cost containment policy	OPEX	10 reviewed and approved financial policies by end June 2024	<b>Achieved.</b> 10 policies were reviewed and approved	N/A	N/A	resolution

<b>28</b>	BUDGET AND TREASURY OFFICE	Number of reports on effective revenue management submitted	12 reports on effective revenue management submitted	12 reports on effective revenue management submitted by end June 2024	OPEX	12 reports on effective revenue management submitted by end June 2024	<b>Achieved</b> 12 reports were prepared and submitted	N/A	N/A	reports were prepared
<b>29</b>	BUDGET AND TREASURY OFFICE	Number of reports on expenditure management submitted	12 reports on expenditure management submitted	12 reports on expenditure management submitted by June 2024	OPEX	12 reports on expenditure management submitted by June 2024	<b>Achieved</b> 12 expenditure reports were prepared and submitted	N/A	N/A	reports on expenditure management
<b>30</b>	BUDGET AND TREASURY OFFICE	Number of reports on the Conditional Grants spending in accordance with Financial Management Grant (FMG) as per DoRA	Report on the Spending of the FMG grant	12 reports on the Conditional Grants spending in accordance with Financial Management Grant (FMG) as per DoRA	OPEX	12 reports on the Conditional Grants spending in accordance with Financial Management Grant (FMG) as per DoRA by end June 2024	<b>Achieved.</b> 12 Reports were prepared and submitted	N/A	N/A	reports on the Conditional Grants
<b>31</b>	BUDGET AND TREASURY OFFICE	Number of SCM compliance reports submitted	Quarterly reports in terms of Regulation 6(3)	4 SCM compliance reports to be submitted	OPEX	4 SCM compliance reports submitted by end June 2024	<b>Achieved.</b> 4 Reports were prepared and submitted	N/A	N/A	SCM compliance reports

<b>32</b>	BUDGET AND TREASURY OFFICE	Financial viability as expressed by the ratios (debt coverage ratio, outstanding service debtors to revenue, Cost coverage ratio)		12 Financial Viability Reports Expressed in Ratios	OPEX	4 Financial viability ratios report by end of June 2024	<b>Achieved</b> 4 Financial viability ratios report	N/A	N/A	Financial viability ratios report
<b>33</b>	BUDGET AND TREASURY OFFICE	Number of Indigents households on the register receiving Free Basic Services	Free basic services provided to household earning less than R3500. Benefits that are provided. 1. 6klm water 2. 50 klw electricity 3. Other services at 100%	7 671 indigents households on the register currently receiving free basic services	OPEX	9 000 Indigents households on register receiving Free basic services by end June 2024	<b>Not achieved.</b> Only 7700 household have registered	Target too high. Needs to be revised	To be revised	Indigent register
<b>34</b>	BUDGET AND TREASURY OFFICE	Percentage (%) achieved on revenue collected	Quarterly revenue collected against the actual billing	59% Collection rate	OPEX	60% collection rate per quarter achieved on revenue collected by the end June 2024	<b>Not achieved</b>	High unemployment. Resistance to pay from consumers	Debt collection tender is at the evaluation stage	Collection Report

<b>35</b>	BUDGET AND TREASURY OFFICE	Percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	Report on actual spending on MIG and INEP capital expenditure	2021 / 2022 Expenditure	OPEX	100% of municipality's capital budget actually spent by end June 2024	<b>Achieved</b> at 99%	N/A	N/A	Report
<b>36</b>	BUDGET AND TREASURY OFFICE	Timeous submission of Annual Financial Statements to Auditor General by end August	Submission of Annual Financial Statements to AGSA by 31 August 2023	Submission of the 2021/22 Financial Statement	OPEX	Timeous submission of 2022/23 Annual Financial Statements to Auditor General by end August 2023	<b>Achieved</b>  Timeous submission of 2022/23 Annual Financial Statements	N/A	N/A	Proof of submission
<b>37</b>	BUDGET AND TREASURY OFFICE	Percentage of audit findings addressed	Audit findings addressed as contained in the post audit action plan	Prior year Post Audit Action Plan	OPEX	100% of audit findings addressed by end June 2024	<b>Not Achieved</b> 78%	Other findings can only be resolved during AFS preparation and during the course of the audit	Other findings are resolved during AFS preparation and during the course of the audit	PAAP

**KEY PERFORMANCE AREA 4: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION**

OBJECTIVE	KPI.N O	DEPT	KEY PERFOR- MANCE IN- DICTOR	TID	BASEINE	BUDGET	ANNUAL TAR- GET 2023/24	ACTUAL	REASON FOR DEVI- TION	POSSIBLE SOLUTION	POE
To provide the necessary strategic support for the implementation of the SDBIP To build and enhance the human resource capacity of the municipality, To ensure that there is a good, sound industrial relationship between	<b>38</b>	CORPO- RATE SER- VICES	Number of posts filled as per the approved funded structure	Filling of vacant funded posts in approved structure	15 Posts filled	OPEX	28 posts filled as per the approved funded structure by end June 2024	<b>Achieved</b>	None	None	Appoint- ment letters
	<b>39</b>	CORPORATE SERVICES	Number of employees employed in accordance with the Employment Equity Plan	In terms of Employment Equity Plan target groups include disabled and women. These groups to be considered during the recruitment and selection process	8 Employees employed according to EEP	OPEX	8 employees employed in accordance with the Employment Equity Plan by end June 2024	<b>Achieved</b>	None	None	Appoint- ment letters

the employer and employee, To create a safe working environment for all employees and to enhance corporate image.	<b>40</b>	CORPORATE SERVICES	Number of officials capacitated in terms of the workplace Skills Plan	Officials of the municipality to be capacitated with skills as provided for in the WSP	50 officials capacitated in terms of the workplace Skills Plan	OPEX	40 Officials capacitated in terms of the WSP by end June 2024	<b>Not achieved</b>  17 officials were trained.	Failure to appoint Skills Development Panel	Speed up process of appointment of SDP's.	
	<b>41</b>	CORPORATE SERVICES	Number of councillors trained	Councillors capacitated in line with skills provided for in the WSP	14 Councillors Trained in 2022/23	OPEX	7 Councillors trained by end June 2024	<b>Not Achieved</b>  Failure to appoint Skills Development Panel	Speed up process of appointment of SDP's.		

<b>42</b>	CORPORATE SERVICES	Number of learnership opportunities created	Unemployed youth and employees enrolled in the learnerships in line with the WSP	113 learners enrolled on Learnership opportunities created in 2022/23	OPEX	20 learnership opportunities created by end June 2024	<b>Achieved</b> 50 Learnership opportunities created	None	None	Learnership contracts of appointment
<b>43</b>	CORPORATE SERVICES	Number of reports on the workplace skills plan submitted to LGSETA	Reports on the WSP submitted to LGSETA	WSP approved and submitted to LGSETA before end of April 2023	OPEX	1 report on the workplace skills plan submitted to LGSETA by April 2024	<b>Achieved</b> 1 Report submitted	None	none	Acknowledgement of receipt letter of the submission / Workplace Skills Plan
<b>44</b>	CORPORATE SERVICES	Number of Local Labour Forum meetings held	Meetings of LLF	4 Local Labour Forum meetings held	OPEX	4 reports on Local Labour Forum submitted to council by end June 2024	<b>Achieved</b> 4 Reports submitted	None	None	LLF minutes and attendance registers
<b>45</b>	CORPORATE SERVICES	Number of reports on the implementation of Occupational Health Safety policy	Quarterly reports on the implementation of OHS	4 reports submitted on implementation of OHS	OPEX	4 reports on the implementation of Occupational Health Safety policy by end June 2024	<b>Achieved</b> 4 reports submitted	None	None	OHS Reports

<b>46</b>	CORPORATE SERVICES	Number of reports submitted to council on disciplinary cases	Quarterly reports on new or progress on the ongoing disciplinary cases	3 Reports Submitted to Council on Labor cases referred to Bargaining	OPEX	4 Reports submitted to council on disciplinary cases by end June 2024	<b>Achieved</b> 4 Reports submitted			Disciplinary cases re- port sent to portfolio
<b>47</b>	BUDGET AND TREASURY OFFICE	Percentage of municipality's budget actually spent on implementing its workplace skills plan	The budgeted amount for WSP per Vote	2022/23 WSP	OPEX	100% of municipality's budget actually spent on implementing its workplace skills plan by end June 2023	<b>Not achieved</b>	Failure to appoint Skills Development providers	Speed up the process of Appointment of skills Development providers	
<b>48</b>	MUNICIPAL MANAGER'S OFFICE	Number of SDBIP quarterly performance reports generated	Performance reported on quarterly basis	4 SDBIP quarterly performance report submitted	OPEX	4 SDBIP quarterly performance reports generated by end June 2024	<b>Achieved</b> 4 Reports submitted	None	None	4  SDBIP Performance reports

<b>49</b>	MUNICIPAL MANAGER'S OFFICE	Number of annual municipal performance reports developed in compliance with section 4	Annual Municipal performance developed to measure Institutional performance	1 Annual Report submitted to Auditor General	OPEX	1 Annual Performance Report developed and submitted to Auditor General by end August 2023	<b>Achieved</b> 1 Annual report submitted	None	None	
<b>50</b>	MUNICIPAL MANAGER'S OFFICE	Municipal Council oversight report submitted to Council	Oversight report of the MPAC on the Annual report	1 Municipal Council Oversight report submitted	OPEX	1 Municipal MPAC oversight report submitted to Council by end March 2024	<b>Achieved</b> 1 Oversight report submitted to council	None	None	Council Resolution
<b>51</b>	MUNICIPAL MANAGER'S OFFICE	Number of signed performance agreements by MM and Section 56 employees	signed performance agreements inclusive of PDP, Scorecard & Reg 2006 by MM and Section 56 employees	4 Performance Agreements signed	OPEX	5 signed performance agreements by MM and Section 56 employees by end July 2024	<b>Achieved</b> 5 Performance agreements signed by MM	None	None	Copies of performance reports
<b>52</b>	MUNICIPAL MANAGER'S OFFICE	Number of Mid-Term performance assessment conducted	Performance report detailing the performance of the municipality for the 1st half of the financial year, sec.72 MFMA	2021/22 Mid-Term report .1 Mid-Term performance assessment conducted by 25 January	OPEX	1 Mid-Term performance assessment conducted by 25 January 2024	<b>Achieved</b> Performance Assessment conducted	None	None	Council Resolutions

<b>53</b>	MUNICIPAL MANAGER'S OFFICE	Number Approved SDBIP	Approved SDBIP aligned to IDPs and budget 14 days after the approval of the budget for the coming year	Approved SDBIP for 2022/23.	OPEX	1 Approved SDBIP by end June 2024	<b>Achieved</b> Approved SDBIP	None	None	Council resolution
<b>54</b>	CORPORATE SERVICES	Number of employee wellness Programmes conducted	A wellness programme	Employee Wellness Programme conducted (sport & welcoming for new Senior Managers)	OPEX	4 employee wellness Programmes conducted by end June 2024	<b>Achieved</b> 4 Employee Wellness programmes conducted	None	None	Employee Wellness Report
<b>55</b>	MUNICIPAL MANAGER'S OFFICE	Number of IDP Representative meetings held	IDP Consultative forum	1 IDP Rep Forum Meetings Held	OPEX	Representative meetings Held by end June 2024	<b>Not Achieved</b>	Sector department don't attend	Matter has been escalated to office of the premier for intervention	

**KEY PERFORMANCE AREA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

OBJECTIVE	KPI.NO	DEPT	KEY PERFORMANCE INDICATOR	TID	BASEINE	BUDGET	ANNUAL TARGET 2023/24	ACTUAL	REASON FOR DEVIATION	POSSIBLE SOLUTION	POE
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To ensure good governance	<b>56</b>	<b>CORPORATE SERVICES</b>	% council resolutions implemented	To coordinate updating of the Council Resolution Register	100% council resolutions implemented	OPEX	100% implementation of Council resolutions by end June 2024	<b>Achieved</b>  100% Implementation of Council resolutions	None	None	Copy of Resolution register
	<b>57</b>	CORPORATE SERVICES	Number of section 79 and 80 committee meetings held	Provide support to Council and its committees	4 section 79 and 80 committee meetings held.	OPEX	4 Section 79 and 80 committee meetings held by end June 2024	<b>Achieved</b>  4 Section 79 & 80 Committee meetings were held	None	None	Minutes and attendance Registers
	<b>58</b>	CORPORATE SERVICES	Number of Information and Communication Technology Governance policy reviewed and adopted	The alignment of the ITC Governance Policies	Information and Communication Technology Governance policy reviewed and adopted	OPEX	1 Information and Communication Technology Governance policy reviewed and adopted by end June 2024	<b>Achieved</b>  1 Information and Communication Technology Governance policy reviewed and adopted	None	None	Council resolution

<b>59</b>	CORPORATE SERVICES	Number of electronic Newsletters produced	The generation of a newsletter reflecting all activities in the Municipalities	New KPI	OPEX	2 Newsletters produced by end June 2024	<b>Not achieved</b>  Only 1 newsletter produced	Budget Constraints	Adequate budget and establishment of communications unit	
<b>60</b>	CORPORATE SERVICES	Number of By-laws reviewed and Gazetted	Review to align with current legislation	5 By law reviewed	OPEX	5 By-laws reviewed and gazetted by end June 2024	<b>Not achieved</b>	Council couldn't sit to adopt the draft by-laws	Council should convene and adopt the draft by-laws	
<b>61</b>	MUNICIPAL MANAGERS'S OFFICE	Number of risk registers developed and updated	1 risk register developed in the first quarter and updated quarterly	1 Risk Register developed and updated	OPEX	1 Risk register developed and updated by end June 2024	<b>Achieved</b>  Risk register developed and updated	None	None	

	<b>62</b>	CORPORATE SERVICES	Number of Ward committee meetings held	Every ward committee of the 7 ward is expected to hold atleast one meeting per month	84 Committee meetings held	OPEX	84 Ward committee meetings held by end June 2024	<b>Achieved</b> 84 ward Committee meetings held	None	None	
	<b>63</b>	CORPORATE SERVICES	Number of councillor- convened community meeting by end June 2023	Every ward councillor of the 7 wards is expected to hold at least one councillor-convened community meeting	84 councillor-convened community meeting by end June 2023	OPEX	84 councillor-convened community meeting by end June 2023	<b>Achieved</b> 91 Councillor Convened Community meetings were held	None	None	

#### KEY PERFORMANCE AREA 6: SPATIAL RATIONALE

OBJECTIVE	KPI.NO	DEPT	KEY PERFORMANCE INDICATOR	TID	BASELINE	BUDGET	ANNUAL TARGET 2023/24	ACTUAL	REASON FOR DEVIATION	POSSIBLE SOLUTION	POE
	<b>64</b>	MUNICIPAL MANAGER'S OFFICE	Number of IDP adopted by council	Adoption of the IDP aligned to District, provincial and national plan	2022/23 IDP	OPEX	1 IDP adopted by council by end May 2024	<b>Achieved</b>	None	none	Council resolution

## Summary of Performance per Departments

### **Community Service**

**Total No of KPIs**      19  
**Total Achieved**        13  
**Total Not Achieved**    6  
**Overall Performance** 68%

### **Technical Services**

**Total No of KPIs**      11  
**Total Achieved**        8  
**Total Not Achieved**    03  
**Overall Performance** 73%

### **Budget & Treasury Office**

**Total No of KPIs**      15  
**Total Achieved**        12  
**Total Not Achieved**    3  
**Overall Performance** 86%

### **Municipal Manager's Office**

**Total No of KPIs**      9  
**Total Achieved**        8  
**Total Not Achieved**    1  
**Overall Performance** 89 %

### **Corporate Services**

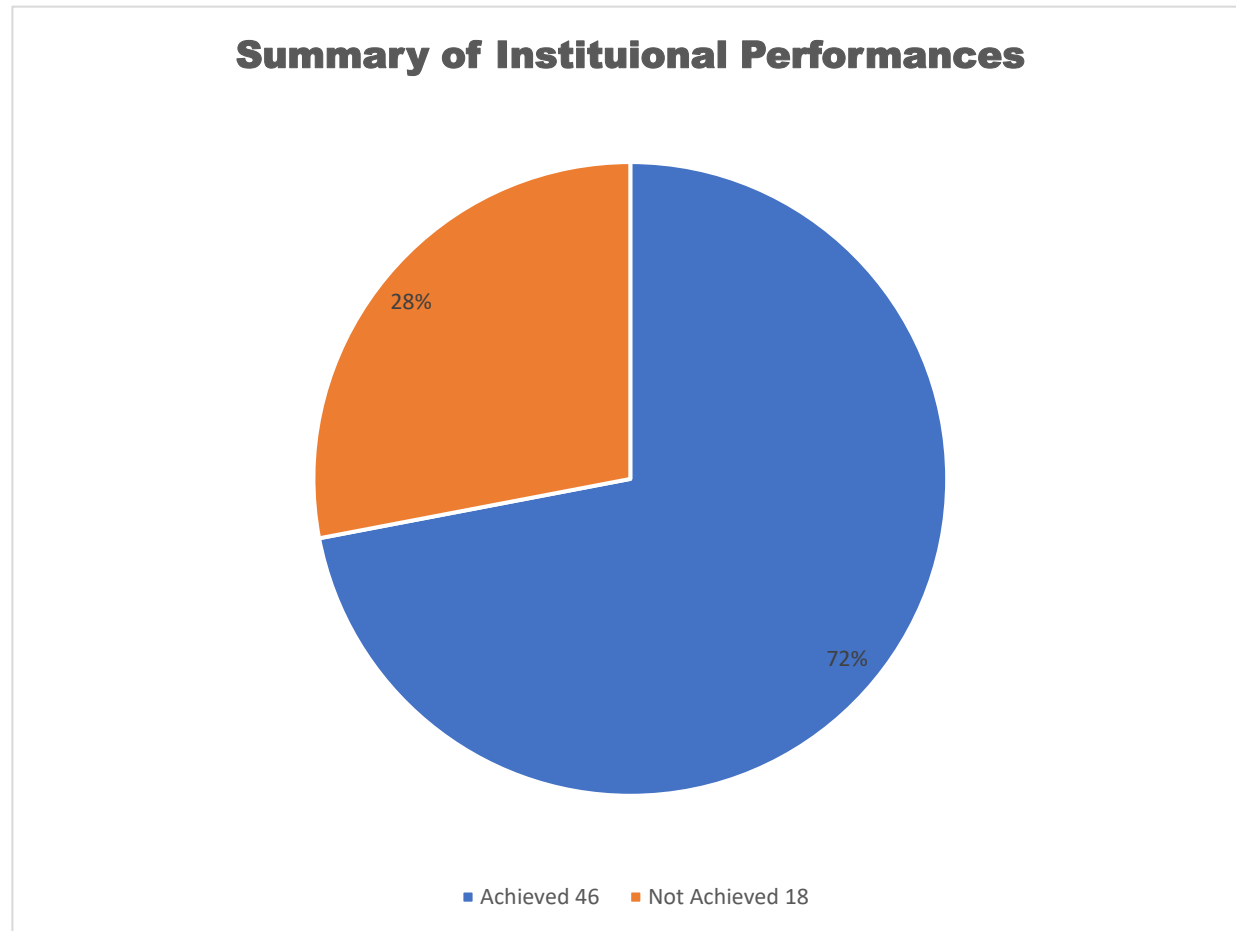
**Total No of KPIs**      22  
**Total Achieved**        17  
**Total Not Achieved**    5  
**Overall Performance** 77%

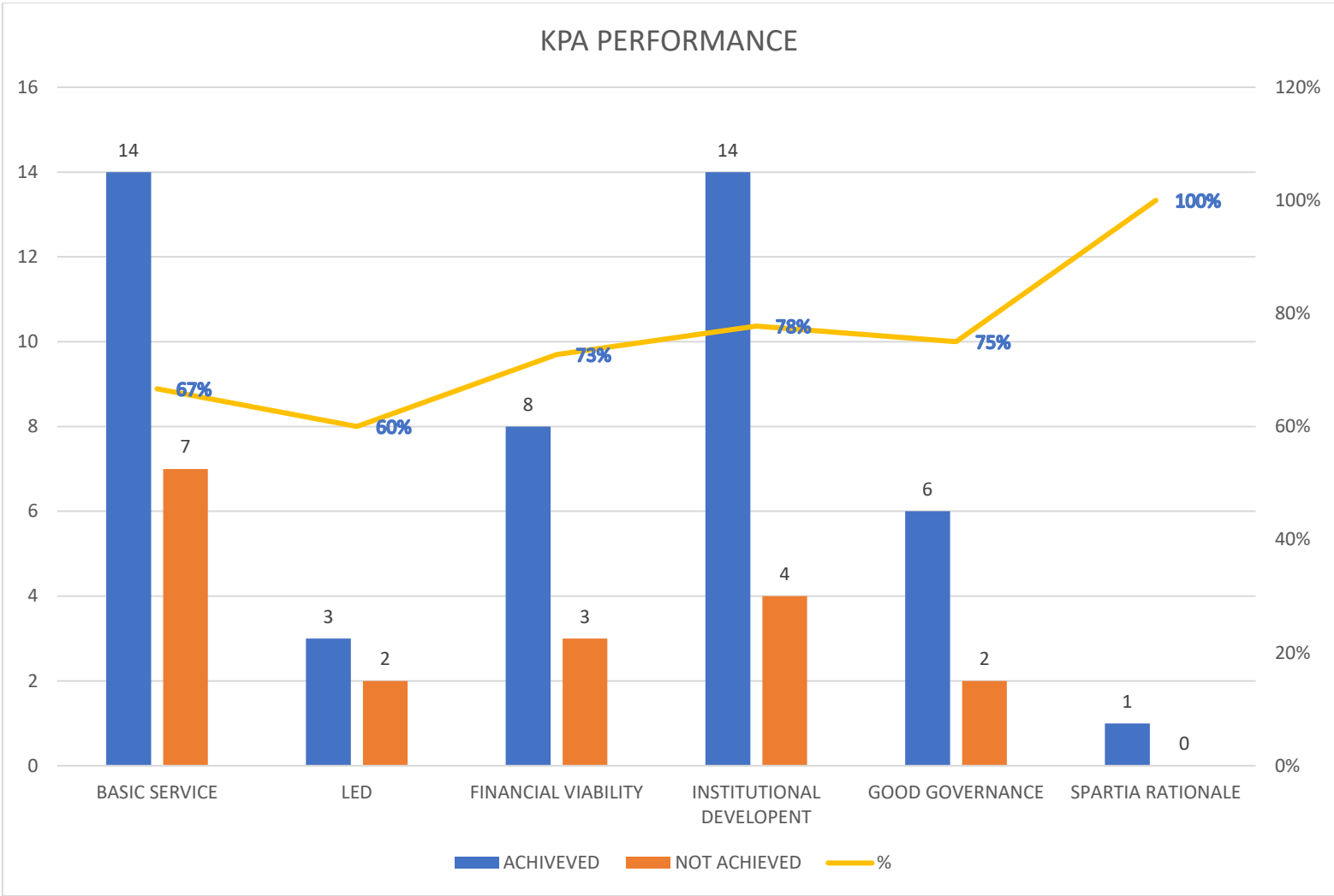
## Summary of Organisational Performance

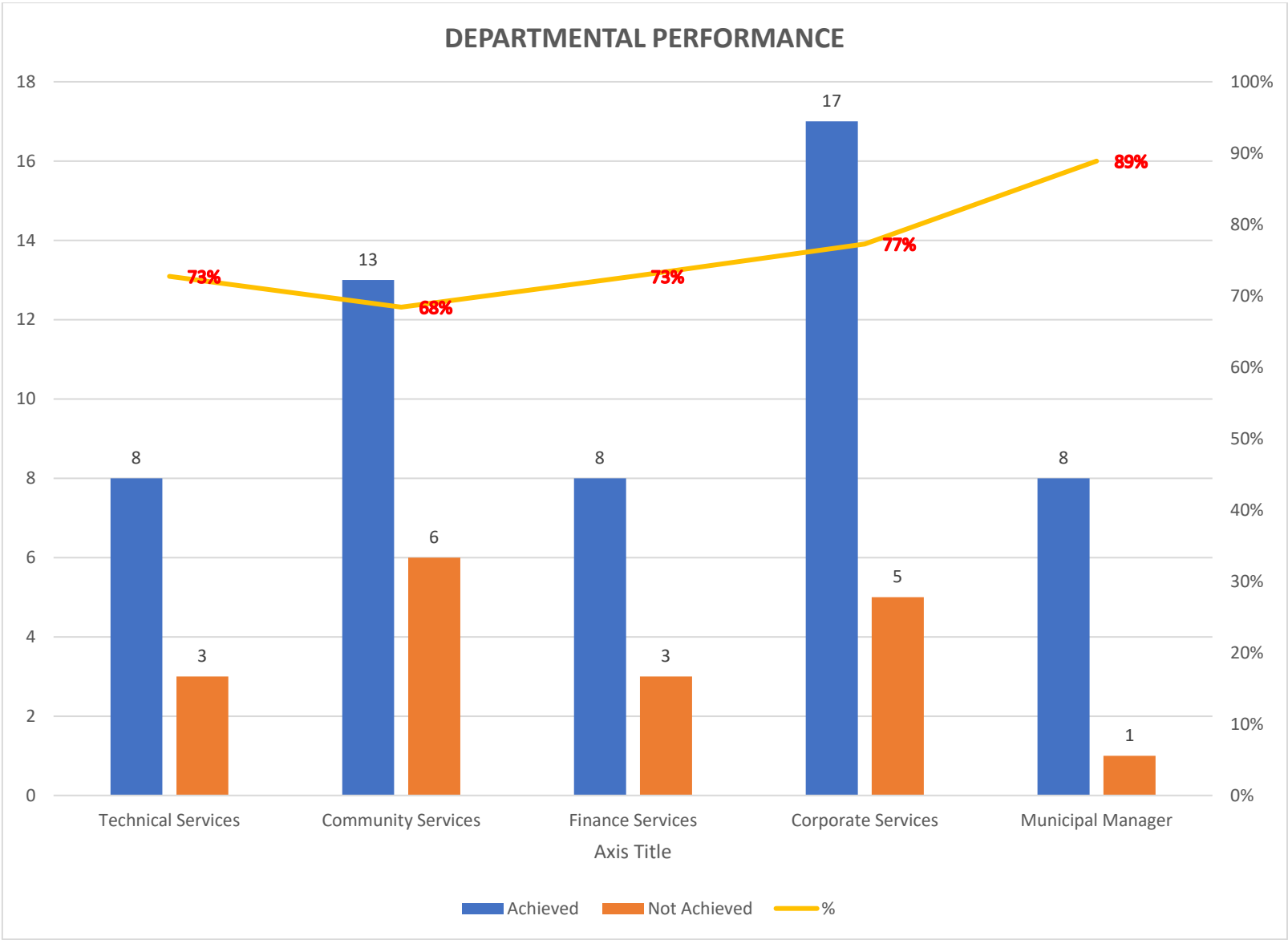
Total KPIs = 64

KPIs Achieved = 46

KPIs Not Achieved = 18







**EXTERNAL SERVICE PROVIDER'S INFORMATION**

LEKWA-TEEMANE LOCAL MUNICIPALITY								
SUPPLIER REPORT ON BIDS APPOINTED ABOVE R200 000								
FINANCIAL YEAR 2023-24								
Bid Number	Project/Service Description	Advertisement Date	Closing date	Appointment Date	Days taken to Ap-point	Amount (Including VAT)	Name Of Sup-plier	Origin of Ser-vice Provider
LTLM2023-001A	APPOINTMENT OF A CONTRACTOR FOR THE RENOVATION OF CHRISTIANA LI-BRARY	23-Apr-23	10-May-23	08-Aug-23	90	R 345,598.00	Boitseanape Properties (PTY)Ltd	Vryburg
LTLM2023-002A	APPOINTMENT OF A SERVICE PROVIDER FOR THE SUPPLY AND DELIVERY OF DUPLEX JUMBO SCANNER	23-Apr-23	25-May-23	08-Aug-23	75	R 338,512.47	GSG Projects and Training (Pty)Ltd	Ventersdorp
LTLM2023-004A	PROVISION OF AUCTIONEERING SERVICES FOR MOVABLE ASSETS (ONCE OFF	23-Apr-23	10-May-23	08-Aug-23	90	5% on collection	Malibongwe Actioneers (Pty)Ltd	Vryburg
LTLM2023-005A	SUPPLY AND DELIV-ERY OF LIGHT SER-VICE DELIVERY VE-HICLES AS AND WHEN REQUIRED FOR A PERIOD OF 36 MONTHS	23-Apr-23	25-May-23	08-Aug-23	75	R 413,000.00	Creative Fleet Solu-tions(Pty)Ltd	Klerksdorp

LTLM2023-006A	APPOINTMENT OF A PANEL of SERVICE PROVIDERS FOR THE SUPPLY AND DELIVERY OF ELECTRICAL MATERIALS FOR A PERIOD OF 36 MONTHS	23-Apr-23	26-May-23	08-Aug-23	74	Actual Rate Amount	Sibongile Mashiya (Pty)Ltd -GOE Trading (Pty)Ltd -Rhouné Projects - Sekankoe Engineering - Harry Tours Logistics - furahini Enterprises - Khabola Group(Pty)Ltd - Maphuthu Holdings -Kgosietsile Projects - GSG Projects and Trading -Varigated (Pty)Ltd	Klerksdorp klerksdorp klerksdorp Middelburg christiana klerksdorp Potchefstroom Jouberton klerkdorp Ventersdorp Klerksdorp
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LTLM2023-007A	APPOINTMENT OF A PANEL OF SERVICE PROVIDERS FOR TOWN PLANNING SERVICES FOR A PERIOD OF 36 MONTHS	23-Apr-23	26-May-23	21-Sep-23	118	Actual Rate Amount	Ntiyiso Metroplan JV -Khano Africa (Pty)Ltd -Skotane Development Consultants (Pty)Ltd -Boitsanape Quantity Surveyors (Pty)Ltd -Maxim Planning Solutions (Pty)Ltd	Centurion Pretoria Hartebeespoort Vryburg Klerksdorp
LTLM2024-001A	APPOINTMENT OF A CONTRACTOR FOR THE REHABILITATION OF ROADS AND STORMWATER INFRASTRUCTURE (BLOEMHOF)	23-Jul-23	24-Aug-23	07-Sep-23	14	R 10,591,495.85	Gaberton Investment (Pty)Ltd	Gauteng
LTLM2024-002A	APPOINTMENT OF A CONTRACTOR FOR THE CONSTRUCTION OF PAVED ROADS AND STORMWATER IN BOITUMELONG	23-Jul-23	24-Aug-23	07-Sep-23	14	R 9,295,611.52	Varigated (Pty)Ltd	Klerksdorp
LTLM2024-003A	APPOINTMENT OF A CONTRACTOR FOR THE CONSTRUCTION OF PAVED ROADS AND STORMWATER IN UTLWANANG EXT 5	23-Jul-23	24-Aug-23	07-Sep-23	14	R 10,780,608.30	Varigated (Pty)Ltd	klerksdorp

LTLM2020-21BTO02	COMPILATION OF VALUATION AND SUPPLEMENTARY ROLL AND MAINTENANCE FOR THE FINANCIAL YEARS 2020-2026-MFMA REGULATIONS 32- APPOINTMENT OF EAGILWE PROPERTY CONSULTING AND ASSETS	N/A	MFMA Regulation 32 Appointment	21-Sep-23	N/A	Rate Only	Eagilwe Property Consulting and Assets	Mmabatho
LTLM2024-008A	ASSISTANCE WITH REDUCTION OR WAIVING OF LATE PAYMENT PENALTIES AND INTEREST WITH SARS	N/A	Unsolisited Bid Proporsal	08-Aug-23	N/A	25% on of any amount recovered	Rampai Attorneys	Bloemfontein
LTLM2024-005A	PROVISION OF SHORT-TERM ASSETS INSURANCE FOR A PERIOD OF 36 MONTHS	26-Sep-23	27-Aug-23	29-Sep-23	33	R 1,889,324.00	Blaq.M Holding(Pty)Ltd	klerksdorp
LTLM2024-006A	COMPILATION OF GRAP COMPLIANT ANNUAL FINANCIAL STATEMENTS FOR THREE(3) FINANCIAL YEARS	26-Sep-23	27-Aug-23	29-Sep-23	33	R7.941.00 rate per hour	PMT Managemnet consulting	Polokwane
LTLM2024-007A	COMPILATION OF GRAP COMPLIANT FIXED ASSETS REGISTER INCLUDING VERIFICATIONS AND EVALUATIONS OF ASSETS FOR THREE(3) FINANCIAL YEARS	26-Sep-23	27-Aug-23	29-Sep-23	33	R 10,758.83	Eagilwe Property Consulting and Assets	Mahikeng

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

### INTRODUCTION

In terms of the approved organizational structure the Municipality consists of the Office of the Municipal Manager and (4) Departments, namely Corporate Services, Technical Services, Community Services and Budget and Treasury Office. The function of Strategic Planning, Monitoring and Control reside in the Office of the Municipal Manager. The Municipality has an approved complement of 388 on the organizational structure 192 posts are filled and 12 are vacant (vacancy rate)

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

#### EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	2022/23	2023/24			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Waste Water (Sanitation)	31	19	16	3	16%
Electricity	24	7	7	0	0%
Waste Management	60	38	36	2	5%
Housing	5	1	1	0	0%
Waste Water (Stormwater Drainage)	22	24	19	5	21%
Roads	22	24	19	5	21%
Local Economic Development	1	1	1	0	0%
Planning (Strategic & Regulatory)	1	1	1	0	0
Corporate Services	24	24	24	0	0%
<b>Totals</b>					
	190	139	124	15	11%
					T.97

Vacancy Rate: 2023/24				
Designations	*Total Posts	Approved	*Vacancies (Total time that vacancies exist using	*Vacancies (as a proportion of total posts in each category)

	No.	fulltime equivalents) No.	%
Municipal Manager	1	1	100%
CFO	1	0	0
Other S56 Managers (excluding Finance Posts)	3	0	0
Other Managers (Finance posts)	5	4	20%
Other Managers (Corporate Services)	3	3	0
Other Managers (Community Services)	5	0	0
Other Managers (Technical Services)	3	0	0
Other Managers (Office of the Mayor)	1	0	33%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	18	0	31%
Highly skilled supervision: levels 9-12 (Finance posts)	8	0	0
<b>Total</b>	<b>89</b>	<b>38</b>	<b>51%</b>

*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.*

T.98

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2021/22	208	21	0.10%
2022/23	3	12	4%
2023/24	12	13	1.1%

*\* 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.99

#### COMMENT ON VACANCIES AND TURNOVER:

*The table above shows the turn over-rate in the Municipality for the current and previous years. The total vacancy rate for the financial year under review is 39% vacancy rate.*

T.100

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Lekwa-Teemane Local Municipality acknowledges that its most important assets are its employees. It is therefore responsible to ensure that these assets are developed, maintained and motivated to ensure that the Municipal workforce services are sustained.

Municipal workforce management is achieved through the HR Strategy, adherence to and compliance with applicable legislation and reviewing policies, procedures and processes aimed at regulating the workplace.

The Municipality has its policies which is aimed at ensuring that all processes are followed and implemented. Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff.

T.101

POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Affirmative Action	0%		To be developed
2	Attraction and Retention	100%	To be reviewed	To be reviewed in line with staff regulations
3	Code of Conduct for employees	100%	Not reviewed	Still applicable
4	Delegations, Authorisation & Responsibility	100%	Not reviewed	To be reviewed
5	Disciplinary Code and Procedures	100%	Not reviewed	Still applicable
6	Essential Services	0%		To be developed
8	Employment Equity	100%	None	Policy existing
10	Grievance Procedures	90%	Not reviewed	Still applicable with the SALGBC grievance procedure
12	Human Resource and Development	Draft	None	To be adopted by Council
13	Information Technology	Draft	None	To be adopted by Council
14	Job Evaluation	100%	Not reviewed	Still applicable
15	Leave	100%	Not reviewed	To be aligned to the 2024 new conditions of services
17	Official Housing	100%	Not reviewed	Policy still applicable
18	Official Journeys	100%	Not reviewed	Still applicable
19	Official transport to attend Funerals	90%	90%	Policy developed and it is still a draft.
20	Official Working Hours and Overtime	100%	Not reviewed	To be reviewed
21	Organisational Rights	100%	None	Still applicable
22	Payroll Deductions	100%	None	Policy existing

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
23	Performance Management and Development	100%	Not reviewed	To be aligned to the staff regulations of 2022/21
24	Recruitment, Selection and Appointments	100%	Not reviewed	Policy to be reviewed to be in line with staff regulations of 2021
25	Remuneration Scales and Allowances	100%	None	Policy existing
26	Resettlement	100%	Not reviewed	Still applicable
30	Special Skills	100%	0%	To be included in the training committee
32	Uniforms and Protective Clothing	100%	Not reviewed	Still applicable
33	Other: car and travelling allowance	100%	Not reviewed	Still applicable
<i>Use name of local policies if different from above and at any other HR policies not listed.</i>				
				<i>T.102</i>

**COMMENT ON WORKFORCE POLICY DEVELOPMENT:**

Human Resource maintains and develops policies and procedures which comply with applicable legislation and provide necessary guidelines and awareness among employees on issues related to the workplace. The Municipality has reviewed its policies during this reporting year and the process is still on the consultation stage.

*T.103*

**INJURIES, SICKNESS AND SUSPENSIONS**

Number of days and Cost of Sick Leave (excluding injuries on duty) 2022/23						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employee	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	0	0%	0	0	0	R0.00
Skilled (Levels 3-5)	438	16%	43	95	4.61	
Highly skilled production (levels 6-8)	369	10%	29	54	6.83	
Highly skilled supervision (levels 9-12)	120	5%	12	23	5.22	
MM and S57	0	0	0	0	0	R 0.00
<b>Total</b>	<b>819</b>	<b>31%</b>	<b>84</b>	<b>172</b>	<b>16.66</b>	

\* - 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.104

**COMMENT ON INJURY AND SICK LEAVE:**

The Human Resource unit deals with sick leave efficiently and the capturing of sick leave days has improved a lot. The general sick leave pattern is seasonal especially in winter. Managers are closely monitoring sick leaves in their sections and departments.

A designated OHS official deals with injuries on duty, but there were no injuries on duty reported in 2023/24 financial year.

T.105

**Number and Period of Suspensions 2023/24**

Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Manager Human Resources	Gross In-subordination	2020/11/24	Dismissed and later reinstated through Arbitration	November 2022
	Conflict of interest			
Manager Parks and Recreation	Gross in-subordination	2021/11/24	Final written warning and one-month salary suspension	July 2021 June 2022
	Conflict of interest		Case withdrawn	
Manager Supply Chain	Conflict of interest	2021/11/08		
2X Traffic Clerks(Christiana)	Conflict of interest	2021/03/05	Dismissed	September 2023
		=		

T106

**Disciplinary Action Taken on Cases of Financial Misconduct 2023/24**

Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
None	None	None	None
			T.107

**COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:**

There were no financial misconduct cases reported during financial year under review / all the cases are for, previous years and municipality needs to expedite them.  
108

**4.4 PERFORMANCE REWARDS**

**COMMENT ON PERFORMANCE REWARDS:**

No performance rewards were provided for the financial year 2023/2024  
T.109

**COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE**

**INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT**

Most of HR Policies are still relevant and applicable but some need to be reviewed.

T.110

**4.5 SKILLS DEVELOPMENT AND TRAINING**

**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))
<b>Financial Officials</b>						
<i>Accounting officer</i>	0	0	0	0	0	0
<i>Chief financial officer</i>	1	0	1	1	1	1
<i>Senior managers</i>	3	0	3	1	3	1
<b>Any other financial officials</b>	<b>17</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>16</b>
<b>Supply Chain Management Officials</b>	1	0	1	1	1	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))
<i>Heads of supply chain management units</i>	1	0	1	0	0	1
<i>Supply chain management senior managers</i>	0	0	0	0	0	0
<b>TOTAL</b>	<b>22</b>	<b>0</b>	<b>22</b>	<b>3</b>	<b>4</b>	<b>18</b>

\* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)

T.111

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

In terms of the Skill Development Act (1998 and Municipal Systems Act (2000) employers are obliged to provide employees with necessary Skill/training to develop their human resource capacity. It is stated in Section 55 (1) that the Municipal Manager as the head of administration must ensure that employees are trained to be able to be effective on their day-to-day activities.

95 % of finance officials meet the competency requirements stipulated by the legislation i.e. National Treasury Regulations. The 5% are newly appointed and provision will be made for them to be trained in the next financial year , the municipality was struggling to appoint service provider to enrol officials who don't comply with competency regulations

T.112

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### INTRODUCTION TO WORKFORCE EXPENDITURE

Workforce expenditure is how municipality seeks to obtain value for money from work force expenditure. There is a strong national drive for creating employment and municipalities are one arm of government that normally feel the pressure to create new jobs in its sphere. Although the Municipality is depending on its financial viability to support the creation of employment. The creation and the filing of posts are budgeted for and measured against the approved budget and operational requirements.

The remuneration part of employment costs is determined through the bargaining Council. Salary wage increments are also determined by bargaining Council and implemented as prescribed.

T.113

### EMPLOYEE EXPENDITURE

### COMMENT ON WORKFORCE EXPENDITURE :

Effective Management of employee expenditure is achieved by applying sound management principles and the continuous revision and application of policies and procedures.

The purpose of the Task Job Evaluation system is to achieve uniform norms and standards in the description of similar jobs and their grading and to underpin job comparison. Its purpose was also to close the salary disparities that were identified in most of the positions. Lekwa-Teemane Local Municipality has evaluated all the positions in the Organisational Structure and the process was finalised.

T.114

### Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded 2023/24

Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	0
Highly skilled production (Levels 6-8)	Female	0
	Male	0
Highly skilled supervision (Levels9-12)	Female	0
	Male	0
Senior management (Levels13-16)	Female	0
	Male	0
MM and S 57	Female	0
	Male	0
<b>Total</b>		<b>0</b>

*Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above). Although there were grading adjustments they were not implemented during 2023/24*

T.115

### Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None	None	None	None	None

T.116

Employees appointed to posts not approved				
Department	Level	Date of Ap- pointment	No. ap- pointed	Reason for appointment when no established post exist
None	None	None	None	None
T.117				

## DISCLOSURES OF FINANCIAL INTERESTS

In terms of the requirements of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, disclosures were made by Councillors, Senior Managers and Middle Managers concerning their financial interest

Disclosures of Financial Interests		
2022//22		
Position	Name	Description of Financial interests* (Nil / Or details)
<b>(Executive) Mayor</b>	S. Motlhabi	None
	M. Pilane	None
<b>Member of MayCo / Exco</b>		
	L. Legabe	None
<b>Councillor</b>	Komane	None
	Mongalane	None
	Setsetse	None
	Adams	None
	Gerber	None
	Hussein	None
	KL Duiker	None
	Letebele	None
	Seneke	None
	Nel	None
<b>Acting Municipal Manager</b>		None
<b>Chief Financial Officer</b>	T. Moseki	None
<b>Other S57 Officials</b>		
<b>Corporate Services</b>	J, Leseisane	Director K3 investment
<b>Technical Services</b>	M. Duba	None
Community Services	J.B. Sparks	None
* Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A		T

## CHAPTER 5 – FINANCIAL PERFORMANCE

### 5. AN ASSESSMENT BY THE MUNICIPALITY’S ACCOUNTING OFFICER OF ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES

The municipality rates and taxes accounts have grown to R715 749 768 over the years and this is really great concern to the Municipality. The age analysis above indicates that the greater portion of the monies that are owed to the municipality are older than 120 days and more which cast doubt on the collectability of the amounts. The Municipality will be embarking on strategies to reduce the debtor book of the municipality. The strategies include the following

- Writing off the irrecoverable debts
- Providing incentive to consumers to pay their accounts timeously
- Converting the prepaid conventional meters to prepaid meters
- Registering of the indigents.
- Performing data cleansing on the debtor’s book of the Municipality

<b>FINANCIAL PERFORMANCE OVERVIEW: YEAR 2023/2024</b>			
		R'000	
<b>DETAILS</b>	<b>ORIGINAL BUDGET</b>	<b>ADJUSTMENT BUDGET</b>	<b>ACTUAL</b>
<b>Revenue</b>			
Grants	70 136	82 594	117 950
Property rates and service charges	233 074	232 468	149 936
Other revenue	260 320	54 869	134 085
<b>TOTAL REVENUE</b>	<b>353 763</b>	<b>369 931</b>	<b>401 971</b>
Less:			
OPEX expenditure	351 681	371 662	479 552
<b>Balance</b>	<b>2 082</b>	<b>(1 731)</b>	<b>(77 580)</b>
Surplus/ (deficit)	2 082	(1 731)	(77 580)

Analysis of the audited financial performance for 2023/24 financial year:

**COMPONENT A: REVENUE COLLECTION PER VOTE**

<b>REVENUE BY VOTE</b>					
<b>SOURCE DESCRIPTION</b>	<b>ORIGINAL BUDGET (R '000)</b>	<b>ADJUSTED BUDGETED (R '000)</b>	<b>ACUTAL (R '000)</b>	<b>% of original Budget</b>	<b>% of adjusted budget</b>
Vote 1 – Municipal Manager and Council	0	0	0	0	0
Vote 2 – Corporate Services	0	0	145 444	100	100
Vote 3 – Budget and Treasury Office	118 180	126 524	130 557	110.47	103.19
Vote 4 – Community Services	23 160	34 332	32 554	140.56	94.82
Vote 5 – Technical Services	218 745	196 100	194772	89.04	99.32

**REVENUE COLLECTION PER SOURCE**

<b>DESCRIPTION</b>	<b>ORIGINAL BUDGET</b>	<b>ADJUSTED BUDGET</b>	<b>ACTUAL</b>	<b>% of Original Budget</b>	<b>% of Adjusted Budget</b>
	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Revenue					
Property Rates	65 409	69 613	66 314	101.38	95.26
Service Charges	167 665	162 855	83 622	49.87	51.34
Rental of facilities and equipment	16	16	297	1 856.25	1856.25
Interest charged on overdue accounts	46 293	50 609	61 322	132.46	121.17
Transfer to revenue – Grants	70 136	82 594	117 950	168.17	142.81
Other revenue	4 244	4 244	72 466	1 707.49	1 707.49
<b>TOTAL REVENUE</b>	<b>353 763</b>	<b>369 931</b>	<b>401 971</b>	<b>113.63</b>	<b>108.66</b>

## FINANCIAL PERFORMANCE OF OPERATIONAL EXPENSES

OPERATIONAL COSTS PER SOURCE					
DESCRIPTION					
	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	% of Original Budget	% of Adjusted Budget
Expenditure	R '000	R '000	R '000	R '000	R '000
Employee Related Costs	88 435	88 435	86 062	97.32	97.32
Remuneration of Councillors	6 236	7 059	7 072	113.41	100.18
Debt Impairment – Non-Cash	132 340	152 321	148 078	111.89	97.63
Depreciation & Asset Impairment	23 071	23 071	24 248	105.10	105.10
Finance Charges	2 097	2 097	35 792	1 706.82	1 706.82
Materials and Bulk Purchases	68 261	68 132	153 032	224.19	224.61
Contracted Services	17 960	17 577	35 673	198.62	202.95
Other expenditure	12 281	11 970	22 132	180.21	184.90
<b>TOTAL EXPENDITURE</b>	<b>351 681</b>	<b>371 662</b>	<b>513 806</b>	<b>146.10</b>	<b>138.25</b>
<b>TOTAL REVENUE</b>	<b>353 763</b>	<b>369 931</b>	<b>401 971</b>	<b>113.63</b>	<b>108.66</b>
Less: Total Expenditure	351 681	371 662	513 806	146.10	138.25
Surplus / (deficit)	2 082	(1 731)	(111 834)		

## FINANCIAL PERFORMANCE PER MUNICIPAL FUNCTION

### ROADS

ROADS				
Description	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R '000	R '000	R '000	%
Total Operating Revenue	20 154	19 028	649	96.59
Expenditure:				
Employees	10 578	10 578	8 026	24.13
Repairs and Maintenance	0	0	0	0
Other expenditure	0	0	5	0
<b>Total Operating Expenditure</b>	<b>10 578</b>	<b>10 578</b>	<b>8 031</b>	<b>24.08</b>

**PMU**

<b>PMU</b>				
Description	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R '000	R '000	R '000	%
Total Operating Revenue				
Expenditure:				
Employees	863	863	670	22.37
Repairs and Maintenance	0	0	0	0
Other expenditure	0	0	0	0
Total Operating Expenditure				

**ELECTRICITY**

<b>ELECTRICITY</b>				
Description	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R '000	R '000	R '000	%
Total Operating Revenue	134 931	124 484	113 391	15.96
Expenditure:				
Employees	3 645	3 645	5 092	-39.70
Repairs and Maintenance	800	800	565	29.38
Other expenditure	0	0	0	0
Total Operating Expenditure	4 445	4 445	5 657	-27.27

**WATER**

<b>WATER</b>				
Description	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R '000	R '000	R '000	%
Total Operating Revenue	17 905	40 826	35 705	-99.41
Expenditure:				
Employees	6 856	6 856	5 913	13.75

Repairs and Maintenance	0	0	0	0
Other expenditure	0	0	0	0
Total Operating Expenditure	6 856	6 856	5 913	13.75

## SEWERAGE

SEWERAGE				
Description	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R '000	R '000	R '000	%
Total Operating Revenue	26 211	52 875	47 703	-100.82
Expenditure:				
Employees	8 888	8 888	10 026	-12.80
Repairs and Maintenance	1 105	1 105	1 674	-51.49
Other expenditure	3	3	2	33.33
Total Operating Expenditure	9996	9996	11 702	-17.07

## COMMUNITY SERVICES

COMMUNITY				
Description	Original Budget	Adjustment Budget	Actual	Variance to Budget
	R '000	R '000	R '000	%
Total Operating Revenue	4 237	4 237	4 050	91.83
Expenditure:				
Employees	18 399	18 399	16 845	8.45
Repairs and Maintenance	763	763	1 031	-35.12
Other expenditure	174	174	102	41.38
Total Operating Expenditure	19 336	19 336	17 978	7.02

## GRANTS

FINANCIAL PERFORMANCE GRANTS					
Grant Description	Original Budget	Adjustment Budget	Actual	% of Original Budget	% of Adjustment Budget

Transfer and Subsidies					
Local Government Equitable Share	65 147	65 147	65 147	100	100
Expanded Public Works Programme	950	950	950	100	100
Local Government Financial & Management Grant	3 100	3 100	3 100	100	100
Library Grant	939	939	939	100	100
<b>TOTAL OPERATIONAL GRANTS</b>	70 136	70 136	70 136	100	100
Disaster Management Grant		12 458	12 458	0	100
Municipal Infrastructure Grant	16 840	15 714	15 714	26.02	26.02
Provincial Infrastructure Grant		26 113	20 581	0	21.18
<b>TOTAL CAPITAL GRANTS</b>	16 840	54 285	54 285	-222.36	-222.36

#### OMPONENT A 4.6.8

Employee Cost		
Management of Employees		
Description	Basis of Calculation	Audited Outcome
Employee Cost	Employee Cost / (Total Revenue – Capital Revenue)	86 061 473 / (401 971 370 – 48 753 129) = 24.36%

#### ANALYSIS OF CAPITAL AND OPERATING EXPENDITURE

Analysis of Capital and Operational Expenditure					
2024					
Description	Original Budget	Adjustment Budget	Actual	Original Budget Variance	Adjustment Budget Variance
	R '000	R '000	R '000	R '000	R '000
Capital Expenditure	16 840	54 285	54 285	-222.36	-222.36

Operating Expenditure	70 136	70 136	70 136	100	100
<b>TOTAL EXPENDITURE</b>	86 976	124 421	124 421	-43.05	-43.05
Capital projects are as follows:					
Construction of Multi Purpose	5 378		1 500	72.11	0
Construction of Taxi Rank – Boitumelong	4 500		1 818	59.60	
Construction of Taxi Rank – Utlwanang	4 500		1 314	70.80	
Construction of Paved Roads & Stormwater - Utlwanang	5 770		10 000	-73.31	
Construction of Paved Roads & Stormwater – Boitumelong	4 850		447	90.78	
Rehabilitation of Roads and Stormwater – Bloemhof		12 458	12 458	0	100
Sewer Reticulation – Christiana		26 113	20 581	0	21.18
Operating expenditure breakdown is as follows:					
Employee Related Costs	88 435	88 435	86 062	97.32	97.32
Remuneration of Councillors	6 236	7 059	7 072	113.41	100.18
Debt Impairment	132 340	152 321	148 078	111.89	97.63

Depreciation and asset impairment	23 071	23 071	24 248	105.10	105.10
Finance Charges	2 097	2 097	35 792	1 706.82	1 706.82
Bulk purchases	64 909	64 909	76 665	-18.11	-18.11
Contracted Services	17 960	17 577	35 673	198.62	202.95
Other expenditure	15 633	15 193	98 499	-530.07	-548.32

## SOURCES OF FINANCE

Capital Expenditure by Funding Source					
Details	Original Budget	Adjusted Budget	Actual	% of Original Budget	% of Adjusted Budget
<b>National Government:</b>					
Municipal Infrastructure Grant	16 840	15 714	15 714	26.02	26.02
Disaster Management Grant		12 458	12 458	0	100
<b>Provincial Government:</b>					
Provincial Infrastructure Grant		26 113	20 581	0	21.18
Borrowing	0	0	0	0	0
Internally generated funds		2 500	2 500	0	100
<b>TOTAL CAPITAL SPENDING</b>	16 840	56 785	51 253	-237.20	-204.35

## CASH FLOW

Cash flow management is critical to the municipality as it enables the organization to assess whether enough cash is available at any point in time to cover the council's commitments.

<b>Cash flow Management and Investment</b>			
<b>Cash flow</b>			
<b>Cash flow Statement</b>			
	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Actual</b>
<b>Cash flow from Operating Activities</b>			
<b>Receipts</b>			
Services	113 119	90 888	268 410
Grants	86 976	124 421	109 876
Interest income and other income	2 158	2 158	24 937
<b>Payments</b>			
Suppliers and employees	196 269	193 174	333 902
Finance Charges	2 097	2 097	35 792
Transfers and Grants	1 000	1 000	1 000
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>			
<b>Cash flow from Investing Activities</b>			
<b>Receipts</b>			
Purchase of PPE	(16 298)	(52 894)	(50 427)
Proceeds from sale of PPE	0	0	1 218
Purchase of investment property	0	0	(0)
Proceeds from sale of investment property	0	0	(0)
Purchase of intangible assets	0	0	(156)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	(16 298)	(52 894)	(49 365)
<b>Cash flow from Financing Activities</b>			
Finance lease payments	0	0	(12 848)
Proceeds from financial liabilities	0	0	2 153

<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>			(10 695)
NET INCREASE/ (DECREASE) IN CASH HELD	7 220	8 804	(26 529)
Cash/cash equivalents at the year begin:	8 338	15 935	20 935
Cash/cash equivalents at the year-end:	15 558	14 351	(5 594)

## 5.1 CONSOLIDATE ANNUAL FINANCIAL STATEMENT



**Lekwa Teemane Local Municipality  
(Registration number NW396)  
Consolidated Annual Financial Statements  
for the year ended 30 June 2024**

# Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Legal form of entity</b>	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)
<b>Nature of business and principal activities</b>	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.
<b>Legislation governing the municipality's operations</b>	Constitution of the Republic of south Africa (Act 108 of 1998) Division of Revenue Act (Act 1 of 2007) Local Government: Municipal Finance Management Act (Act no.56 of 2003)
<b>Mayoral committee</b> Mayor	Councillor - S.M Motlhabi Councillor M.M Pilane (Speaker) Councillor J.M Dabampe - Portfolio Committee Chairperson - Finance, Corporate Services and Good Governance Councillor L. D. Legabe - Portfolio Committee Chairperson - Community Services and Local Development and Infrastructure and Town Planning.
Councillors	Councillor T.H Setsetse: Municipal Public Accounts Committee Councillor M.E Mongalane Councillor E.G Letebele Councillor M.A Seneke Councillor A. Nel Councillor K.L Duiker Councillor T. Gerber Councillor M.S Hossain (Whip) Councillor W. Adams Councillor T. Komane
<b>Grading of local authority</b>	Grade 3
<b>Chief Finance Officer</b>	Mr. TC Moseki
<b>Accounting Officer</b>	Mr KJ Leseisane
<b>Auditors</b>	Auditor's/Accountant's name Registered Auditors
<b>Legal representative</b>	Lizel Venter Attorneys Jafta Incorporated De Swartdt Vegel Kgomo Attorneys Kuaho Attorneys Sibeko Incorporated  Adv Toka Machabaphala Ngwane Attorneys Rangwako Attorneys De Swart Myambo Hlahla Attorneys Z. Sikunyana Attorneys, A.F Van Wyk Attorneys

# Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

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Adv Toka Machabaphala  
Ngwane Attorneys  
Rangwako Attorneys  
De Swart Myambo Hlahla Attorneys  
Z. Sikunyana Attorneys, A.F Van Wyk Attorneys

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### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education & Training Authority
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association

# Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated 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 consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The consolidated 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 consolidated 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 economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, there 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 consolidated 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 economic entity's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the is primarily responsible for the financial affairs of the municipality, they are supported by the economic entity's external auditors. I would like to bring to your attention the following material matters to your attention: I certify that the salaries, allowances and benefits of councillors as disclosed in note 37 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditors, being the Auditor-General of South Africa, are responsible for independently reviewing and reporting on the economic entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the economic entity's external auditors and their report is presented on page 4.

The consolidated annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved on 30 September 2024 and were signed on its behalf by:

  
Accounting Officer  
Date

## Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

### Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023	2024	2023
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	3	903 934	1 146 926	903 934	1 146 926
Sanlam Limited listed shares	12	63 749	45 980	63 749	45 980
Trade and other receivables from exchange transactions	4&6	161 063 632	126 700 437	161 063 632	126 700 437
Receivables from non-exchange transactions	5&6	66 226 643	61 076 206	66 226 643	61 076 206
Long-term debtors		63 606	91 755	63 606	91 755
Cash and cash equivalents	7	5 693 908	21 027 020	5 505 004	20 935 267
		<b>234 015 472</b>	<b>210 088 324</b>	<b>233 826 568</b>	<b>209 996 571</b>
<b>Non-Current Assets</b>					
Investment property	9	493 824 400	462 744 966	493 824 400	462 744 966
Property, plant and equipment	11	345 273 647	321 136 667	345 260 630	321 096 303
Intangible assets	10	290 836	367 825	290 015	365 376
Heritage assets	8	170 000	170 000	170 000	170 000
Investments in controlled entities	67	-	-	20 100	20 100
Long-term debtors		598 898	617 843	598 898	617 843
		<b>840 157 781</b>	<b>785 037 301</b>	<b>840 164 043</b>	<b>785 014 588</b>
<b>Total Assets</b>		<b>1 074 173 253</b>	<b>995 125 625</b>	<b>1 073 990 611</b>	<b>995 011 159</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Finance lease obligation	63	2 347 500	2 047 527	2 347 500	2 047 527
Payables from exchange transactions	15	906 791 902	730 928 569	903 739 021	728 039 043
VAT payable	16	6 261 108	12 486 594	6 300 653	12 519 045
Consumer deposits	17	1 806 521	1 737 352	1 806 521	1 737 352
Employee benefit obligation	18	1 142 000	1 308 150	1 142 000	1 308 150
Unspent conditional grants and receipts	19	180	17 125 883	180	17 125 883
Provisions	20	2 124 445	1 807 304	2 124 445	1 807 304
		<b>920 473 656</b>	<b>767 441 379</b>	<b>917 460 320</b>	<b>764 584 304</b>
<b>Non-Current Liabilities</b>					
Other Financial liabilities	13	12 583 875	11 053 213	12 583 875	11 053 213
Financial liabilities	14	20 476 784	18 323 744	20 476 784	18 323 744
Finance lease obligation	63	638 761	2 986 261	638 761	2 986 261
Employee benefit obligation	18	23 715 000	23 179 134	23 715 000	23 179 134
Provisions	20	16 377 270	14 507 263	16 377 270	14 507 263
		<b>73 791 690</b>	<b>70 049 615</b>	<b>73 791 690</b>	<b>70 049 615</b>
<b>Total Liabilities</b>		<b>994 265 346</b>	<b>837 490 994</b>	<b>991 252 010</b>	<b>834 633 919</b>
<b>Net Assets</b>		<b>79 907 907</b>	<b>157 634 631</b>	<b>82 738 601</b>	<b>160 377 240</b>
Share capital / contributed capital		-	-	20 100	20 100
<b>Total Net Assets</b>		<b>-</b>	<b>-</b>	<b>20 100</b>	<b>20 100</b>

# Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Economic entity		Controlling entity		
	2024	2023	2024	2023	
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Sale of Goods and Rendering of Services	22	612 201	414 270	612 201	414 270
Service charges - Electricity	21	96 273 831	86 634 593	96 273 831	86 634 593
Services charges - Waste Management	21	14 256 779	12 564 999	14 256 779	12 564 999
Services charges -Waste Water Management	21	17 451 355	16 034 795	17 451 355	16 034 795
Services charges - Water	21	21 810 471	16 985 481	21 810 471	16 985 481
Rental of facilities and equipment	23	297 144	22 642	297 144	22 642
Interest earned from receivables	27	61 322 487	54 187 468	61 322 487	54 187 468
Agency services	24	2 431 601	2 523 762	2 431 601	2 523 762
Licences and permits	25	575 489	710 232	575 489	710 232
Operational revenue	28	1 160 804	919 900	1 160 804	919 900
Interests on investments	26	859 995	340 371	783 995	340 371
<b>Total revenue from exchange transactions</b>		<b>217 052 157</b>	<b>191 338 513</b>	<b>216 976 157</b>	<b>191 338 513</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	32	41 599 489	36 506 104	41 599 489	36 506 104
Property rates - penalties imposed	32	24 714 023	35 154 743	24 714 023	35 154 743
<b>Transfer revenue</b>					
Government grants & subsidies	33	117 949 832	105 074 372	117 949 832	105 074 372
Fines, Penalties and Forfeits	34	731 869	658 217	731 869	658 217
<b>Total revenue from non-exchange transactions</b>		<b>186 855 213</b>	<b>179 158 436</b>	<b>184 995 213</b>	<b>177 393 436</b>
<b>Total revenue</b>		<b>403 907 370</b>	<b>370 496 949</b>	<b>401 971 370</b>	<b>368 731 949</b>
<b>Expenditure</b>					
Employee related costs	35	(87 273 422)	(77 043 914)	(86 061 873)	(75 910 740)
Remuneration of councillors	36	(7 071 960)	(7 198 673)	(7 071 960)	(7 026 812)
Depreciation and amortisation	37	(24 276 660)	(24 785 347)	(24 247 684)	(24 744 268)
Finance costs	39	(35 791 641)	(48 386 920)	(35 791 641)	(48 386 920)
Debt Impairment	40	(148 078 417)	(101 762 423)	(148 078 417)	(101 762 423)
Bulk purchases	41	(76 665 441)	(55 056 194)	(76 665 441)	(55 056 194)
Contracted services	42	(35 672 739)	(29 864 336)	(35 672 739)	(29 864 336)
Transfers and Subsidies	65	(1 650 805)	(1 040 000)	(1 650 805)	(1 040 000)
Inventory consumed	43	(76 366 527)	(22 211 239)	(76 366 527)	(22 211 239)
Operational costs	46	(22 915 939)	(23 528 544)	(22 132 376)	(22 881 643)
<b>Total expenditure</b>		<b>(515 763 551)</b>	<b>(390 877 590)</b>	<b>(513 739 463)</b>	<b>(388 884 575)</b>
<b>Operating deficit</b>		<b>(111 856 181)</b>	<b>(20 380 641)</b>	<b>(111 768 093)</b>	<b>(20 152 626)</b>
Gain (loss) on disposal of assets and liabilities		968 841	(116 443)	968 841	(116 443)
Fair value adjustments	31	31 097 203	13 347 579	31 097 203	13 347 579
Actuarial gains/losses	18	2 409 982	5 997 107	2 409 982	5 997 107
Impairment loss	38	(66 128)	(302 883)	(66 128)	(302 883)
Inventories losses/write-downs		(222 101)	71 298	(222 101)	71 298
		<b>34 187 797</b>	<b>18 996 658</b>	<b>34 187 797</b>	<b>18 996 658</b>
<b>Deficit for the year</b>		<b>(77 668 384)</b>	<b>(1 383 983)</b>	<b>(77 580 296)</b>	<b>(1 155 968)</b>

# Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
<b>Economic entity</b>		
Opening balance as previously reported	239 437 818	239 437 818
Adjustments		
Correction of errors	(78 494 302)	(78 494 302)
<b>Balance at 01 July 2022 as restated*</b>	<b>158 221 010</b>	<b>158 221 010</b>
Changes in net assets		
Correction of errors	4 224 220	4 224 220
Surplus(Loss) for the year	17 872 339	17 872 339
Net income (losses) recognised directly in net assets	22 096 559	22 096 559
Total recognised income and expenses for the year	22 096 559	22 096 559
Total changes	22 096 559	22 096 559
<b>Balance at 01 July 2023</b>	<b>184 545 584</b>	<b>184 545 584</b>
Changes in net assets		
Prior year adjustments Note 51	(22 890 850)	(22 890 850)
Net income (losses) recognised directly in net assets	(22 890 850)	(22 890 850)
Total recognised income and expenses for the year	(22 890 850)	(22 890 850)
Surplus or (Loss) for the year	(77 668 384)	(77 668 384)
Total changes	(100 559 234)	(100 559 234)
<b>Balance at 30 June 2024</b>	<b>79 986 350</b>	<b>80 006 350</b>
Note(s)	68	
<b>Controlling entity</b>		
Opening balance as previously reported	239 437 818	239 437 818
Adjustments		
Surplus (Loss) for the year	(78 494 302)	(78 494 302)
<b>Balance at 01 July 2022</b>	<b>160 943 516</b>	<b>160 943 516</b>
Changes in net assets		
Prior year adjustments	4 224 220	4 224 220
Surplus(Loss) for the year	18 100 354	18 100 354
Net income (losses) recognised directly in net assets	22 324 574	22 324 574
Total recognised income and expenses for the year	22 324 574	22 324 574
Total changes	22 324 574	22 324 574
Opening balance as previously reported	187 268 090	187 268 090
Adjustments		
Correction of errors	(22 890 850)	(22 890 850)
<b>Balance at 01 July 2023 as restated*</b>	<b>160 377 240</b>	<b>160 377 240</b>
Changes in net assets		
Surplus (Loss) for the year	(77 580 296)	(77 580 296)
Net income (losses) recognised directly in net assets	(77 580 296)	(77 580 296)
Total recognised income and expenses for the year	(77 580 296)	(77 580 296)
Total changes	(77 580 296)	(77 580 296)
<b>Balance at 30 June 2024</b>	<b>82 796 944</b>	<b>82 796 944</b>
Note(s)	68	

## Cash Flow Statement

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Sale of goods and rendering of services	268 409 851	112 999 708	268 409 851	112 999 708
Grants	109 876 053	87 679 280	109 876 053	87 679 280
Interest income	859 995	340 371	783 995	340 371
Other receipts	24 153 417	2 524 097	24 153 417	2 524 097
	<u>403 299 316</u>	<u>203 543 456</u>	<u>403 223 316</u>	<u>203 543 456</u>
<b>Payments</b>				
Employee costs	(96 549 109)	(82 417 654)	(95 337 560)	(81 112 619)
Suppliers	(239 191 355)	(25 418 839)	(238 564 053)	(25 024 490)
Finance costs	(35 791 641)	(48 386 920)	(35 791 641)	(48 386 920)
	<u>(371 532 105)</u>	<u>(156 223 413)</u>	<u>(369 693 254)</u>	<u>(154 524 029)</u>
<b>Net cash flows from operating activities</b>	<b><u>31 767 211</u></b>	<b><u>47 320 043</u></b>	<b><u>33 530 062</u></b>	<b><u>49 019 427</u></b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(50 426 778)	(41 086 771)	(50 426 778)	(41 086 771)
Proceeds from sale of property, plant and equipment	1 218 020	2 009 378	1 218 020	2 009 378
Purchase of investment property	-	(881 755)	-	(881 755)
Proceeds from sale of investment property	-	74 344	-	74 344
Purchase of other intangible assets	(156 000)	(1 255 263)	(156 000)	(1 255 263)
<b>Net cash flows from investing activities</b>	<b><u>(49 364 758)</u></b>	<b><u>(41 140 067)</u></b>	<b><u>(49 364 758)</u></b>	<b><u>(41 140 067)</u></b>
<b>Cash flows from financing activities</b>				
Repayment of financial liabilities	2 153 040	-	2 153 040	-
Finance lease payments	(12 847 527)	-	(12 847 527)	-
<b>Net cash flows from financing activities</b>	<b><u>(10 694 487)</u></b>	<b><u>2 017 848</u></b>	<b><u>(10 694 487)</u></b>	<b><u>-</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b><u>(28 292 034)</u></b>	<b><u>8 197 824</u></b>	<b><u>(26 529 183)</u></b>	<b><u>7 879 360</u></b>
Cash and cash equivalents at the beginning of the year	21 027 020	874 042	20 935 267	847 903
<b>Cash and cash equivalents at the end of the year</b>	<b><u>(7 265 014)</u></b>	<b><u>9 071 866</u></b>	<b><u>(5 593 916)</u></b>	<b><u>8 727 263</u></b>

The accounting policies on pages 14 to 45 and the notes on pages 46 to 107 form an integral part of the consolidated annual financial statements.

# Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

# Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original budget	Budget Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
<b>Controlling entity</b>					
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Sale of Goods and Rendering of Services	540 000	-	540 000	612 201	72 201
Service charges - Electricity	120 847 000	(12 083 000)	108 764 000	96 273 831	(12 490 169)
Services charges - Waste Management	12 696 000	-	12 696 000	14 256 779	1 560 779
Services charges -Waste Water Management	16 217 000	-	16 217 000	17 451 355	1 234 355
Services charges - Water	17 905 000	7 273 000	25 178 000	21 810 471	(3 367 529)
Rental of facilities and equipment	16 000	-	16 000	297 144	281 144
Interest earned from receivables	46 293 000	4 316 000	50 609 000	61 322 487	10 713 487
Agency services	3 314 000	-	3 314 000	2 431 601	(882 399)
Licences and permits	-	-	-	575 489	575 489
Operational revenue	98 000	-	98 000	1 160 804	1 062 804
Interests on investments	56 000	-	56 000	783 995	727 995
<b>Total revenue from exchange transactions</b>	<b>217 982 000</b>	<b>(494 000)</b>	<b>217 488 000</b>	<b>216 976 157</b>	<b>(511 843)</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates	37 511 000	11 856 000	49 367 000	41 599 489	(7 767 511)
Property rates - penalties imposed	27 898 000	(7 652 000)	20 246 000	24 714 023	4 468 023
<b>Transfer revenue</b>					
Government grants & subsidies	70 136 000	12 458 000	82 594 000	117 949 832	35 355 832
Fines, Penalties and Forfeits	236 000	-	236 000	731 869	495 869
<b>Total revenue from non-exchange transactions</b>	<b>135 781 000</b>	<b>16 662 000</b>	<b>152 443 000</b>	<b>184 995 213</b>	<b>32 552 213</b>
<b>Total revenue</b>	<b>353 763 000</b>	<b>16 168 000</b>	<b>369 931 000</b>	<b>401 971 370</b>	<b>32 040 370</b>
<b>Expenditure</b>					
Employee costs	(88 435 000)	-	(88 435 000)	(86 061 873)	2 373 127
Remuneration of councillors	(6 236 000)	(823 000)	(7 059 000)	(7 071 960)	(12 960)
Depreciation and amortisation	(23 071 000)	-	(23 071 000)	(24 247 684)	(1 176 684)
Impairment loss/ Reversal of impairments	-	-	-	(66 128)	(66 128)
Finance costs	(2 097 000)	-	(2 097 000)	(35 791 641)	(33 694 641)
Debt Impairment	(132 340 000)	(19 981 000)	(152 321 000)	(148 078 417)	4 242 583
Bulk purchases	(64 909 000)	-	(64 909 000)	(76 665 441)	(11 756 441)
Contracted Services	(17 960 000)	383 000	(17 577 000)	(35 672 739)	(18 095 739)
Transfers and Subsidies	(1 000 000)	-	(1 000 000)	(1 650 805)	(650 805)
Inventory consumed	(3 352 000)	129 000	(3 223 000)	(76 366 527)	(73 143 527)
Operational costs	(12 281 000)	311 000	(11 970 000)	(22 132 376)	(10 162 376)
<b>Total expenditure</b>	<b>(351 681 000)</b>	<b>(19 981 000)</b>	<b>(371 662 000)</b>	<b>(513 805 591)</b>	<b>(142 143 591)</b>
<b>Operating deficit</b>	<b>2 082 000</b>	<b>(3 813 000)</b>	<b>(1 731 000)</b>	<b>(111 834 221)</b>	<b>(110 103 221)</b>
Gain on disposal of assets and liabilities	-	-	-	968 841	968 841
Fair value adjustments	-	-	-	31 097 203	31 097 203
Actuarial gains/losses	-	-	-	2 409 982	2 409 982
Inventories losses/write-downs	-	-	-	(222 101)	(222 101)

## Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original budget	Budget Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
	-	-	-	34 253 925	34 253 925
<b>Deficit before taxation</b>	<b>2 082 000</b>	<b>(3 813 000)</b>	<b>(1 731 000)</b>	<b>(77 580 296)</b>	<b>(75 849 296)</b>
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>2 082 000</b>	<b>(3 813 000)</b>	<b>(1 731 000)</b>	<b>(77 580 296)</b>	<b>(75 848 296)</b>

# Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original budget	Budget Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
<b>Statement of Financial Position</b>					
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	3 062 000	129 000	<b>3 191 000</b>	903 934	<b>(2 287 066)</b>
Investments	42 000	(42 000)	-	63 749	<b>63 749</b>
Trade and other receivables from exchange transactions	285 746 000	(1 215 000)	<b>284 531 000</b>	161 063 632	<b>(123 467 368)</b>
Receivables from non-exchange transactions	109 669 000	-	<b>109 669 000</b>	66 226 643	<b>(43 442 357)</b>
VAT receivable	16 559 000	(102 000)	<b>16 457 000</b>	(6 300 653)	<b>(22 757 653)</b>
Long-term debtors	-	-	-	63 606	<b>63 606</b>
Cash and cash equivalents	12 998 000	419 000	<b>13 417 000</b>	5 505 004	<b>(7 911 996)</b>
	<b>428 076 000</b>	<b>(811 000)</b>	<b>427 265 000</b>	<b>227 525 915</b>	<b>(199 739 085)</b>
<b>Non-Current Assets</b>					
Investment property	448 594 000	-	<b>448 594 000</b>	493 824 400	<b>45 230 400</b>
Property, plant and equipment	301 478 000	37 665 000	<b>339 143 000</b>	345 260 630	<b>6 117 630</b>
Intangible assets	53 000	-	<b>53 000</b>	290 015	<b>237 015</b>
Heritage assets	170 000	-	<b>170 000</b>	170 000	-
Investments in controlled entities	20 100	-	<b>20 100</b>	20 100	-
Trade and other receivables from exchange transactions	13 799 000	-	<b>13 799 000</b>	-	<b>(13 799 000)</b>
Long-term debtors	3 450 000	-	<b>3 450 000</b>	598 898	<b>(2 851 102)</b>
	<b>767 564 100</b>	<b>37 665 000</b>	<b>805 229 100</b>	<b>840 164 043</b>	<b>34 934 943</b>
<b>Total Assets</b>	<b>1 195 640 100</b>	<b>36 854 000</b>	<b>1 232 494 100</b>	<b>1 067 689 958</b>	<b>(164 804 142)</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Other Financial liabilities	1 680 000	-	<b>1 680 000</b>	-	<b>(1 680 000)</b>
Finance lease obligation	-	-	-	2 347 500	<b>2 347 500</b>
Payables from exchange transactions	608 150 000	(1 077 000)	<b>607 073 000</b>	903 739 021	<b>296 666 021</b>
VAT payable	25 745 000	(722 000)	<b>25 023 000</b>	-	<b>(25 023 000)</b>
Consumer deposits	1 730 000	-	<b>1 730 000</b>	1 806 521	<b>76 521</b>
Employee benefit obligation	-	-	-	1 142 000	<b>1 142 000</b>
Unspent conditional grants and receipts	1 000 000	1 126 000	<b>2 126 000</b>	180	<b>(2 125 820)</b>
Provisions	4 587 000	-	<b>4 587 000</b>	2 124 445	<b>(2 462 555)</b>
	<b>642 892 000</b>	<b>(673 000)</b>	<b>642 219 000</b>	<b>911 159 667</b>	<b>268 940 667</b>
<b>Non-Current Liabilities</b>					
Other Financial liabilities	-	-	-	12 583 875	<b>12 583 875</b>
Financial liabilities	-	-	-	20 476 784	<b>20 476 784</b>
Finance lease obligation	-	-	-	638 761	<b>638 761</b>
Employee benefit obligation	-	-	-	23 715 000	<b>23 715 000</b>
Provisions	17 792 000	-	<b>17 792 000</b>	16 377 270	<b>(1 414 730)</b>
	<b>17 792 000</b>	-	<b>17 792 000</b>	<b>73 791 690</b>	<b>55 999 690</b>
<b>Total Liabilities</b>	<b>660 684 000</b>	<b>(673 000)</b>	<b>660 011 000</b>	<b>984 951 357</b>	<b>324 940 357</b>
<b>Net Assets</b>	<b>534 956 100</b>	<b>37 527 000</b>	<b>572 483 100</b>	<b>82 738 601</b>	<b>(489 744 499)</b>

## Lekwa Teemane Local Municipality

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### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original budget	Budget Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
<b>Net Assets</b>					
<b>Net Assets Attributable to Owners of Controlling Entity</b>					
<b>Reserves</b>					
Accumulated surplus	530 610 000	41 505 000	<b>572 056 653</b>	82 738 596	<b>(489 318 057)</b>

## Lekwa Teemane Local Municipality

(Registration number NW396)

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### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original budget	Budget Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
<b>Cash Flow Statement</b>					
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation	20 631 000	9 483 000	<b>30 114 000</b>	-	<b>(30 114 000)</b>
Sale of goods and services	113 119 000	(22 231 000)	<b>90 888 000</b>	-	<b>(90 888 000)</b>
Grants	86 976 000	37 445 000	<b>124 421 000</b>	-	<b>(124 421 000)</b>
Interest income	56 000	-	<b>56 000</b>	-	<b>(56 000)</b>
Other receipts	2 102 000	-	<b>2 102 000</b>	-	<b>(2 102 000)</b>
	<b>222 884 000</b>	<b>24 697 000</b>	<b>247 581 000</b>	-	<b>(247 581 000)</b>
<b>Payments</b>					
Suppliers and Employees	(196 269 000)	3 095 000	<b>(193 174 000)</b>	-	<b>193 174 000</b>
Finance costs	(2 097 000)	-	<b>(2 097 000)</b>	-	<b>2 097 000</b>
Transfers and Subsidies	(1 000 000)	-	<b>(1 000 000)</b>	-	<b>1 000 000</b>
	<b>(199 366 000)</b>	<b>3 095 000</b>	<b>(196 271 000)</b>	-	<b>196 271 000</b>
<b>Net cash flows from operating activities</b>	<b>23 518 000</b>	<b>27 792 000</b>	<b>51 310 000</b>	-	<b>(51 310 000)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(16 298 000)	(36 596 000)	<b>(52 894 000)</b>	-	<b>52 894 000</b>
Net increase/(decrease) in cash and cash equivalents	(28 292 034)	-	<b>(28 292 034)</b>	-	<b>(28 292 034)</b>
Cash and cash equivalents at the beginning of the year	21 027 020	-	<b>21 027 020</b>	-	<b>21 027 020</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>(7 265 014)</b>	-	<b>(7 265 014)</b>	-	<b>(7 265 014)</b>

# Lekwa Teemane Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Original budget	Budget Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
<b>Cash Flow Statement</b>					
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation	20 631 000	9 483 000	<b>30 114 000</b>	-	<b>(30 114 000)</b>
Sale of goods and services	113 119 000	(22 231 000)	<b>90 888 000</b>	-	<b>(90 888 000)</b>
Grants	86 976 000	37 445 000	<b>124 421 000</b>	-	<b>(124 421 000)</b>
Interest income	56 000	-	<b>56 000</b>	-	<b>(56 000)</b>
Other receipts	2 102 000	-	<b>2 102 000</b>	-	<b>(2 102 000)</b>
	<b>222 884 000</b>	<b>24 697 000</b>	<b>247 581 000</b>	-	<b>(247 581 000)</b>
<b>Payments</b>					
Suppliers and Employees	(196 269 000)	3 095 000	<b>(193 174 000)</b>	-	<b>193 174 000</b>
Finance costs	(2 097 000)	-	<b>(2 097 000)</b>	-	<b>2 097 000</b>
Transfers and Subsidies	(1 000 000)	-	<b>(1 000 000)</b>	-	<b>1 000 000</b>
	<b>(199 366 000)</b>	<b>3 095 000</b>	<b>(196 271 000)</b>	-	<b>196 271 000</b>
<b>Net cash flows from operating activities</b>	<b>23 518 000</b>	<b>27 792 000</b>	<b>51 310 000</b>	-	<b>(51 310 000)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(16 298 000)	(36 596 000)	<b>(52 894 000)</b>	-	<b>52 894 000</b>
Net increase/(decrease) in cash and cash equivalents	(28 292 034)	-	<b>(28 292 034)</b>	-	<b>(28 292 034)</b>
Cash and cash equivalents at the beginning of the year	21 027 020	-	<b>21 027 020</b>	-	<b>21 027 020</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>(7 265 014)</b>	-	<b>(7 265 014)</b>	-	<b>(7 265 014)</b>

# Lekwa Teemane Local Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 1. Significant accounting policies

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

#### 1.1 Basis of preparation

The consolidated 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 consolidated 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 consolidated annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

#### 1.3 Going concern assumption

These consolidated annual financial statements have been prepared based on the expectation that the economic entity 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.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

#### 1.5 Interests in other entities

#### 1.6 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated 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 consolidated annual financial statements. Significant judgements include:

In the process of applying its accounting policies, and in preparing the consolidated annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the consolidated annual financial statements and as well as 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 consolidated annual financial statements. Significant judgements include:

# Lekwa Teemane Local Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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

#### Trade and other receivables

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

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

#### Available-for-sale financial assets

The municipality follows the guidance of GRAP Standard to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### Fair value estimation

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

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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity 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 key assumptions considered may change which may then impact our estimations and may then require a material adjustment to the carrying value of the 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. 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 service delivery assets are inherently uncertain and complex. Thus, they could materially change over time and entails consideration of some information that may be subjective in nature. They are significantly affected by a number of factors such as the political environment and direction taken by provincial or national government, prevailing social conditions and needs, together with economic factors such as inflation and interest rates.

#### 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 20 - Provisions.

# Lekwa Teemane Local Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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

#### Expenditure

The economic entity recognises the expenses incurred on an accrual basis.

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

The municipality's management determines the estimated useful lives and related depreciation charges for movable and immovable assets based on the information available at each reporting date. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. Thus, management considers such changes as change in accounting estimates as the useful lives, residual values (if any) and depreciation would have been based on information available at the previous reporting dates. Should the information show that there was an error at inception in considering the available facts, such changes are considered as a change in accounting policy thus a prior period error.

Regarding fully depreciated assets, management usefull live versus the economic life principle to determine whether there is need to reassess the usefull life of such assets. If the assets have reached their economic life, fully depreciated assets continue to be measured as such and assesses whether disclosure of the fact that it has fully depreciated assets still in use is necessary

#### 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, which include discount rates, expected rates of return on assets future salary increases, mortality rates and future pension increases. Due to long-term nature of these plans, such estimates are subject to significant uncertainty. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

#### Effective interest rate

The municipality uses the prime interest rate plus a reasonable adjustment to discount future cash flows, where necessary.

In addition to this, where Investment Certificates were not received, management estimated the amount of interest due or earned on the investment, based on the available data

#### 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 opening balance and closing balance of the allowance for doubtful debts balance.

#### Classification as investment property

The municipality regularly reviews its property portfolio and determine which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and building fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

#### Accounting by principals and agent

The economic entity makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied based on agreements between the municipality and the respective entities.

Additional information is disclosed in Note 60.

# Lekwa Teemane Local Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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

#### Depreciation and Carrying Value of items of Property, Plant and Equipment

The estimation of useful lives of assets is based on management's judgement. Management considers the impact of factors such as technology, service requirements and /or required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of the useful lives, and what their condition will be at that time.

Further, when the municipality fully complied with GRAP Standards to determine the value of the assets, where the cost amounts were not available, management use the current market values of similar assets and adjusted that using condition assessment. Condition assessment is based on management's judgement.

#### Water Inventory and Cost of Purifying Water

**Water Inventory:** The amount of water in the municipality's reservoirs is based on management judgement. Management make use of engineers to perform these estimates.

**Cost of Purifying Water:** This is also based on management judgement by reference to the market researches available adjusted by inflation rates (CPI), if the research was conducted more than a year ago. Reference is also made to Water Processing Bodies.

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

### 1.7 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 economic entity, 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.

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.

# Lekwa Teemane Local Municipality

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## Significant Accounting Policies

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### 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, further criteria is used to distinguished investment property from owner-occupied property and from property held for sale in the ordinary course of operations, depending on the nature of the scenerion.

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

### 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 economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

# Lekwa Teemane Local Municipality

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## Significant Accounting Policies

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

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.

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

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

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

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Item	Depreciation method	Average useful life
Buildings	Straight-line	15 - 40 years
Plant and machinery	Straight-line	3 -15 years
Furniture and fixtures	Straight-line	5 -10 years
Motor vehicles	Straight-line	6 -7 years
Office equipment	Straight-line	3 -10 years
IT equipment	Straight-line	2 -10 years
Electrical Infrastructure	Straight-line	15 - 70 years
Roads, Pavements, Bridges and Storm water networks	Straight-line	3 - 80 years
Sanitation & Other Community assets	Straight-line	6 - 11 years
Graveyard sites	Straight-line	15 - 40 years
Recreational facilities	Straight-line	10 - 40 years
Sports facilities	Straight-line	15 - 50 years
Landfill Sites	Straight-line	20 - 30 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 economic entity assesses at each reporting date whether there is any indication that the economic entity 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 economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

# Lekwa Teemane Local Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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

Assets which the economic entity 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 economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11 ).

### 1.9 Site restoration and dismantling cost

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

Management measures the asset using the cost model. Changes in the liability are treated as follows:

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

### 1.10 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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### 1.10 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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Item	Depreciation method	Average useful life
Computer software, not internally generated	Straight-line	1- 10 years

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Intangible assets are derecognised:

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

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

### 1.11 Heritage assets

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

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 economic entity's operations that is shown as a single item for the purpose of disclosure in the consolidated 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.

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### 1.11 Heritage assets (continued)

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

#### Recognition

The economic entity 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 economic entity, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

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

#### Impairment

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

#### Transfers

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

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

#### Derecognition

The economic entity 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).

### 1.12 Investments in controlled entities

In the municipality's separate financial statements, investments in controlled entities are carried at cost;

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established..

### 1.13 Financial instruments

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

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### 1.13 Financial instruments (continued)

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

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

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

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

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

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

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

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

A financial asset is:

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

A financial 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.

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.

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### 1.13 Financial instruments (continued)

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.

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.

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### 1.13 Financial instruments (continued)

#### Classification

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

<b>Financial Assets</b>	<b>Category</b>
Receivables from exchange and non-exchange transactions	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at amortised cost
Money Market Investments	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at amortised cost
Held to Maturity Investments	Financial asset measured at Fair Value

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

<b>Financial Liabilities</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft and borrowings	Financial liability measured at amortised cost
Concessionary loan	Financial liability measured at amortised cost
Ordinary Loan	Financial liability measured at amortised cost
Other financial liability	Financial liability measured at amortised cost

#### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

### 1.14 Consumer Debtors

#### Recognition

The economic entity recognises consumer debtors 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 economic entity initially measures consumer debtors at their transaction amount.

#### Subsequent measurement

The economic entity measures consumer debtors 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.

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### 1.13 Financial instruments (continued)

#### Impairment losses

The economic entity assesses at each reporting date whether there is any indication that a consumer debtors, or a group of statutory receivables, may be impaired.

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

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

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

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

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

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

#### Derecognition

The economic entity derecognises a consumer debtor, or a part thereof, when:

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

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

#### 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.

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### 1.13 Financial instruments (continued)

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.

### 1.15 Statutory receivables

#### Recognition

The economic entity 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 economic entity initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Impairment losses

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

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

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

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

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

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

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### 1.14 Consumer Debtors (continued)

#### 1.14 Statutory receivables (continued)

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

#### Derecognition

The economic entity derecognises a statutory receivable, or a part thereof, when:

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

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

### 1.16 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 economic entity 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 economic entity's net investment in the finance lease.

#### Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is 14%.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The municipality will not incur a foreign currency lease liability other than that allowed by the MFMA (Act 56 of 2003).

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

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### 1.16 Leases (continued)

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

### 1.17 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 economic entity 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 formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

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

### 1.18 Cash and cash equivalents

Cash comprises cash on hand and money market deposits 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.

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### 1.18 Cash and cash equivalents (continued)

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.

### 1.19 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 economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

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

#### Identification

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

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

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

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

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### 1.19 Impairment of cash-generating assets (continued)

#### Basis for estimates of future cash flows

In measuring value in use the economic entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the economic entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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## Significant Accounting Policies

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### 1.19 Impairment of cash-generating assets (continued)

#### Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

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## Significant Accounting Policies

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### 1.19 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

### 1.20 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.

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.

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### 1.20 Impairment of non-cash-generating assets (continued)

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

Useful life is either:

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

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

#### Identification

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

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

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

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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### 1.20 Impairment of non-cash-generating assets (continued)

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

#### Redesignation

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

### 1.21 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

### 1.22 Provisions and contingencies

Provisions are recognised when:

- the economic entity 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.

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### 1.22 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

- 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.

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### 1.22 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.19 and 1.20.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.23 Capital Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.24 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.

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### 1.24 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity 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 economic entity; 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 economic entity;
- 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.

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## Significant Accounting Policies

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### 1.24 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.25 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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## Significant Accounting Policies

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### 1.25 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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### 1.25 Revenue from non-exchange transactions (continued)

#### Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

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

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

#### Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

#### Gifts and donations, including goods in-kind

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

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### 1.25 Revenue from non-exchange transactions (continued)

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

#### Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.26 Value Added Tax

The municipality accounts for Value Added Tax (VAT) in its financial records on an accrual basis (invoice basis). However, payments to SARS are accounted for on a cash or payment basis. The municipality is liable to account for VAT at the standard rate of 15% in terms of section 7(1) of the VAT Act in respect of supply of goods or services, except where the suppliers are specifically zero-rated in terms of section 11, exempted in terms of section 12 of VAT Act or scoped out for VAT purpose. The municipality accounts for VAT on a monthly basis.

### 1.27 Finance income and expenses

Finance income is recognised on a time proportion basis using the effective interest method. It is recognised as it accrues in the surplus or deficit for the year. Dividends income is also recognised in the surplus or deficit on the date the municipality has a right to receive payment, which in the case of quoted shares is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit and loss and impairment losses recognised on financial assets.

### 1.28 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.

### 1.29 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

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## Significant Accounting Policies

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### 1.29 Accounting by principals and agents (continued)

#### 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 an 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.

#### Recognition

The economic entity, 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 economic entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.30 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. When there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

### 1.31 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.32 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.33 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).

### 1.34 Segment Information

A segment is an activity of a Municipality:

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## Significant Accounting Policies

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### 1.34 Segment Information (continued)

- 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.

### 1.35 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

### 1.36 Budget information

Economic Entity is 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 economic entity 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.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

### 1.37 Related parties

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

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

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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## Significant Accounting Policies

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### 1.37 Related parties (continued)

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

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

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

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

### 1.38 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.39 Donations and Contributions

Revenue from donations is recognised as revenue when: (1) it is probable that the economic benefits or services potential associated with the transaction will flow to the municipality, (2) the amount of revenue can be measured reliably, (3) any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the considerations received or receivable which is the cash amount received or where the donation is in the form of Property, Plant and Equipment, the fair value of the property, plant and equipment received or receivable.

### 1.40 Consumer deposit

Consumer deposits are charged when new water and/or electricity accounts are opened. The amounts vary per consumer and are approved by Council as part of the tariff structure.

The consumer deposits are refunded to the the customers when the water and/or electricity accounts are closed with the municipality.

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2009	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2009	Unlikely there will be a material impact

#### 2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2024 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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### 3. Inventories

Consumable stores	835 466	1 057 567	835 466	1 057 567
Water for distribution	68 468	89 359	68 468	89 359
	<b>903 934</b>	<b>1 146 926</b>	<b>903 934</b>	<b>1 146 926</b>
Inventories recognised as an expense during the year	3 270 670	1 542 307	3 270 670	1 542 307

#### Inventory pledged as security

There were no Inventories pledged as security.

#### Water for distribution

Opening balance	89 071	89 071	89 071	89 071
Water valuation adjustments	(20 603)	288	(20 603)	288
<b>Closing balance</b>	<b>68 468</b>	<b>89 359</b>	<b>68 468</b>	<b>89 359</b>

### 4. Trade and other receivables from exchange transactions

Deposits	577 461	492 541	577 461	492 541
Operating Lease Receivable	38 931	13 972	38 931	13 972
Agency fees Receivable	3 288 268	281 178	3 288 268	281 178
Consumer debtors - Electricity	51 362 962	39 054 956	51 362 962	39 054 956
Consumer debtors - Water	43 995 802	37 526 058	43 995 802	37 526 058
Consumer debtors - Waste Management	26 172 338	20 986 898	26 172 338	20 986 898
Consumer debtors - Waste Water Management	34 063 827	27 180 279	34 063 827	27 180 279
Consumer debtors - Property Rental Debtors	1 564 043	1 164 555	1 564 043	1 164 555
	<b>161 063 632</b>	<b>126 700 437</b>	<b>161 063 632</b>	<b>126 700 437</b>

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 4. Trade and other receivables from exchange transactions (continued)

#### Trade and other receivables pledged as security

There are no receivables from exchange transactions that were pledged as security.

### 5. Receivables from non-exchange transactions

Traffic Fines	2 553 919	2 244 619	2 553 919	2 244 619
Government grants and subsidies	-	5 532 303	-	5 532 303
Consumer debtors - Property Rates	63 672 724	53 299 284	63 672 724	53 299 284
	<b>66 226 643</b>	<b>61 076 206</b>	<b>66 226 643</b>	<b>61 076 206</b>
<b>Statutory receivables included in receivables from non-exchange transactions above are as follows:</b>				
Traffic Fines	2 553 919	2 244 619	2 553 919	2 244 619
Consumer debtors - Property Rates	63 672 724	53 299 284	63 672 724	52 943 421
Grants	-	-	-	5 532 303
	<b>66 226 643</b>	<b>55 188 040</b>	<b>66 226 643</b>	<b>61 076 206</b>
<b>Net Receivables from non-exchange transactions above</b>	<b>119 540</b>	<b>-</b>	<b>62 637 399</b>	<b>23 930 797</b>
<b>Total receivables from non-exchange transactions</b>	<b>66 226 643</b>	<b>61 076 206</b>	<b>66 226 643</b>	<b>61 076 206</b>

There were no trade and other receivables pledged as security during the year under review and prior year.

#### Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 2 months past due are not considered to be impaired. At 30 June 2024, 41 280 939 (2023: 11514210: -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	4 959 047	5 361 238	4 959 047	5 361 238
2 months past due	4 514 540	6 152 972	4 514 540	6 152 972

#### Receivables from non-exchange transactions impaired

As of 30 June 2024, receivables from non-exchange transactions of 253 238 464 (2023: 220 841 316) were impaired and provided for.

The ageing of these receivables is as follows:

Over 3 months	-	-	253 238 464	220 841 316
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#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	35 841 316	20 500 997	220 841 316	205 500 997
Provision for impairment	32 397 148	15 340 319	32 397 148	15 340 319
	<b>68 238 464</b>	<b>35 841 316</b>	<b>253 238 464</b>	<b>220 841 316</b>

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>6. Consumer debtors disclosure</b>				
<b>Gross balances</b>				
Consumer debtors - Property Rates	316 151 696	273 259 732	316 151 696	273 259 732
Consumer debtors - Electricity	256 939 037	200 559 312	256 939 037	200 559 312
Consumer debtors - Water	220 083 790	193 065 947	220 083 790	193 065 947
Consumer debtors - Waste Management	130 924 025	108 012 519	130 924 025	108 012 519
Consumer debtors - Waste Water Management	170 307 004	139 837 254	170 307 004	139 837 254
Consumer debtors - Sundry	10 883 225	9 067 278	10 883 225	9 067 278
	<b>1 105 288 777</b>	<b>923 802 042</b>	<b>1 105 288 777</b>	<b>923 802 042</b>
<b>Less: Allowance for impairment</b>				
Consumer debtors - Property Rates	(252 478 972)	(219 960 448)	(252 478 972)	(219 960 448)
Consumer debtors - Electricity	(205 576 075)	(161 504 356)	(205 576 075)	(161 504 356)
Consumer debtors - Water	(176 087 988)	(155 539 889)	(176 087 988)	(155 539 889)
Consumer debtors - Waste Management	(104 751 687)	(87 025 621)	(104 751 687)	(87 025 621)
Consumer debtors - Waste Water Management	(136 243 177)	(112 656 975)	(136 243 177)	(112 656 975)
Consumer debtors - Sundry	(9 319 182)	(7 902 723)	(9 319 182)	(7 902 723)
	<b>(884 457 081)</b>	<b>(744 590 012)</b>	<b>(884 457 081)</b>	<b>(744 590 012)</b>
<b>Net balance</b>				
Consumer debtors - Rates	63 672 724	53 299 284	63 672 724	53 299 284
Consumer debtors - Electricity	51 362 962	39 054 956	51 362 962	39 054 956
Consumer debtors - Water	43 995 802	37 526 058	43 995 802	37 526 058
Consumer debtors - Waste Management	26 172 338	20 986 898	26 172 338	20 986 898
Consumer debtors - Waste Water Management	34 063 827	27 180 279	34 063 827	27 180 279
Consumer debtors - Sundry	1 564 043	1 164 555	1 564 043	1 164 555
	<b>220 831 696</b>	<b>179 212 030</b>	<b>220 831 696</b>	<b>179 212 030</b>
<b>Property Rates</b>				
Current (0 -30 days)	7 950 367	5 361 238	7 950 367	5 361 238
31 - 60 days	4 514 540	6 152 792	4 514 540	6 152 792
61 - 90 days	4 518 599	4 405 030	4 518 599	4 405 030
91 - 120 days	9 859 627	4 314 540	9 859 627	4 314 540
121 - 365 days	289 667 270	253 339 072	289 667 270	253 339 072
Less: Allowance for impairment	(253 238 464)	(220 841 316)	(253 238 464)	(220 841 316)
	<b>63 271 939</b>	<b>52 731 356</b>	<b>63 271 939</b>	<b>52 731 356</b>
<b>Electricity</b>				
Current (0 -30 days)	11 926 033	7 741 354	11 926 033	7 741 354
31 - 60 days	6 881 201	5 427 489	6 881 201	5 427 489
61 - 90 days	6 316 526	4 613 568	6 316 526	4 613 568
91 - 120 days	10 566 831	4 456 935	10 566 831	4 456 935
121 - 365 days	220 021 836	178 762 953	220 021 836	178 762 953
Less: Allowance for impairment	(206 194 477)	(162 151 127)	(206 194 477)	(162 151 127)
	<b>49 517 950</b>	<b>38 851 172</b>	<b>49 517 950</b>	<b>38 851 172</b>

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>6. Consumer debtors disclosure (continued)</b>				
<b>Water</b>				
Current (0 -30 days)	5 313 934	2 826 087	5 313 934	2 826 087
31 - 60 days	2 853 676	4 901 356	2 853 676	4 901 356
61 - 90 days	3 444 770	3 652 663	3 444 770	3 652 663
91 - 120 days	7 077 058	3 099 894	7 077 058	3 099 894
121 - 365 days	202 056 388	178 950 912	202 056 388	178 950 912
Less: Allowance for impairment	(176 617 686)	(156 162 774)	(176 617 686)	(156 162 774)
	<b>44 128 140</b>	<b>37 268 138</b>	<b>44 128 140</b>	<b>37 268 138</b>
<b>Waste Management</b>				
Current (0 -30 days)	3 436 846	2 213 824	3 436 846	2 213 824
31 - 60 days	2 092 247	2 555 467	2 092 247	2 555 467
61 - 90 days	2 235 477	1 892 072	2 235 477	1 892 072
91 - 120 days	4 350 802	1 859 238	4 350 802	1 859 238
121 - 365 days	119 202 485	99 719 311	119 202 485	99 719 311
Less: Allowance for impairment	(105 066 795)	(87 374 130)	(105 066 795)	(87 374 130)
	<b>26 251 062</b>	<b>20 865 782</b>	<b>26 251 062</b>	<b>20 865 782</b>
<b>Waste Water Management</b>				
Current (0 -30 days)	4 372 844	2 792 594	4 372 844	2 792 594
31 - 60 days	2 620 976	3 288 904	2 620 976	3 288 904
61 - 90 days	2 797 512	2 459 134	2 797 512	2 459 134
91 - 120 days	5 573 024	2 418 055	5 573 024	2 418 055
121 - 365 days	155 440 490	129 161 131	155 440 490	129 161 131
Less: Allowance for impairment	(136 653 016)	(113 108 128)	(136 653 016)	(113 108 128)
	<b>34 151 830</b>	<b>27 011 690</b>	<b>34 151 830</b>	<b>27 011 690</b>
<b>Sundry (Property Rental Debtors)</b>				
Current (0 -30 days)	152 530	27 713	152 530	27 713
31 - 60 days	85 667	82 342	85 667	82 342
61 - 90 days	47 782	35 916	47 782	35 916
91 - 120 days	2 385 491	51 004	2 385 491	51 004
121 - 365 days	5 843 608	5 912 187	5 843 608	5 912 187
Less: Allowance for impairment	(6 355 253)	(4 934 537)	(6 355 253)	(4 934 537)
	<b>2 159 825</b>	<b>1 174 625</b>	<b>2 159 825</b>	<b>1 174 625</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	(744 572 012)	(669 801 926)	(744 572 012)	(669 801 926)
Contributions to allowance	139 553 677	(74 770 086)	139 553 677	(74 770 086)
	<b>(605 018 335)</b>	<b>(744 572 012)</b>	<b>(605 018 335)</b>	<b>(744 572 012)</b>

### Collection rate of consumer receivables

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	5 557 565	20 896 757	5 370 862	20 807 205
Short-term deposits	136 235	130 155	134 142	128 062
Other cash and cash equivalents	108	108	-	-
	<b>5 693 908</b>	<b>21 027 020</b>	<b>5 505 004</b>	<b>20 935 267</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB - Main- 63008107963	5 370 862	20 807 205	399 128	5 370 862	20 807 205	399 128
ABSA BANK - Current Account - 405924-4467	-	-	-	-	-	331 088
NEDBANK - Fixed Deposit - 091452129997	28 106	26 863	25 366	28 106	26 863	25 366
NEDBANK - Fixed Deposit - 85865739997	21 362	20 449	19 358	21 362	20 449	19 358
NEDBANK - Fixed Deposit - 8779207/9998	82 054	78 130	78 130	82 054	78 130	78 130
NEDBANK - Fixed Deposit - 8779207/9997	2 263	2 611	2 611	2 263	2 611	2 611
ABSA BANK - Call Account - 9064509639	9	9	9	9	9	9
<b>Total</b>	<b>5 504 656</b>	<b>20 935 267</b>	<b>524 602</b>	<b>5 504 656</b>	<b>20 935 267</b>	<b>855 690</b>

## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand

#### 8. Heritage assets

Economic entity

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	170 000	-	170 000	170 000	-	170 000

Controlling entity

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	170 000	-	170 000	170 000	-	170 000

#### Reconciliation of heritage assets 2024

Historical monuments	Opening balance 170 000	Total 170 000
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#### Reconciliation of heritage assets Controlling entity - 2023

Historical monuments	Opening balance 170 000	Total 170 000
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## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand

#### 9. Investment property

Economic entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	493 824 400	-	493 824 400	462 744 966	-	462 744 966

Controlling entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	493 824 400	-	493 824 400	462 744 966	-	462 744 966

#### Reconciliation of investment property - 2024

Investment property	Opening balance	Fair value adjustments	Total
	462 744 966	31 079 434	493 824 400

#### Reconciliation of investment property - Controlling entity - 2023

Investment property	Opening balance	Additions	Disposals	Fair value adjustments	Total
	448 594 294	881 755	(74 344)	13 343 261	462 744 966

# Lekwa Teemane Local Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 9. Investment property (continued)

#### Pledged as security

No Investment property is pledged as security:

#### Details of valuation

Investment property valuations were conducted by Eagilwe Property Consulting and Asset Management at fair value, based on the comparable sales and depreciated replacement cost methods. Vacant land and farms were valued using comparable sales method and leased buildings, the depreciated replacement cost method was followed. The valuations were performed before the submission of the financial statements to reflect the fair values as at the end of the financial year - 30 June 2024.

A material fair value adjustment was made to the Investment property balance to ensure fair presentation as at year end. The fair values of undeveloped land and residential properties were based on comparative market prices after intensive market surveys and research. Gains and losses arising from a change or re-measurement to fair values were recognised in the profit or loss section.

Eagilwe Property Consulting and Asset Management's independent professional valuers who hold a professional registration with the South African Council for the Property Valuers Profession (SACPVP).

During the current year a fair value adjustment was recognised amounting to R 31,079,434 (2023: R14,150,672) have been recognised in the statement of financial performance.

A register of all investment properties is kept at the premises of the municipality for inspection

## Lekwa Teemane Local Municipality

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Figures in Rand

#### 10. Intangible assets

Economic entity

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 731 598	(3 440 762)	290 836	3 575 598	(3 207 773)	367 825

Controlling entity

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 714 976	(3 424 961)	290 015	3 558 976	(3 193 600)	365 376

#### Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	365 376	156 000	(231 361)	290 015

#### Reconciliation of intangible assets - Controlling entity - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	555 228	1 255 263	(1 445 115)	365 376

**Lekwa Teemane Local Municipality**

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**Notes to the Consolidated Annual Financial Statements**

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

**10. Intangible assets (continued)**

**Pledged as security**

There are no intangible assets pledged as security:

## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand

#### 11. Property, plant and equipment

Economic entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	18 794 609	-	18 794 609	18 794 609	-	18 794 609
Buildings	7 566 256	(4 621 349)	2 944 907	7 290 132	(4 366 862)	2 923 270
Leasehold property	292 991 832	(189 020 588)	103 971 244	292 991 832	(178 061 579)	114 930 253
Plant and machinery	2 533 442	(1 660 254)	873 188	833 950	(430 037)	403 913
Furniture and fixtures	4 852 291	(3 958 672)	893 619	4 186 371	(3 436 580)	749 791
Motor vehicles	15 734 941	(11 663 155)	4 071 786	13 443 530	(9 675 729)	3 767 801
Office equipment	14 213	(13 209)	1 004	14 213	(11 774)	2 439
IT equipment	3 294 553	(2 000 916)	1 293 637	2 090 360	(1 104 374)	985 986
Computer software	165 665 452	(85 440 878)	80 224 574	165 665 452	(77 898 966)	87 766 486
Community	31 841 810	(13 238 115)	18 603 695	31 841 810	(12 156 133)	19 685 677
Other property, plant and equipment	13 604 876	(8 514 008)	5 090 868	12 605 304	(7 882 107)	4 723 197
Bins and containers	88 504 419	-	88 504 419	49 441 299	-	49 441 299
Other property, plant and equipment	16 004 343	-	16 004 343	11 056 614	-	11 056 614
Landfill site	5 561 588	(3 189 660)	2 371 928	5 561 588	(1 335 797)	4 225 791
Water network	1 789 731	(159 905)	1 629 826	1 789 731	(110 190)	1 679 541
<b>Total</b>	<b>668 754 356</b>	<b>(323 480 709)</b>	<b>345 273 647</b>	<b>617 606 795</b>	<b>(296 470 128)</b>	<b>321 136 667</b>

## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand

#### 11. Property, plant and equipment (continued)

Controlling entity

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	18 794 609	-	18 794 609	18 794 609	-	18 794 609
Buildings	7 566 256	(4 621 349)	2 944 907	7 290 132	(4 366 862)	2 923 270
Infrastructure - Roads, Pavement, Bridges and Storm Water	292 991 832	(189 020 588)	103 971 244	292 991 832	(178 061 579)	114 930 253
Plant and machinery	2 408 231	(1 535 380)	872 851	708 739	(316 436)	392 303
Office furniture and equipment	4 747 051	(3 859 729)	887 322	4 081 131	(3 348 161)	732 970
Motor vehicles	15 734 941	(11 663 155)	4 071 786	13 443 530	(9 675 729)	3 767 801
IT equipment	3 226 025	(1 937 767)	1 288 258	2 021 832	(1 045 340)	976 492
Infrastructure - Electricity	165 665 452	(85 440 878)	80 224 574	165 665 452	(77 898 966)	87 766 486
Community Assets	31 841 810	(13 238 115)	18 603 695	31 841 810	(12 156 133)	19 685 677
Landfill sites	13 604 876	(8 514 008)	5 090 868	12 605 304	(7 882 107)	4 723 197
WIP - Roads, Pavements & Stormwater	88 504 419	-	88 504 419	49 441 299	-	49 441 299
Work In Progress - Community Assets	16 004 343	-	16 004 343	11 056 614	-	11 056 614
Leased Assets - Printers	5 561 588	(3 189 660)	2 371 928	5 561 588	(1 335 797)	4 225 791
Water Infrastructure	1 789 731	(159 905)	1 629 826	1 789 731	(110 190)	1 679 541
<b>Total</b>	<b>668 441 164</b>	<b>(323 180 534)</b>	<b>345 260 630</b>	<b>617 293 603</b>	<b>(296 197 300)</b>	<b>321 096 303</b>

## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand

#### 11. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	18 794 609	-	-	-	-	18 794 609
Buildings	2 923 270	276 124	-	(254 487)	-	2 944 907
Infrastructure - Roads,pavement,bridges and stormwater	114 930 253	-	-	(10 959 009)	-	103 971 244
Plant and machinery	392 303	511 239	(4 699)	(25 288)	(705)	872 851
Office furniture and equipment	732 970	446 760	(68 611)	(199 772)	(24 026)	887 322
Motor vehicles	3 767 801	1 400 727	(2 317)	(1 073 834)	(16 812)	4 071 786
IT Equipment	976 492	809 318	(173 552)	(286 205)	(37 795)	1 288 258
Infrastructure - Electricity	87 766 486	-	-	(7 541 912)	-	80 224 574
Community Assets	19 685 677	-	-	(1 124 525)	-	18 603 695
Landfill Site	4 723 197	999 572	-	(631 901)	-	5 090 868
WIP - Roads, Pavements & StormWater	49 441 299	37 226 660	-	-	-	88 504 419
WIP - Community Assets	11 056 614	8 756 378	-	-	-	16 004 343
Leased Assets - Printers	4 225 791	-	-	(1 853 863)	-	2 371 928
Water Infrastructure	1 679 541	-	-	(49 715)	-	1 629 826
	<b>321 096 303</b>	<b>50 426 778</b>	<b>(249 179)</b>	<b>(24 000 511)</b>	<b>(79 338)</b>	<b>345 260 630</b>

## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand

#### 11. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	18 794 609	-	-	-	-	-	-	18 794 609
Buildings	3 403 137	-	-	-	-	(266 744)	(213 123)	2 923 270
Infrastructure - Roads,pavement,bridges and stormwater	125 911 117	-	-	-	-	(10 980 864)	-	114 930 253
Plant and machinery	423 234	-	-	-	-	(30 931)	-	392 303
Office furniture and equipment	1 440 980	9 700	(387 864)	-	-	(329 846)	-	732 970
Motor vehicles	3 700 324	919 900	-	-	-	(852 423)	-	3 767 801
IT Equipment	836 172	395 672	(116 443)	-	-	(280 318)	-	976 492
Infrastructure - Electricity	89 465 967	-	-	5 652 300	-	(7 351 782)	-	87 766 486
Community Assets	20 972 851	-	-	-	-	(1 197 388)	(89 786)	19 685 677
Landfill site	7 100 989	-	(1 621 514)	-	-	(756 278)	-	4 723 197
WIP - Roads, Pavements & Stormwater	25 120 685	24 320 614	-	-	-	-	-	49 441 299
WIP - Community Assets	2 300 236	8 756 377	-	-	-	-	-	11 056 614
Work In Progress - Electricity	4 530 466	1 121 834	-	-	(5 652 300)	-	-	-
Leased Assets - Printers	-	5 561 588	-	-	-	(1 335 797)	-	4 225 791
Water network	1 729 256	-	-	-	-	(49 715)	-	1 679 541
	<b>305 730 023</b>	<b>41 085 685</b>	<b>(2 125 821)</b>	<b>5 652 300</b>	<b>(5 652 300)</b>	<b>(23 432 086)</b>	<b>(302 909)</b>	<b>321 096 303</b>

# Lekwa Teemane Local Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 11. Property, plant and equipment (continued)

#### Pledged as security

There are no fixed assets pledged as security.

#### Land

The municipality has land that is registered in its name at the deeds office as at 30 June 2024. There is a total of 7 887 stands still registered in the name of the municipality but occupied by private individuals, these stands are in the process of being transferred to the occupants, with the majority being RDP houses.

#### Work in progress

The following projects are taking longer than anticipated due to the following reasons:

#### Projects: .

The followig is the list of projects taking longer than expected to complete:

a) Construction of Boitumelong Taxi Rank, Construction of Utlwanang Taxi Rank and Boitumelong Multi-Purpose Hall - Funding from CoGTA takes longer than anticipated at times while the municipality is expected to settle claims with contractors/ consultants and subsequently claim from CoGTA; as a result this leads to delays in the projects. .

b) Construction of Roads, Paving and Stormwater Utlwanang Ext 5- The contract with the contractor was terminated during the period leading to delays in completion of the project.

#### Expenditure incurred to repair and maintain property, plant and equipment

Contracted services	10 337 578	9 851 060	10 337 578	9 851 060
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### 12. Investments

#### Designated at fair value

Sanlam Limited listed shares	63 749	45 980	63 749	45 980
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#### Sanlam limited listed shares

Lekwa Teemane Local Municipality holds 788 shares in Sanlam Limited, as at 30 June 2024 the shares were trading at R80,92 (2023: R58,35). The increase in share price resulted in recognising a fair value adjustment gain for the current year in the statement of financial position of R17,769 (2023: (R4,318)). The nature of the investment is not speculative but to keep the investment for more than twelve months.

#### Current assets

Designated at fair value	63 749	45 980	63 749	45 980
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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>13. Other Financial Liabilities</b>				
<b>Designated at Amortised cost</b>				
Dr Ruth Mompoti District Municipality	(12 583 875)	(11 053 213)	(12 583 875)	(11 053 213)
Dr Ruth Mompoti District Municipality				
<p>The amount relates to funds advanced by Dr Ruth Mompoti District Municipality (DRMDM) in relation to the payment of salaries. The municipality is to pay the loan in three equal instalments of R1 000 000 from 30 April until 30 June 2017. Failure to pay the loan at the end of 30 June 2017 will accrue cumulating interest at 15% per annum. As at 30 June 2024 the municipality have failed to honour the terms and conditions of the agreement, a cumulative interest has been accrued amounting to R 4 135 688 (2023: R3 204 943). There are no repayment terms agreed with the District Municipality to recover from the defaulted periods and no plans to repay the loan together with accrued interest.</p> <p>Another loan was received from Dr Ruth Mompoti District municipality on the 30 June 2024 amounting to R 3 500 000 at no interest. The interest expense of R 41 191 (2023: R 5 614,58) was accrued using the prime rate in the current year. The funds were advanced to the municipality with no terms.</p>				
<b>14. Financial Liabilities</b>				
<b>At amortised cost</b>				
Concessionary Loan - Long term Portion	20 476 784	18 323 744	20 476 784	18 323 744
<p>This relates to a performance guarantee that was awarded to Lekwa Teemane local municipality by CIGICELL. The performance guarantee is interest free and is payable in 18 equal monthly instalments of R1,222,222.00 commencing on the 30 April 2019. The amount received was discounted at an imputed interest rate taking into account the applicable terms and conditions. As at 30 June 2024 the municipality defaulted in repaying the agreed monthly instalments which resulted in an interest charged amounting to R159 309 (2023: R1 795 639). There are no renegotiated terms to remedy the default situation by the municipality. The municipality will make repayment terms in consideration of the available funds.</p>				
<b>Non-current liabilities</b>				
At amortised cost	20 476 784	18 323 744	20 476 784	18 323 744
<b>Financial liabilities at amortised cost</b>				
<b>Nominal value of concessionary loans</b>				

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>15. Payables from exchange transactions</b>				
Trade payables	876 545 735	701 576 913	873 492 418	698 698 831
Debtors with Credit balances	7 413 155	7 704 464	7 413 155	7 704 464
Accrued leave pay	7 586 432	7 132 144	7 586 868	7 120 700
Retentions	5 859 258	3 867 692	5 859 258	3 867 692
Unallocated Deposit	9 387 322	10 647 356	9 387 322	10 647 356
	<b>906 791 902</b>	<b>730 928 569</b>	<b>903 739 021</b>	<b>728 039 043</b>
<b>16. VAT payable</b>				
Tax refunds payables	6 261 108	12 486 594	6 300 653	12 519 045
<b>17. Consumer deposits</b>				
Electricity	1 736 523	1 685 449	1 736 523	1 685 449
Water	46 208	30 767	46 208	30 767
Housing rental	23 790	21 136	23 790	21 136
	<b>1 806 521</b>	<b>1 737 352</b>	<b>1 806 521</b>	<b>1 737 352</b>
<b>18. Employee benefit obligations</b>				
<b>Defined benefit plans - General information</b>				
<b>Defined benefit plan - Post Employment Medical Benefit Plan</b>				
The plan is a post employment medical benefit.				
The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of different medical aid schemes such as Bonitas, Key Health and SAMWUMed.				
The municipality's post-employment health care plan consists of entitlement by eligible employees to receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.				
Continuation members and their eligible dependants receive either a 60% or 70% subsidy. All 60% post-employment subsidies are subject to a maximum subsidy. The maximum subsidy was assumed to be R 5,541 (2023: R 4,873) per principal member per month for the year ending 30 June 2024, and has been assumed to increase annually on 1 July at 75% of salary inflation. No other post employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical aid scheme subsidy were 107 (2023: 116) in service members and 19 (2023: 20) pensioners.				
The most recent actuarial valuation of the benefit plan was carried out for the year ended 30 June 2024 by Arch Actuarial Consulting. The present value of the defined benefits obligation and the the related current services cost and past services costs were measured using the Projected Unit Credit Method. The post-employment health care benefit is not a funded arrangement i.e. there is no plan asset in place to meet this defined benefit obligation.				
<b>Defined benefit plan - Long Service Award</b>				
The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.				
In the month that each "completed service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/250th of annual earnings per day.				
The Municipality uses employees' basic salary to determine the Rand value of LSA. The Projected Unit Credit Method is used to value the LSA employee benefit obligation. The long service award benefit is not a funded arrangement i.e. there is no plan asset in place to meet this defined benefit obligation.				

# Lekwa Teemane Local Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>18. Employee benefit obligations (continued)</b>				
<b>Carrying value - Long Service Award</b>				
Present value of the defined benefit obligation-wholly unfunded	(3 664 796)	(3 977 637)	(3 664 796)	(3 977 637)
Present value of the defined benefit obligation-partly or wholly funded	(287 226)	(310 217)	(287 226)	(310 217)
Fair value of plan assets	(364 049)	(275 395)	(364 049)	(275 395)
Actuarial gains/losses	205 351	820 676	205 351	820 676
Effect of changes in foreign exchange rates	493 133	493 133	493 133	493 133
	<b>(3 617 587)</b>	<b>(3 249 440)</b>	<b>(3 617 587)</b>	<b>(3 249 440)</b>
<b>Carrying value - Post employment medical benefit plan</b>				
Present value of the defined benefit obligation-wholly unfunded	(24 932 772)	(22 971 477)	(24 932 772)	(22 971 477)
Present value of the defined benefit obligation-partly or wholly funded	(831 903)	(789 238)	(831 903)	(789 238)
Fair value of plan assets	(2 596 773)	(2 463 624)	(2 596 773)	(2 463 624)
Fair value of reimbursement rights	1 987 777	1 068 203	1 987 777	1 068 203
Actuarial gains/losses	5 503 974	223 364	5 503 974	223 364
	<b>(20 869 697)</b>	<b>(24 932 772)</b>	<b>(20 869 697)</b>	<b>(24 932 772)</b>
<b>Net expense recognised in the statement of financial performance are as follows:</b>				
Present value of the defined benefit obligation-partly or wholly funded	1 105 764	1 119 129	1 105 764	1 119 129
- Return on plan assets, excluding amounts included in net interest	77 018	(5 997 107)	77 018	(5 997 107)
	<b>1 105 764</b>	<b>1 119 129</b>	<b>1 105 764</b>	<b>1 119 129</b>
<b>Key assumptions used</b>				
Assumptions used at the reporting date:				
Discount rates used	- %	- %	12,20 %	12,78 %
Consumer price inflation	- %	- %	6,19 %	6,84 %
Salary increase rate	- %	- %	7,69 %	8,34 %
Normal Retirement age (years)	- %	- %	65,00 %	65,00 %
Average retirement age	- %	- %	62,00 %	63,00 %
Age between husband and wife (Active members) (years)	- %	- %	5,00 %	5,00 %
Pensioner PA	- %	- %	90,00 %	90,00 %
Mortality during employment (Active members SA)	- %	- %	90,00 %	85,00 %

## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	-	4 594 080	-	4 594 080
Energy Efficiency Deman Side Management	-	73 803	-	73 803
EWP Grant	180	-	180	-
Unspent grants 8	-	12 458 000	-	12 458 000
	<b>180</b>	<b>17 125 883</b>	<b>180</b>	<b>17 125 883</b>

##### Movement during the year

Balance at the beginning of the year	16 150 883	26 660 883	16 150 883	26 660 883
Receipts during the year	-	61 995 706	-	61 995 706
Income recognition during the year	(16 150 703)	(71 530 706)	(16 150 703)	(71 530 706)
	<b>180</b>	<b>17 125 883</b>	<b>180</b>	<b>17 125 883</b>

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>19. Unspent conditional grants and receipts (continued)</b>				
<b>Financial Management Grant</b>				
Current year-receipts	3 100 000	3 100 000	3 100 000	3 100 000
Conditions met and transferred to revenue	(3 100 000)	(3 100 000)	(3 100 000)	(3 100 000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Municipal Infrastructure Grant Management Grant</b>				
Balance at the beginning of the period	4 594 080	9 461 746	4 594 080	9 461 746
Current year-receipts	15 714 000	16 300 000	15 714 000	16 300 000
Conditions met and transferred to revenue	(15 714 000)	(11 632 666)	(15 714 000)	(11 632 666)
Funds returned to treasury - Current year	(4 594 080)	(5 514 000)	(4 594 080)	(5 514 000)
Funds returned to treasury - Prior year	-	(4 021 000)	-	(4 021 000)
	<u>-</u>	<u>4 594 080</u>	<u>-</u>	<u>4 594 080</u>
<b>Disaster Relief Grant</b>				
Balance at the beginning of the period	12 458 000	-	12 458 000	-
Current year-receipts	-	12 458 000	-	12 458 000
Conditions met and transferred to revenue	(12 458 000)	-	(12 458 000)	-
	<u>-</u>	<u>12 458 000</u>	<u>-</u>	<u>12 458 000</u>
<b>Provincial Infrastructure Grant</b>				
Balance at the beginning of the period	(5 532 303)	-	(5 532 303)	-
Current year-receipts	26 113 432	22 436 403	26 113 432	22 436 403
Conditions met and transferred to revenue	(20 581 129)	(27 968 706)	(20 581 129)	(27 968 706)
	<u>-</u>	<u>(5 532 303)</u>	<u>-</u>	<u>(5 532 303)</u>
<b>Expanded Public Works Programme</b>				
Current year-receipts	950 000	1 270 000	950 000	1 270 000
Conditions met and transferred to revenue	(949 820)	(1 270 000)	(949 820)	(1 270 000)
	<u>180</u>	<u>-</u>	<u>180</u>	<u>-</u>
<b>Sports, Arts, Culture and Library Grant</b>				
	-	899 000	-	899 000
	<u>-</u>	<u>(899 000)</u>	<u>-</u>	<u>(899 000)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Energy Efficiency Demand Side Management Grant (EEDSM)</b>				
Balance at the beginning of the period	73 803	73 803	73 803	73 803
Funds returned to treasury	(73 803)	-	(73 803)	-
	<u>-</u>	<u>73 803</u>	<u>-</u>	<u>73 803</u>

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2024	2023	2024	2023	
<b>20. Provisions</b>					
Landfil sites	20.1	16 377 271	14 507 263	16 377 271	14 507 263
13th Cheque Provision		2 124 445	1 807 304	2 124 445	1 807 304
		<b>18 501 716</b>	<b>16 314 567</b>	<b>18 501 716</b>	<b>16 314 567</b>

#### Reconciliation of provisions - 2024

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	1 807 304	-	-	2 124 445
Environmental rehabilitation	14 507 263	870 435	999 572	16 377 270
13th Cheque Provision	-	317 141	-	-
	<b>16 314 567</b>	<b>1 187 576</b>	<b>999 572</b>	<b>18 501 715</b>

#### Reconciliation of provisions - Controlling entity - 2023

	Opening balance	Additions	Reversed during the year	Interest charges	Total
Environmental rehabilitation	-	-	-	-	1 807 304
Environmental rehabilitation	14 581 860	-	(1 621 514)	1 754 459	14 507 263
13th Cheque Provision	1 679 729	127 575	-	-	-
	<b>16 261 589</b>	<b>127 575</b>	<b>(1 621 514)</b>	<b>1 754 459</b>	<b>16 314 567</b>

Non-current liabilities	16 377 270	14 507 263	16 377 270	14 507 263
Current liabilities	2 124 445	1 807 304	2 124 445	1 807 304
	<b>18 501 715</b>	<b>16 314 567</b>	<b>18 501 715</b>	<b>16 314 567</b>

Lekwa Teemane council operates two disposal sites namely; Christiana and Bloemhof. In terms of the Environmental Conservation Act No. 73 of 1989, the municipality is required to rehabilitate such land upon closure of the dumping sites. Provision based on best estimate has been provided.

#### 20.1 Landfill Sites

Opening Balance	14 507 263	14 581 860	14 507 263	14 581 860
Increases (Passage of Time/Discounted Rate)	870 436	1 546 917	870 436	1 546 917
Reversals -Adjustment for change in discount rate	999 572	(1 621 514)	999 572	(1 621 514)
<b>Closing Balance</b>	<b>16 377 271</b>	<b>14 507 263</b>	<b>16 377 271</b>	<b>14 507 263</b>

Lekwa Teemane council operates two disposal sites namely; Christiana and Bloemhof. In terms of the Environmental Conservation Act No. 73 of 1989, the municipality is required to rehabilitate such land upon closure of the dumping sites. Provision based on best estimate has been provided.

#### Environmental rehabilitation provision

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>20. Provisions (continued)</b>				
<p>The operation of landfill sites results in an obligation to rehabilitate the landfill sites and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, 107 of 1998., Environmental Conservation Act, Act number 73 of 1989 or the Waste Management licenses issued under section 50 of the National Environmental Management: Waste Act, No 59 of 2008.</p> <p>GRAP 19 provides for the recognition, measurement and disclosure of provision or assets.</p> <p>The municipality's landfill sites have an estimated remaining useful life of 5 (2023: 6 years) (Bloemhof) and 10 (2023: 11 years) (Christiana). The estimated costs of closure and rehabilitation of the landfill sites is R8,336,509 (2023: R7,341,324 ) for the Bloemhof landfill site and R8,040,762 (2023: R7,165,939) for the Christiana landfill site which have been discounted at a net discount rate of 6%. (2023:5,25%).</p>				
<b>21. Service charges</b>				
Water	17 451 355	16 034 795	17 451 355	16 034 795
Electricity	96 273 831	86 634 593	96 273 831	86 634 593
Waste Management	14 256 779	12 564 999	14 256 779	12 564 999
Waste Water Management	21 810 471	16 985 481	21 810 471	16 985 481
	<b>149 792 436</b>	<b>132 219 868</b>	<b>149 792 436</b>	<b>132 219 868</b>
<b>22. Sale of Goods and Rendering of Services</b>				
Sale of goods	606 795	408 645	606 795	408 645
<b>23. Rental of facilities and equipment</b>				
<b>Premises</b>				
Rental of farms and municipality properties	297 144	22 642	297 144	22 642
<b>24. Agency services</b>				
Agency Services - North West department of transport	2 431 601	2 523 762	2 431 601	2 523 762
Agency Services - North West provincial department of transport				
<b>25. Licences and permits</b>				
Licences and permits	575 489	710 232	575 489	710 232
<b>26. Interests on investments</b>				
Short-term investments and call accounts	783 995	340 371	783 995	340 371
Interest received - other	76 000	-	-	-
	<b>859 995</b>	<b>340 371</b>	<b>783 995</b>	<b>340 371</b>

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>27. Interest earned from receivables</b>				
Electricity	19 682 124	16 624 904	19 682 124	16 624 904
Water	17 713 384	16 274 242	17 713 384	16 274 242
Water Management	10 924 956	9 048 092	10 924 956	9 048 092
Waste Water Management	13 002 023	12 240 230	13 002 023	12 240 230
	<b>61 322 487</b>	<b>54 187 468</b>	<b>61 322 487</b>	<b>54 187 468</b>
<b>28. Operational income</b>				
Other income	1 160 804	919 900	1 160 804	919 900
<b>29. Operational revenue</b>				
Handling and administration fees	1 160 804	919 900	1 160 804	919 900
<b>30. Actuarial gain</b>				
Actuarial gains/losses	2 409 982	5 997 107	2 409 982	5 997 107
<b>31. Fair value adjustments</b>				
Investment property (Fair value model)	31 097 203	13 347 579	31 097 203	13 347 579
<b>32. Property rates</b>				
<b>Rates received</b>				
Business and Commercial	40 447 142	32 182 407	40 447 142	32 182 407
Organs of State	666 541	632 994	666 541	632 994
Small holdings and farms	10 071 716	11 291 456	10 071 716	11 291 456
Less: Income forgone	(9 585 910)	(7 600 753)	(9 585 910)	(7 600 753)
	41 599 489	36 506 104	41 599 489	36 506 104
Property rates - penalties imposed	24 714 023	35 154 743	24 714 023	35 154 743
	<b>66 313 512</b>	<b>71 660 847</b>	<b>66 313 512</b>	<b>71 660 847</b>

#### Valuations

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0,012538 - (2023: - R0,01190694) is applied to property valuations to determine assessment rates. Rebates of 49% (2023: 48%) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being Monday, 30 September 2024 (Saturday, 30 September 2023). Interest at 11% per annum (2023: 11%), is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2027.

# Lekwa Teemane Local Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>33. Government grants &amp; subsidies</b>				
<b>Operating grants</b>				
Equitable share	65 146 883	60 204 000	65 146 883	60 204 000
Expanded Public Works Programmes	949 820	1 270 000	949 820	1 270 000
Financial Management Grant	3 100 000	3 100 000	3 100 000	3 100 000
Sports, Arts, Culture and Library Grant	-	899 000	-	899 000
	<b>69 196 703</b>	<b>65 473 000</b>	<b>69 196 703</b>	<b>65 473 000</b>
<b>Capital grants</b>				
Municipal Infrastructure Grant	15 714 000	11 632 666	15 714 000	11 632 666
Provincial Infrastructure Grant (PIG)	20 581 129	27 968 706	20 581 129	27 968 706
Municipal Disaster Relief Grant	12 458 000	-	12 458 000	-
	<b>48 753 129</b>	<b>39 601 372</b>	<b>48 753 129</b>	<b>39 601 372</b>
	<b>117 949 832</b>	<b>105 074 372</b>	<b>117 949 832</b>	<b>105 074 372</b>
<b>Conditional and Unconditional</b>				
Included in above are the following grants and subsidies received:				
Conditional grants received	52 802 949	44 870 372	52 802 949	44 870 372
Unconditional grants received	65 146 883	60 204 000	65 146 883	60 204 000
	<b>117 949 832</b>	<b>105 074 372</b>	<b>117 949 832</b>	<b>105 074 372</b>
<b>Equitable Share</b>				
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.				
<b>Municipal Infrastructure Grant (MIG)</b>				
Balance unspent at beginning of year	4 594 080	9 461 746	4 594 080	9 461 746
Current-year receipts	15 714 000	16 300 000	15 714 000	16 300 000
Transferred to revenue	(15 714 000)	(21 167 666)	(15 714 000)	(21 167 666)
Less: amount set-off against equitable share	(4 594 080)	-	(4 594 080)	-
	<b>-</b>	<b>4 594 080</b>	<b>-</b>	<b>4 594 080</b>
<b>Energy Efficiency Demand Side Management Grant (EEDSM)</b>				
Balance unspent at beginning of year	73 803	73 803	73 803	73 803
Conditions met - transferred to revenue	(73 803)	-	(73 803)	-
	<b>-</b>	<b>73 803</b>	<b>-</b>	<b>73 803</b>
Conditions still to be met - remain liabilities (see note 19).				
<b>EPWP</b>				
Current-year receipts	950 000	1 270 000	950 000	1 270 000
Conditions met - transferred to revenue	(949 820)	(1 270 000)	(949 820)	(1 270 000)
	<b>180</b>	<b>-</b>	<b>180</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 19).				

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 33. Government grants & subsidies (continued)

Purpose of the grant is to incentivise the municipality to expand work creation efforts through the use of labour intensive delivery methods (roads maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sanitation reticulation (excluding built infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programmes, community safety programmes) in line with Expanded Public Works Programme guidelines.

##### Municipal Disaster Relief Grant (MDRG)

Balance unspent at beginning of year	12 458 000	12 458 000	12 458 000	12 458 000
Current-year opening balance	-	-	12 458 000	-
Transferred to revenue	(12 458 000)	-	(12 458 000)	-
	<u>-</u>	<u>12 458 000</u>	<u>-</u>	<u>12 458 000</u>

##### Finance Management Grant

Current-year receipts	3 100 000	3 100 000	3 100 000	3 100 000
Transferred to revenue	(3 100 000)	(3 100 000)	(3 100 000)	(3 100 000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

##### Sports, Arts, Culture and Library Grant

Current-year receipts	-	899 000	-	899 000
Transferred to revenue	-	(899 000)	-	(899 000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

##### Government Grant (PIG)

Current-year receipts	27 968 706	27 968 706	27 968 706	27 968 706
Transferred to revenue	(27 968 706)	(27 968 706)	(27 968 706)	(27 968 706)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

##### Grant 15

Conditions still to be met - remain liabilities (see note 19).

Provide explanations of conditions still to be met and other relevant information.

#### 34. Fines, Penalties and Forfeits

Municipal Traffic Fines	<u>731 869</u>	<u>658 217</u>	<u>731 869</u>	<u>658 217</u>
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# Lekwa Teemane Local Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>35. Employee related costs</b>				
Basic	53 842 599	47 821 354	52 898 481	46 997 809
13th Cheaque	4 812 869	4 008 072	4 748 585	3 947 082
Medical aid - company contributions	3 909 722	2 722 585	3 909 722	2 722 585
UIF	443 406	424 842	424 854	405 694
Pension contributions	10 566 883	9 729 954	10 566 883	9 729 954
Leave pay provision charge	466 168	740 423	466 168	740 423
Bargaining Council	23 636	23 297	23 636	23 297
Overtime payments	4 539 055	4 077 727	4 539 055	4 077 727
Long-service awards	281 757	350 700	281 757	350 700
Acting allowances	480 036	541 885	480 036	541 885
Car allowance	4 776 811	3 917 606	4 776 811	3 917 606
Housing benefits and allowances	190 835	244 682	190 835	244 682
Leave Encashment	902 961	596 515	902 961	596 515
Group Insurance	8 485	7 862	8 485	7 862
Cellphone allowance	205 850	168 550	205 850	168 550
Standby allowances	1 619 754	1 420 369	1 619 754	1 420 369
Shift Allowance	18 000	18 000	18 000	18 000
	<b>87 088 827</b>	<b>76 814 423</b>	<b>86 061 873</b>	<b>75 910 740</b>

### Remuneration of Municipal Manager

Basic salary	-	-	505 023	175 420
Car allowance	-	-	190 783	91 892
Cellphone allowance	-	-	12 000	4 500
Contributions to UIF, Medical and Pension Funds	-	-	73 127	10 411
Non pensionable allowance	-	-	13 560	-
Other allowances	-	-	33 430	-
	-	-	<b>827 923</b>	<b>282 223</b>

Mrs BS Qunqisa was appointed as the Municipal manager by Council and her 5 year term began on 01 October 2023

### Remuneration of Chief Finance Officer

Basic salary	-	-	759 982	662 337
Acting Allowance	-	-	-	14 883
Car allowance	-	-	212 016	155 250
Cellphone allowance	-	-	12 650	10 200
Non-pensionable allowance	-	-	11 865	-
Housing allowance	-	-	5 332	12 141
	-	-	<b>1 001 845</b>	<b>922 888</b>

Mr T.C Moseki was appointed on permanent basis by Council as the CFO on 1 December 2023

### Remuneration of Corporate Service Director (Acting Municipal Manager)

Basic salary	-	-	729 042	759 344
Car allowance	-	-	232 996	243 126
Acting Allowance	-	-	29 056	-
Cellphone allowance	-	-	7 800	8 400
Housing allowance	-	-	4 800	4 800
Non-pensionable allowance	-	-	20 340	20 340
Contributions to UIF, Medical and Pension Funds	-	-	2 037	2 125
	-	-	<b>1 026 071</b>	<b>1 038 135</b>

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 35. Employee related costs (continued)

Mr. KJ Leseisane was appointed on permanent basis by council as the Executive Director: Corporate Services on the 3rd July 2023. He is currently acting as the Accounting Officer since the 15 of May 2024.

#### Remuneration of Technical Services

Basic salary	-	-	663 370	-
Car Allowance	-	-	118 735	-
Non-pensionable allowance	-	-	18 645	-
Contributions to UIF, Medical and Pension Funds	-	-	144 010	-
Cellphone allowance	-	-	13 200	-
	<u>-</u>	<u>-</u>	<u>957 960</u>	<u>-</u>

Mr. MZ Duba was appointed on permanent basis by council as the Executive Director: Technical Services on the 3rd of July 2023

#### Remuneration of Community Services

Basic salary	-	-	102 962	-
Car Allowance	-	-	37 649	-
Cellphone allowance	-	-	2 400	-
Contributions to UIF, Medical and Pension Funds	-	-	28 126	-
Non-pensionable allowance	-	-	3 390	-
	<u>-</u>	<u>-</u>	<u>174 527</u>	<u>-</u>

Mr. J Sparks was appointed on permanent basis by council as the Executive Director: Community Services on the 1st May 2024 on permanent basis.

### 36. Remuneration of councillors

Mayor	1 318 397	946 150	1 318 397	946 150
Mayoral Committee Members	2 471 915	2 874 596	2 471 915	2 874 596
Councillors	3 281 648	3 206 066	3 281 648	3 206 066
	<u>7 071 960</u>	<u>7 026 812</u>	<u>7 071 960</u>	<u>7 026 812</u>

#### In-kind benefits

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

### 37. Depreciation and amortisation

Property, plant and equipment	24 276 660	23 340 232	24 247 684	23 299 153
Intangible assets	-	1 445 115	-	1 445 115
	<u>24 276 660</u>	<u>24 785 347</u>	<u>24 247 684</u>	<u>24 744 268</u>

### 38. Impairment loss

<b>Impairments</b>				
Property, plant and equipment	66 128	302 883	66 128	302 883
The condition of the assets were assessed to be poor or very poor and this led to the impairment of the assets.]				
	<u>66 128</u>	<u>302 883</u>	<u>66 128</u>	<u>302 883</u>

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>39. Finance costs</b>				
Trade and other payables	27 689 126	41 649 922	27 689 126	41 649 922
Financial liability Instruments	8 102 515	6 736 998	8 102 515	6 736 998
	<b>35 791 641</b>	<b>48 386 920</b>	<b>35 791 641</b>	<b>48 386 920</b>
<b>40. Debt impairment</b>				
Bad debts written off	148 078 417	101 762 423	148 078 417	101 762 423
<b>41. Bulk purchases</b>				
Electricity - Eskom	76 665 441	55 056 194	76 665 441	55 056 194
Distribution loss - Electricity				
<p>The municipality incurred a distribution loss for during the current year mainly due to illegal connections of the network and bridging of meters by consumers. During the year a total 7 084 126 (2023: 5 648 42) kilowatts per hour were lost, amounting to R 8,539,072 (2023:R 6,808,500). This represents 23 % (2023: 17%) of total electricity purchases for the year. The amount is included in bulk purchases for electricity.</p>				
Distribution loss - Purified Water				
<p>The municipality incurred distribution losses when rendering water services to consumers. major losses are due to leaking pipes from old infrastructure. during the year teh losses amounted to 3660846 (2023:2161645) kilo liters amounting to R1,893,894 (2023: R1,227,670)</p>				
<b>42. Contracted services</b>				
<b>Outsourced Services</b>				
Burial Services	74 640	56 974	74 640	56 974
Security Services	7 432 436	8 200 207	7 432 436	8 200 207
<b>Consultants and Professional Services</b>				
Business and Advisory	12 591 967	2 701 871	12 591 967	2 701 871
Infrastructure and Planning	7 746 434	7 022 903	7 746 434	7 022 903
Legal Cost	5 903 281	8 136 130	5 903 281	8 136 130
<b>Contractors</b>				
Catering Services	93 710	99 396	93 710	99 396
Distribution of Electricity by Others	155 988	134 373	155 988	134 373
Employee Wellness	-	81 510	-	81 510
Transportation	-	21 000	-	21 000
Removal of Hazardous Waste	1 674 283	3 409 972	1 674 283	3 409 972
	<b>35 672 739</b>	<b>29 864 336</b>	<b>35 672 739</b>	<b>29 864 336</b>
<b>43. Inventory consumed</b>				
Material and stores issued	3 244 670	1 542 307	3 244 670	1 542 307
Water consumed	72 972 965	20 668 932	72 972 965	20 668 932
	<b>76 217 635</b>	<b>22 211 239</b>	<b>76 217 635</b>	<b>22 211 239</b>

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>44. Gain or loss on disposal of assets and liabilities</b>				
Property, plant and equipment	968 841	(116 443)	968 841	(116 443)
<b>45. Inventory (losses) surplus</b>				
Inventories losses/write-downs	(222 101)	71 298	(222 101)	71 298
<b>46. Operational costs</b>				
Accommodation	812 832	192 824	812 832	192 824
Advertising	316 222	652 051	316 222	652 051
Auditors remuneration	6 668 948	8 323 977	6 300 015	7 839 863
Bank charges	516 371	453 761	512 835	449 795
Consumables	3 522	10 607	-	-
Hire	286 136	1 223 206	286 136	1 223 206
Insurance	2 336 567	1 704 644	2 320 230	1 685 771
Computer expenses	6 154 130	2 239 723	6 153 311	2 239 186
Fuel and oil	1 739 822	2 120 536	1 739 822	2 120 536
Postage and courier	1 380	3 487	1 380	3 487
Printing and stationery	149 430	42 318	147 299	40 184
Protective clothing	692 049	839 965	692 049	839 965
Research and development costs	309 114	29 298	-	-
Skills development levy	485 642	436 218	485 642	436 218
Staff welfare	12 450	3 154	12 450	3 154
Subscriptions and membership fees	681 662	955 670	667 771	940 977
Telephone and fax	-	1 686 298	-	1 682 959
Transport and freight	2 505	-	2 505	-
Travel - local	965 831	1 198 722	903 711	1 124 241
IT Expenses	14 731	-	14 731	-
Mayor bursary	240 000	595 000	240 000	595 000
Expense 8	3 160	4 859	-	-
Computer consumables	523 435	812 226	523 435	812 226
	<b>22 915 939</b>	<b>23 528 544</b>	<b>22 132 376</b>	<b>22 881 643</b>
<b>47. Auditors' remuneration</b>				
Fees	6 668 948	8 323 977	6 300 015	7 839 863

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Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>48. Cash generated from operations</b>				
Deficit	(77 668 384)	(1 383 983)	(77 580 296)	(1 155 968)
<b>Adjustments for:</b>				
Depreciation and amortisation	24 276 660	24 785 347	24 247 684	24 744 268
(Loss) gain on sale of assets and liabilities	(968 841)	116 443	(968 841)	116 443
Fair value adjustments	(31 097 203)	(13 347 579)	(31 097 203)	(13 347 579)
Impairment deficit	66 128	302 883	66 128	302 883
Debt impairment	148 078 417	101 762 423	148 078 417	101 762 423
Movements in retirement benefit assets and liabilities	369 716	-	369 716	-
Movements in provisions	2 187 148	1 732 707	2 187 148	1 732 707
Inventory losses or write-downs	(222 101)	71 298	(222 101)	71 298
Other non-cash items	3 373 415	(974 651)	3 373 415	(974 651)
<b>Changes in working capital:</b>				
Inventories	242 992	(71 586)	242 992	(71 586)
Trade and other receivables from exchange transactions	(34 363 195)	(56 812 726)	(34 363 195)	(56 812 726)
Consumer debtors	(148 078 417)	(101 762 423)	(148 078 417)	(101 762 423)
Other receivables from non-exchange transactions	(5 150 437)	(37 145 409)	(5 150 437)	(37 145 409)
Payables from exchange transactions	175 863 333	106 186 225	175 699 978	105 924 444
VAT	(6 225 486)	17 994 162	(6 218 392)	18 003 391
Unspent conditional grants and receipts	(17 125 703)	7 590 334	(17 125 703)	7 590 334
Consumer deposits	69 169	41 578	69 169	41 578
	<b>33 627 211</b>	<b>49 085 043</b>	<b>33 530 062</b>	<b>49 019 427</b>
<b>49. Financial instruments disclosure</b>				
<b>Categories of financial instruments</b>				
<b>2024</b>				
<b>Financial assets</b>				
Investments - Sanlam shares	63 749	45 980	63 749	45 980
Investments in controlled entities	-	-	20 100	20 100
Trade and other receivables from exchange transactions	3 904 660	12 724 100	3 904 660	12 724 100
Receivables from non-exchange transactions	2 553 919	62 637 399	2 553 919	62 637 399
Consumer debtors	220 940 207	143 423 203	220 940 207	143 423 203
Cash and cash equivalents	5 505 004	20 935 267	5 505 004	20 935 267
	<b>232 967 539</b>	<b>239 765 949</b>	<b>232 987 639</b>	<b>239 786 049</b>
<b>Financial liabilities</b>				
Financial Liabilities	23 529 665	19 354 730	20 476 784	16 465 204
Other financial liabilities	12 583 875	10 682 494	12 583 875	10 682 494
	<b>36 113 540</b>	<b>30 037 224</b>	<b>33 060 659</b>	<b>27 147 698</b>

# Lekwa Teemane Local Municipality

(Registration number NW396)

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 50. Contingencies

The litigation claims are in progress against the municipality relating to various matters who alleges that the municipality have infringed on certain laws and regulations, and they are seeking damages totaling amount of R10 133 663 (2023:R189 281 060)

The municipal lawyers and management considers the likelihood of the actions against the municipality being successful is unlikely, and the cases should be resolved within the reasonable period possible.

#### Contingent assets

The municipality has litigation claim in progress relating to various matters and the municipality is seeking damages totaling amount of R 0 (2023: R60 000 000.00).

The following is the nature and financial implication of the cases

Sedibeng Water – The municipality sued Sedibeng water for the electricity bill owed to the municipality.	-	60 000 000	-	60 000 000
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#### Contingent liabilities

The litigation claims are in progress against the municipality relating to various matters who alleges that the municipality ave infringed on certain laws and regulations, and they are seeking damages totaling amount of R10 133 663 (2023:R189 281 060).

The municipal lawyers and management considers the likelihood of the actions against the municipality being successful is unlikely, and the cases should be resolved within the reasonable period possible

The following is the nature and financial implication of the cases

#### Contingent liabilities

1. Henry Bhikhoo vs Lekwa -Teemane Municipality	1 000 000	1 000 000	1 000 000	1 000 000
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Case details: Civil Case

The Plaintiff is suing the Municipality R1.9 million after his son was bitten by the dog owned the Caretaker in Municipal Property (Boitumelong Stadium)The matter is ongoing.Pre trial conference was held in November 2021.Plaintiffs have applied to join the then caretaker as a defendant also.If it is granted, then parties ,inclusive of the then care taker, would have to do another pre trial. The plaintiff has not yet advanced the matter, as the plaintiff is the dominis litis, we cannot advance the matter on his behalf. laintiff has applied for a trial date and notice of set down. Matter was heard in August 2023 whereupon a postponement was granted for respondent to amend its plea and apply for joinder of BDO ADVISORY SERVICES V LTLM attorney have been instructef to proceed to defend the Municipality

	1 468 846	2 185 000	1 468 846	2 185 000
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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
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<b>50. Contingencies (continued)</b>				
Minister of Water and Sanitation - Civil Case - The department sued Lekwa Teemane municipality for abstraction of water from Vaal River. The matter have been referred to North West High Court on the 09 December 2019 and still ongoing.	-	173 884 237	-	173 884 237
5. ELVIS LEBITSA//LEKWA-TEEMANE LOCAL MUNICIPALITY	1 000 000	1 300 000	1 000 000	1 300 000
Applicant seeking damages of about R1M from the Municipality after his incomplete house structure was allegedly unlawfully demolished by the Municipality. We have entered a notice of intention to defend and will soon file our plea.				
3. IKGOPOLENG ELVIN TLHABAKI OBO GONTALFETSE SHADEY BUFFEL// MEC FOR EDUCATION NORTH WEST AND LEKWA-TEEMANE LOCAL MUNICIPALITY	5 800 000	5 800 000	5 800 000	5 800 000
The plaintiff is suing both the Education Department and the Municipality for R5 MILLION after a school child allegedly during school hours fell in an open water reservoir adjacent to the school. Matter ongoing we are opposing the matter as we are of the view that water infrastructure like reservoirs are the responsibility of the District Municipality as the Water Services Authority Matter ongoing - plaintiff to advance the matter				
6. RJJ Projects//Lekwa-Teemane Local Municipality	-	717 699	-	717 699
Plantiff sued Municipality for R717 699.00 outstanding fees, for work done. The plaintiff had a project of supply and installation of high mast lights in Boitumelong. They did not connect it due to non payment by Municipality. Municipality entered into a payment agreement but at some point defaulted. Currently, we are working at finalising the total amount outstanding, so that a proposal be tabled as to how it will be paid and that they complete the installation so that the light be functional. A settlement proposal has been submitted and we are awaiting a response				
7. Russia Langa attorneys // Lekwa- Teemane Local Municipality	703 817	-	703 817	-
The attorney represented us in the VEC Electrical matter and was lackadaisical and negligent in dealing with the matter as the appeal that he noted lapsed. He then invoiced the Municipality for R650 000 as work done. He did not even submit a breakdown of the figures, despite being requested to do so. He then is suing us. We have filed our notice to oppose				

# Lekwa Teemane Local Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>50. Contingencies (continued)</b>				
8. HWC van Zyl v Lekwa-Teemane Local Municipality	161 000	-	161 000	-
Plaintiff served us with summonses alleging that she incurred damages of R161000,00 when her vehicle collided with another one after ewerving to avoid a pothole. The claim is vague as it lacks fundamental information: where did the accident occur, there is no evidence attached of the alleged pothole, no police report. A memo was submitted that the matter be defended. Matter defended and they have not advanced the matter since we filed our opposing papers				
Lekwa- Teemane Local Municipality/ / MohaumulutsiCivils Ref: MrKgomo/ BK. L0008/ CIV	-	77 804	-	77 804
Lekwa- Teemane Local Municipality // Mochobo Executive Guard Ref: MrKgomo/ KA. L00016/ CIV	-	3 658 706	-	3 658 706
Lekwa- Teemane Local Municipality/ / Robbyn Boerdery Ref: Mr Kgomo/KA. L0002/ CIV	-	124 650	-	124 650
DDP Valuers (PTY)LTD	-	532 964	-	532 964
	<b>10 133 663</b>	<b>189 281 060</b>	<b>10 133 663</b>	<b>189 281 060</b>

## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 51. Related parties

##### Relationships

Controlled Agency

Lekwa Teemane Development Agency

##### Related party balances

##### Investments in controlled entities

Lekwa Teemane Development Agency	20 100	20 100
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##### Related party transactions

##### Administration fees paid to on behalf of the Agency

Lekwa Teemane Development Agency (Pty) Ltd	1 860 000	1 765 000
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##### Key management information

Class	Description	Number
Municipal Manager Until April 2024	Mrs BS Qunqisa	1
Mayoral committee	Refer below/mayoral committee on general information	3
Municipal Manager (Effective May until June 2024)	Mr. KJ Leseisane	1
Mayor	S.M Mothlabi	1
Councillors	Refer below/mayoral committee on general information	14

##### Remuneration of management

## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand

#### 51. Related parties (continued)

##### Management class: Councillors

2024

Name	Basic salary	Backpay	Cellphone allowance	Internet allowance	Total
Mayor	906 340	51 422	42 200	3 719	1 003 681
Speaker	725 073	41 875	42 200	3 719	812 867
Chief Whip	347 131	23 661	38 600	3 402	412 794
MMC	861 403	81 492	84 400	7 438	1 034 733
Other Councillors and MPAC	3 807 885	-	-	-	3 807 885
	<b>6 647 832</b>	<b>198 450</b>	<b>207 400</b>	<b>18 278</b>	<b>7 071 960</b>

2023

Name	Basic salary	Cellphone Allowance	Internet Allowance	Total
Mayor	901 750	40 800	3 600	946 150
Speaker	724 988	40 800	3 600	769 388
MMC	2 080 047	163 200	14 400	2 257 647
Other Councillors	2 206 039	326 400	28 800	3 053 627
	<b>5 912 824</b>	<b>571 200</b>	<b>50 400</b>	<b>7 026 812</b>

## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand

#### 51. Related parties (continued)

##### Management class: Executive management

##### 2024

Name	Basic Salary	Telephone Allowances	3G Cards	Car Allowance	S&T	Contributions to UIF, Pension, Mdical	Acting Allowance	Housing Allowance	Total
Gunqisa BS	479 455	12 000	3 600	190 000	22 873	73 127	35 751	-	816 806
Leseisane KJ	666 648	12 000	3 600	222 865	23 447	-	24 848	-	953 408
Duba MZ	576 653	12 000	3 600	108 087	102 522	126 100	-	-	928 962
Moseki T	759 982	7 200	3 600	212 000	7 031	708	11 865	5 332	1 007 718
Sparks JB	48 625	40 800	3 600	-	27 437	-	-	-	120 462
Miss Marian Chitima	606 074	-	-	40 068	-	-	-	-	646 142
	<b>3 137 437</b>	<b>84 000</b>	<b>18 000</b>	<b>773 020</b>	<b>183 310</b>	<b>199 935</b>	<b>72 464</b>	<b>5 332</b>	<b>4 473 498</b>

##### 2023

Name	Basic salary	Telephone Allowances	Car Allowance	Post-employment benefits	Acting	Bonus and performance related payments	Total
Forane KT	-	25 900	52 500	-	14 769	-	93 169
Mbonani N	175 420	-	-	10 411	-	96 392	282 223
Laastele B	-	40 700	-	-	7 984	-	48 684
Lesie MS	-	14 800	-	-	8 176	-	22 976
Moseki TC	-	-	-	-	14 883	-	14 883
Mr. Khotso Sekhobo (Chairman)	43 733	14 957	-	-	-	-	58 690
Mr. Fabian Maseng	37 445	-	-	-	-	-	37 445
Mr. Sparks (Interim Programme Manager)	37 445	-	-	-	-	-	37 445
Miss Marian Chitima	585 880	46 594	-	-	-	-	632 474
Ms Unathi Mbeki	31 200	-	-	-	-	-	31 200

# Lekwa Teemane Local Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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### 51. Related parties (continued)

911 123	142 951	52 500	10 411	45 812	96 392	1 259 189
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### 52. Prior Period Error Note

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

## Lekwa Teemane Local Municipality

(Registration number NW396)

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>52. Prior Period Error Note (continued)</b>				
<b>Controlling entity - 2023</b>				
	As previously reported	Correction of error	Re-classification	Restated
Inventories	1 146 926	-	-	1 146 926
Investments	45 980	-	-	45 980
Receivables from exchange transaction	12 724 100	(26 393 941)	147 102 671	133 432 830
Receivables from non-exchange transactions	62 637 399	(5 518 478)	-	68 416 600
VAT Receivables	10 974 596	14 093 499	-	25 068 095
Consumer debtors	143 423 203	-	(143 423 203)	-
Long-term debtors	3 679 468	-	(3 679 468)	-
Cash and cash equivalents	20 935 267	-	-	20 935 267
Investment property	461 937 555	807 411	-	462 744 966
Property, plant and equipment	320 510 255	320 510	-	321 273 394
Intangible assets	460 820	(286 332)	-	174 488
Heriatge assets	170 000	-	-	170 000
Investments in controlled entities	20 100	-	-	20 100
Finance lease liabilities	(5 033 789)	-	5 033 789	-
Payable from exchange transactions	(753 977 202)	(13 441 854)	(6 672 345)	(774 091 401)
Consumer deposits	(1 737 352)	-	-	(1 737 352)
Employee benefit obligation	(24 487 284)	-	-	(24 487 284)
Unspent conditional grants and receipts	(26 660 883)	9 535 000	-	(17 125 883)
Other financial liabilities	(10 682 494)	(370 719)	-	(11 053 213)
Financial liabilities	(16 465 204)	(1 858 540)	-	(18 323 744)
Provisions	(16 353 371)	-	1 638 556	(14 714 805)
Accumulated surplus	(183 268 090)	(5 875 989)	-	(189 144 079)
Other receivables - Prepaid Electricity	-	17 249 118	-	17 249 118
	-	<b>(11 740 315)</b>	-	<b>3</b>

#### Statement of financial performance

## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>52. Prior Period Error Note (continued)</b>				
<b>Controlling entity - 2023</b>				
	As previously reported	Correction of error	Re-classification	Restated
Service charges - Electricity	87 633 959	(2 008 611)	-	85 625 348
Service charges - Water	16 437 969	(90 000)	-	16 347 969
Service charges - Waste Management	12 203 467	-	-	12 203 467
Service charges - Sewerage and sanitation	15 566 652	-	-	15 566 652
Sale of Goods	299 376	-	77 862	377 238
Renewing of services	77 862	-	(77 862)	-
Rental of facilities and equipment	22 642	-	-	22 642
Agency services	2 523 762	-	-	2 523 762
Licence and permits	710 232	-	-	710 232
Operational income	966 160	-	-	966 160
Interest earned from receivables	340 371	-	-	340 371
Interest earned on investment	53 650 581	196 516	-	54 187 468
Property rates	35 575 862	-	-	35 575 863
Property rates - interest	35 691 629	(536 886)	-	35 154 743
Government grants & subsidies	99 560 372	5 514 000	-	105 074 372
Traffic fines	658 217	-	-	658 217
Actuarial gains	5 997 107	-	-	5 997 107
Fair value adjustments	13 347 579	-	-	13 347 579
Employee related costs	(76 990 363)	1 079 623	-	(75 910 740)
Remuneration of councillors	(7 026 812)	-	-	(7 026 812)
Depreciation and amortisation	(25 052 702)	233 838	-	(24 818 864)
Impairment losses	(302 883)	-	-	(302 883)
Finance costs	(44 610 744)	(3 776 176)	-	(48 386 920)
Debt impairment	(75 814 300)	-	-	(75 814 300)
Bulk purchases	(75 475 552)	-	-	(75 475 552)
Contracted services	(29 787 890)	(76 446)	-	(29 864 336)
Loss on disposal of assets	(504 308)	387 865	-	(116 443)
Inventory consumed	(1 542 307)	-	-	(1 542 307)
Operational costs	(25 965 584)	657 213	1 040 000	(25 309 371)
Transfers and subsidies	-	-	(1 040 000)	(1 040 000)
<b>Surplus for the year</b>	<b>18 190 354</b>	<b>1 580 936</b>	<b>-</b>	<b>19 070 662</b>

#### Errors

# Lekwa Teemane Local Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 52. Prior Period Error Note (continued)

#### **Prior year errors**

**During the current year, it was identified that the municipality did not reduce unspent conditional grant liability that was revert back to National treasury against equitable share grant, Instead the amount was incorrectly reduced from equitable share grant revenue resulting in overstatement of unspent conditional grant liability and understatement of grant and**

Decrease in unspent conditional grant		9,535,000.00
Increase in Accumulated surplus	-	4,021,000.00
Increase in revenue	-	5,514,000.00

**During the current year, it was identified that the Municipality incurred significant cash deficit from the money collected on behalf of North West department of road and transport in terms of principal agent relationship between two parties .A liability was not recognised in the books of the Municipality for the cash that was not paid to the department. Subsequently**

General expenses (losses due to cash deficit)		970,585.32
Decrease in accumulated surplus		5,186,623.68
Decrease in receivables from exchange transactions (6 438 387-281178)	-	6,157,209.00

**IT was discovered that the debtors with credit balance reported in the prior year was incorrectly stated in the Annual financial statement because of the following :**

**(a) Incorrect journal was processed against consumer receivables and debtors with credit balance in the prior year. This was as a results of indigent customers receiving more relief than the amount of revenue billed.The opeing balance of indigent debtors with credit balance in 2022/23FY was R 1 716 662 and increased by R1 396 036.85 during the year , hence the**

Decrease Trade payables from exchange transactions(debtors with credit balance)		1,305,826.68
Service Charges (3 112 699-1 716 662)	-	1,396,036.85
Decrease in accumulated surplus (3112699-1305827-1 716 662)		90,210.17

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 52. Prior Period Error Note (continued)

During the current year it was identified that the municipality did not calculate and accrue interest on financial liability in line with the signed agreement

Increase in finance cost				1,858,540.00
Increase in financial liabilities			-	1,858,540.00

During the current year it was identified that receivables from Cigicell was fully impaired in 2023 financial year even though Municipality owes Cigicell amount that is more than the receivable. The amount receivable may be recovered against the liability to Cigicell

Increase in other receivables-Prepaid electricity Cigicell				17,249,118.00
Decrease in Debt impairment			-	17,249,118.00

During the current year, it was identified that sale of goods was overstated by mapping the cash and cash equivalents account in revenue

Decrease in sale of goods				9,228.00
Increase in in accumulated surplus			-	9,228.00

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 52. Prior Period Error Note (continued)

##### During the current year it was identified that provision for doubtful debts was not correctly calculated

Increase in debt impairment		25,948,123.16
Decrease in receivables from exchange transactions decrease in debtors from property rates	-	7,696,257.13
Decrease in receivables from exchange transactions - Electricity	-	5,650,920.72
Decrease in receivables from exchange transactions - Water	-	5,442,228.35
Decrease in receivables from exchange transactions - Sanitation	-	3,941,786.16
Decrease in receivables from exchange transactions - Refuse	-	3,044,963.59
Decrease in receivables from exchange transactions - Sundry	-	171,967.20

##### During the current year, it was identified that consumer debtors balance was not included in receivables from exchange transactions

Consumer debtors	-	143,423,203.00
Receivables from exchange transactions		143,423,203.00

##### During the current year, it was noted that indigent write-offs were duplicated and this resulted in an understatement of

Decrease in debtors with credit balance		3,112,699.45
Increase in sale of electricity	-	715,271.28
Increase in sale of water	-	637,512.01
Increase in revenue from waste management	-	361,531.47
Increase in revenue from sewage and sanitation charges	-	468,143.12
Increase in revenue from property rates	-	930,241.57

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 52. Prior Period Error Note (continued)

##### Reclassifications

Due to 2023/2024 amendments to MSCOA - Presentation of Financial Statements, the entity changed its terminology of "General Expenses " to "Operational costs", "Other income" to "Operational revenue". This amendment became effective for periods beginning on or after 1 July 2023.

The following reclassifications adjustment occurred:

1. Transfers to Development Agency of R 1 040 000 were incorrectly classified as Operational costs in order to comply with the MSCOA presentation.

2. Accrued Bonus were incorrectly classified as Provision. The classification as Provisions were not correct as the municipality's leave policy allows employees to a leave cash payout when they resign. The accrued bonus have been reclassified into Payables from exchange transactions.

##### Segment Reporting

[Segment reporting previously reports, included non reporting segment such as governance.

#### 55. Segment information (continued)

##### Segment surplus or deficit, assets and liabilities

2023

	Governance and administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Unallocated	Total
<b>Revenue</b>						
Revenue from exchange transactions	20 610 222	100 504	3 892 211	131 752 047	-	156 354 984
Revenue from non-exchange transactions	54 690 000	44 870 372	-	35 575 862	-	135 136 234
Interest income	340 371	-	-	89 342 210	-	89 682 581
<b>Total segment revenue</b>	<b>75 640 593</b>	<b>44 970 876</b>	<b>3 892 211</b>	<b>256 670 119</b>	<b>-</b>	<b>381 173 799</b>
<b>Entity's revenue</b>						<b>381 173 799</b>
<b>Expenditure</b>						
Total Segment expenditure	83 686 803	19 742 477	3 409 972	75 475 552	79 588 756	261 903 560
Depreciation and Amortization	-	25 052 702	-	-	-	25 052 702
Impairment loss on assets	-	302 883	-	-	-	302 883
Debt Impairment	-	-	-	58 565 181	-	58 565 181
<b>Total segment expenditure</b>	<b>83 686 803</b>	<b>45 098 062</b>	<b>3 409 972</b>	<b>134 040 733</b>	<b>79 588 756</b>	<b>345 824 326</b>
<b>Total segmental surplus/(deficit)</b>						<b>35 349 473</b>

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##### Prior year segment reporting

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		Total	
	2024	2023	2024	2023		
<b>52. Prior Period Error Note (continued)</b>						
<b>55. Segment information (continued)</b>						
<b>Segment surplus or deficit, assets and liabilities</b>						
<b>2023</b>						
	Governance and administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Unallocated	Total
<b>Revenue</b>						
Revenue from exchange transactions	20 610 222	100 504	3 892 211	131 752 047	-	156 354 984
Revenue from non-exchange transactions	54 690 000	44 870 372	-	35 575 862	-	135 136 234
Interest income	340 371	-	-	89 342 210	-	89 682 581
<b>Total segment revenue</b>	<b>75 640 593</b>	<b>44 970 876</b>	<b>3 892 211</b>	<b>256 670 119</b>	<b>-</b>	<b>381 173 799</b>
<b>Entity's revenue</b>						<b>381 173 799</b>
<b>Expenditure</b>						
Total Segment expenditure	83 686 803	19 742 477	3 409 972	75 475 552	79 588 756	261 903 560
Depreciation and Amortization	-	25 052 702	-	-	-	25 052 702
Impairment loss on assets	-	302 883	-	-	-	302 883
Debt Impairment	-	-	-	58 565 181	-	58 565 181
<b>Total segment expenditure</b>	<b>83 686 803</b>	<b>45 098 062</b>	<b>3 409 972</b>	<b>134 040 733</b>	<b>79 588 756</b>	<b>345 824 326</b>
<b>Total segmental surplus/(deficit)</b>						<b>35 349 473</b>

#### Fruitless and wasteful expenditure

There was an omission of fruitless and wasteful balance emanating from prior year resulting in the understatement of the opening balance by R40,073,977 in the prior year (2023). Updated fruitless register shows that it should have been reported as R112,654,870

#### Fruitless and wasteful expenditure

Opening balance as previously reported	111 391 101	72 580 969	111 314 738	72 580 893
Add: Fruitless and wasteful expenditure identified - current	46 399 081	38 733 845	46 369 817	38 733 845
Less: Amount written-off by council	(111 314 738)	-	(111 314 738)	-
Less: Amount written off - current	(46 369 817)	-	(46 369 817)	-
	<b>105 627</b>	<b>111 314 814</b>	<b>-</b>	<b>111 314 738</b>

## Lekwa Teemane Local Municipality

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### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 53. Risk management

##### Financial risk management

##### Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

##### Controlling entity

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	10 682 494	-	-	-
Financial Liabilities	16 465 204	-	-	-
Trade and other payables	897 958 674	-	-	-
At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	9 710 561	-	-	-
Financial Liabilities	16 305 896	-	-	-
Trade and other payables	722 655 695	-	-	-

##### Credit risk

Financial instruments	-	-	-	-
Financial assets				
Investments - Sanlam shares	63 749	45 980	63 749	45 980
Investments in controlled entities	-	-	20 100	20 100
Trade and other receivables from exchange transactions	3 904 660	12 724 100	3 904 660	12 724 100
Receivables from non-exchange transactions	2 553 919	62 637 399	2 553 919	62 637 399
Consumer debtors	220 940 207	143 423 203	220 940 207	143 423 203
Cash and Cash Equivalents	5 505 004	20 935 267	5 505 004	20 935 267
	-	-	-	20 100
Financial liabilities	23 529 665	19 518 085	20 476 784	16 465 204
Other financial liabilities	12 583 875	10 682 949	12 583 875	10 682 949

Cash and cash equivalents: A significant amount of cash is held with FNB, who are the municipality's main bankers.

#### 54. Events after the reporting date

Council wrote off unauthorised, fruitless, and irregular expenditure after 30 June 2024. This is an adjusting event since balances were that existed at year end were written-off before the AFS are authorised for issue.

Unauthorised expenditure balance was reduced by R744,526,455 resulting a closing balance of R354,729,514.

Irregular expenditure balance was reduced by R11,646,085 resulting in closing balance of R251,485,585

Fruitless and wasteful balance was reduced by R197,758,532 resulting in closing balance of R105,627.

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<b>55. Unauthorised expenditure</b>				
Opening balance as previously reported	905 076 392	775 808 082	905 076 392	775 808 082
Add: Unauthorised expenditure - current	194 179 577	129 268 310	194 179 577	129 268 310
Less: Amount written-off by council	(744 526 455)	-	(744 526 455)	-
<b>Closing balance</b>	<b>354 729 514</b>	<b>905 076 392</b>	<b>354 729 514</b>	<b>905 076 392</b>
<b>56. Fruitless and wasteful expenditure</b>				
Opening balance as previously reported	111 391 101	72 657 256	111 314 738	72 580 893
Add: Fruitless and wasteful expenditure identified - current	46 399 081	38 733 845	46 369 817	38 733 845
Less: Amount written-off by council	(111 314 738)	-	(111 314 738)	-
Less: Amount written off - current	(46 369 817)	-	(46 369 817)	-
<b>Closing balance</b>	<b>105 627</b>	<b>111 391 101</b>	<b>-</b>	<b>111 314 738</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

Total Fruitless & Wasteful Expenditure for the year ended 30 June 2024 R 0

Based on the work performed, Fruitless and wasteful expenditure are accurate and complete.

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#### 56. Fruitless and wasteful expenditure (continued)

##### Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R157,684,555 - from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

#### 57. Irregular expenditure

Opening balance as previously reported	251 492 786	202 297 403	243 573 971	196 371 603
Add: Irregular expenditure - current	-	17 025 187	-	15 032 172
Add: Irregular expenditure - correction of prior period error	-	32 170 196	-	32 170 196
Add: Irregular expenditure - current	11 638 886	-	9 614 798	-
Less: Amount written-off by council	(11 646 085)	-	(11 646 085)	-
<b>Closing balance</b>	<b>251 485 587</b>	<b>251 492 786</b>	<b>241 542 684</b>	<b>243 573 971</b>

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		Economic entity		Controlling entity	
Figures in Rand		2024	2023	2024	2023
<b>57. Irregular expenditure (continued)</b>					
<b>Incidents/cases identified/reported in the current year include those listed below:</b>					
	<b>Disciplinary steps taken/criminal proceedings</b>				
Overvaal Motors	No Contract/SLA and Not registered on CSD	-	-	1 294 111	1 189 504
H2 Enterprise	No Contract/SLA and Not registered on CSD	-	-	124 788	150 696
Execl Topstop T/A Dessert General Trading	No Contract/SLA and Not registered on CSD	-	-	-	903 808
Setshabelo Trading 720 BK	No Contract/SLA and Not registered on CSD	-	-	-	-
A J ingenieurswerke	Not registered on csd	-	-	-	83 605
Mofato Enterprise ( Pty) Ltd	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	-
TSU transportation spares	deviation memo attached but Not Registered on CSD	-	-	-	117 287
Hydraulic 2000cc	1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	-
Grace Funeral Parlour	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	-
Park Boulevard two T/A Trevors	1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	3 660
Wheels & Tyre (Pty)Ltd	3 quotations sourced out for more than 30 000.00	-	-	-	7 800
Nonki C Travels	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	-
ST Naledi Funerals CC	Car Rental, No contact or SLA	-	-	-	161 241
Thabethe & Co	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	-
Oageng funeral services	Exceptional case where it is impractical to follow SCM process	-	-	-	17 906
Oranje Toyota Klerksdorp	Evaluation and adjudication criteria applied in evaluating and adjudicating the bids are the same as those indicated in the original bid documentations.	-	-	5 014 827	4 398 317
Sempro Consulting (Pty) Ltd	The winning bidder's account for municipal rates and taxes and municipal service charges were not in arrears for more than 3 months at the time of awarding the contract.	-	-	-	-
Mojalefa phoofolo funeral home		-	-	-	-

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Figures in Rand	Economic entity.		Controlling entity		
	2024	2023	2024	2023	
<b>57. Irregular expenditure (continued)</b>					
Rekathusa funeral Ganyesa Ltd for (Building Works)	Evaluation and adjudication criteria applied in evaluating and adjudicating the bids are the same as those indicated in the original bid documentations.	-	-	-	-
Velezwine pty ltd	The winning bidder's account for municipal rates and taxes and municipal service charges were not in arrears for more than 3 months at the time of awarding the contract.	-	-	355 108	676 321
Gaberton investment (pty) ltd	SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	-	143 673
Harry Tours Logistics (Pty) Ltd for (Building Works)	Evaluation and adjudication criteria applied in evaluating and adjudicating the bids are the same as those indicated in the original bid documentations.	-	-	15 640	62 248
Pule Pilane Trading and Projects (Pty) Ltd	The winning bidder's account for municipal rates and taxes and municipal	-	-	-	-
Basadzi Personnel and Media (Pty) Ltd	The winning bidder's account for municipal rates and taxes and municipal	-	-	-	-
De Swardt Vogel Myambo Kgomo Attorneys Inc	SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	78 942	210 253
Gaberton Investment (Pty)Ltd	contracts advertised for less than 30 days	-	-	339 849	1 343 689
Lokomotiv (Pty) Ltd	SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	243 132	929 754
Engineering Aces Consulting Engineers	The winning bidder's account for municipal rates and taxes and municipal service charges were not in arrears for more than 3 months at the time of awarding the contract.	-	-	-	-
Hinterland Holdings ( Pty) Ltd	SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	178 169	28 350
Ikgo Logistics ( PTY) LTD	SCM tender processes not followed	-	-	1 869 129	65 659
Matlosana books & Stationery MEG Security	SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	-	-
Kamata Promotions	SCM tender processes not followed	-	-	-	-
	SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	-	1 600 000
	3 quotations sourced out for more than 30 000.00	-	-	-	37 836

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	2024	2023	2024	2023
<b>57. Irregular expenditure (continued)</b>				
KTL HSE CONSULTING				
SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	-	347 133
Dintle catering transport				
SCM processes were not followed - the suppliers is not having a Contract/	-	-	-	170 156
SLA and not registered on CSD	-	-	-	-
Construction & projects				
Tlhabollo consulting and service pty ltd				
SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	-	797 705
Samm and victoria houlding 77 (pty) ltd				
SCM processes were not followed - the suppliers is not having a Contract/ SLA and not registered on CSD	-	-	101 102	1 141 371
Puthadichaba funeral service				
Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	-	-	-	2 500
	-	-	<b>9 614 797</b>	<b>15 032 072</b>

#### Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of -R11,646,085 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

#### 58. Additional disclosure in terms of Municipal Finance Management Act

##### SALGA Contributions

Opening balance	388 075	-	388 075	-
Current year subscription / fee	940 976	862 386	940 976	862 386
Current year fees	23 648	-	23 648	-
Amount paid - current year	(888 075)	(474 311)	(888 075)	(474 311)
	<b>464 624</b>	<b>388 075</b>	<b>464 624</b>	<b>388 075</b>

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<b>58. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>				
<b>Audit fees</b>				
Opening balance	5 973 067	857 225	5 973 067	857 225
Current year subscription / fee	8 097 502	9 015 842	8 097 502	9 015 842
Amount paid - current year	(2 650 000)	(3 900 000)	(2 650 000)	(3 900 000)
	<b>11 420 569</b>	<b>5 973 067</b>	<b>11 420 569</b>	<b>5 973 067</b>
<b>PAYE and UIF</b>				
Opening balance	7 307 621	16 660 960	7 307 621	16 660 960
Current year subscription / fee	16 342 246	13 481 144	16 342 246	13 481 144
Amount paid - current year	(15 252 032)	(22 834 483)	(15 252 032)	(22 834 483)
	<b>8 397 835</b>	<b>7 307 621</b>	<b>8 397 835</b>	<b>7 307 621</b>
<b>Pension and Medical Aid Deductions</b>				
Opening balance	8 074 538	4 435 775	8 074 538	4 435 775
Current year subscription / fee	20 787 442	20 241 365	20 787 442	20 241 365
Amount paid - current year	(14 296 120)	(16 602 602)	(14 296 120)	(16 602 602)
	<b>14 565 860</b>	<b>8 074 538</b>	<b>14 565 860</b>	<b>8 074 538</b>
<b>VAT</b>				
VAT receivables	(6 261 108)	(12 486 594)	(6 300 653)	(12 519 045)

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	2024	2023	2024	2023

### 58. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Pilane	6 614	149 451	156 065
Cllr. Dabampe	4 045	55 057	59 102
Cllr. Duiker	4 044	12 596	16 640
Cllr. Setsetse	3 348	14 794	18 142
Cllr Seneke	2 936	12 808	15 744
Cllr. Komane	2 507	13 211	15 718
Cllr Nel	8 342	83 366	91 708
Cllr. Hossian	2 925	15 325	18 250
Cllr. Motlhabi	3 187	14 549	17 736
Cllr Adams	9 294	176 298	185 592
Cllr. Greber	837	-	837
Cllr. Legabe	6 995	129 093	136 088
	<b>55 074</b>	<b>676 548</b>	<b>731 622</b>

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Pilane	7 573	130 969	138 542
Cllr. Dabampe	4 711	43 270	47 981
Cllr. Duiker	3 691	10 205	13 896
Cllr. Setsetse	2 833	5 092	7 925
Cllr. Setsetse	2 664	4 219	6 883
Cllr Seneke	3 312	4 630	7 942
Cllr. Komane	15 239	52 472	67 711
Cllr. Nel	4 961	3 038	7 999
Cllr. Letebele	3 137	5 550	8 687
Cllr. Adams	10 623	161 684	172 307
Cllr. Greber	2 489	-	2 489
Cllr. Legabe	8 066	115 212	123 278
	<b>69 299</b>	<b>536 341</b>	<b>605 640</b>

### 59. Deviation from supply chain management regulations

Category				
Deviations less than R 200 000	3 633 078	3 629 408	3 633 078	3 629 408
Purchase of capital assets	276 124	-	276 124	-
Repairs and maintenance of Infrastructure	490 170	-	490 170	-
Repairs and maintenance of other fixed assets	556 369	593 397	556 369	593 397
Rental of fixed asset	618 208	1 000 000	618 208	1 000 000
Extension of contracts	890 100	-	890 100	-
	<b>6 464 049</b>	<b>5 222 805</b>	<b>6 464 049</b>	<b>5 222 805</b>

### 60. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

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	2024	2023	2024	2023

### 60. Accounting by principals and agents (continued)

**Details of the arrangement are as follows:**

The municipality has an agreement with the North West Department of Transport in which the municipality administer the licensing and the registration functions on behalf of the department of transport

The municipality receives an agency fees of 20% of the funds received on behalf of the department after the transaction fees as a compensation for the services carried out on behalf of the department. Any resulting differences is paid over to the department. There has not been any changes to the arrangement in the current year. Should the municipality fails to pay over the monies collected, the department will raise a liability as a result of non-payment.

The municipality also has an agreement with Contour wherein Contour sell electricity on behalf of the municipality and charge the municipality a commission of 2.3%.

#### Entity as agent

#### Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 3 233 994 (2023: 3 205 154).

#### Additional information

#### Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories	Additional details
Agency fees	fees received by the municipality for rendering administrative functions on behalf of North West Department of Transport.

Category(ies) of expenses paid or accrued on behalf of the principal, are:

Amount of revenue received on behalf of the principal during the reporting period

Amount of revenue to be received on behalf of the principal during the reporting period

Amount of expenses paid on behalf of the principal during the reporting period

Amount of expenses accrued on behalf of the principal during the reporting period

#### Entity as principal

The resources have been recognised/have not been recognised by the agent in its financial statements.

#### Fee paid

Fee paid as compensation to the agent	-	-	403 735	31 309
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### 61. Budget differences

#### Material differences between budget and actual amounts

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### 61. Budget differences (continued)

Statement of comparison of budget and actual amounts explanations

**PART A - material variances between budget and actual amounts were disclosed as required by paragraph 12(c) of Grap 24**

#### Financial Performance

**Service Charges (Electricity)** - The conversion of conventional meters to prepaid has reduced the sales of electricity which impacted on the budgeted sales. This was not considered by the municipality when budgeting for the revenue.

**Service Charges (Water)** – Prior year figures and trends was used to budget for water, however, the actuals were indicative of higher collections has the amount was adjusted a little bit high during the adjustment budget.

**Rental of facilities and equipment** - Budget was forecasted using prior year actuals increased by the CPI. Rental is based on the demand for facilities from residents within the municipal area therefore the demand was high and resulted in a higher revenue collection than the forecasted budget.

**License and Permits** - The municipality did not budget for license and permits income because of the lack of system that manages the process.

**Interest received** – Payment by customers of outstanding debts for services rendered is slow, resulting in high outstanding debts and interest is charged on overdue accounts.

**Property Rates** - Payment by customers of outstanding debts for services rendered is slow, resulting in high outstanding debts and interest is charged on overdue accounts

**Traffic Fines** - The item's budget was low and based on previous year trend plus CPI.

Government grants- Operational - The grants are based on the DORA allocations. The difference is made by capital grants.

Fair Value adjustment - The fair value adjustment is from the remeasurement of the investment property that was not budgeted for.

**Finance costs** - The also the interest charges on concessionary loan and interest on overdue accounts was not considered during the budget preparations.

**Debt impairment** - The increase is attributable to the increase in the additional impairment from provision for bad debt

Depreciation and Amortisation - The increase is attributable to the increase in the capital expenditure than budgeted.

**Loss on disposal of assets** - This is attributable to a write off assets that were not budgeted by the municipality.

Impairment loss – budget was not allocated for the provision of impairment loss.

**Bulk purchases** - At the budget adjustment date there was little movement in the account resulting the budget was not adjusted and we could not reliably estimate how much is needed as most of the invoices were not yet submitted to finance by Eskom. Bulk of transactions were posted after adjustment budget was approved which caused the overspending. Contracted services - main contributor to the overspending is legal fees. The account was spending in line with the budget at the adjustment period hence the slight adjustment. Invoices which contributed to the overspending were posted after the adjustment period.

**Inventory consumed**– The consumables at year end were higher than the budgeted quantity, the municipality did not make provision for water inventory hence the significant difference.

**Operational costs** – In general the municipality's budget is not funded hence a huge deficit.

#### Financial Position

Inventories – The consumables at year end were higher than the budgeted quantity.

Investments – The item was budgeted by the municipality, however removed during adjustment budget based on trends.

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### 61. Budget differences (continued)

**Receivable from exchange transactions** – The difference is due to low budget on other receivables, no budget for licences and interest on receivables, which is charged on overdue accounts.

Receivable from non-exchange transactions – The balance relates to the Rates accounts that were budgeted under consumer debtors.

VAT receivables – VAT receivable was budgeted for based on trend

Long-term Debtors – Long-term debtors is low due to some amounts being irrecoverable from the debtors.

Cash and cash equivalents – The closing balance is higher because of the receipt of the equitable share.

Investment property – The valuations of the investment properties were very higher than the actual valuations performed by the valuers of the investment properties at year end.

Property, Plant and Equipment – The additions and the transfers from the completed projects were budgeted to be lower than the actuals.

Other receivables-Prepaid Electricity Cigicell – The CIGICELL debt owed to the municipality is not budgeted due to the disputes that are currently going between the municipality and CIGICELL.

Long term debtors – The number of debtors that entered into payment arrangement with the municipality was significantly lower than budgeted. This is due to the dire economic conditions faced by the customers.

Finance lease obligation – This is a new lease on the IT and printing equipment that was entered into after the budget period.

Trade and Other Payables – The amount owed to the department of water and sanitation was significantly understated during the budgeting process. Hence the significant difference.

Employee benefit obligation – The amount of the employee benefits obligations is only calculated at year end by the actuaries, hence it was not budgeted for.

Unspent conditional grants and receipts - The grant are based on the DORA allocations and at the time of the budgets, the amount of unspent and spent grant could not be established.

Other financial liabilities – The Dr Ruth Mompoti loan has not been repaid over the years and hence it's repayment was not budgeted for.

Financial liabilities - The CIGICELL concessionary loan owed by the municipality is not budgeted due to the disputes that are currently going between the municipality and CIGICELL.

Provisions – The provision for environmental rehabilitation and leave provision was budgeted lower than the actual provision calculated by the environmental experts.

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### 61. Budget differences (continued)

### 62. Segment information

#### General information

#### Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Community and Public Safety, Trading Services.

The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes..

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources.

The disclosure of information about these segments is also considered appropriate for external reporting purposes.

#### Aggregated segments

The municipality operates in the North West Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout North West were sufficiently similar to warrant aggregation.

#### Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

#### Reportable segment

Trading Services

Community and Public Safety

#### Goods and/or services

Water and electricity supply, waste management, sanitation and waste management

Community and social services, sport and recreation, public safety and health

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Figures in Rand

#### 62. Consumer deposits (continued)

##### Segment surplus or deficit, assets and liabilities

2024

	Community and Public Safety	Trading Services	Non reporting Segments	Total
<b>Revenue</b>				
Revenue from exchange transactions	66 009 423	132 518 919	1 979 362	200 507 704
Revenue from non-exchange transactions	52 941 105	15 714 000	101 286 012	169 941 117
Interest on investment	-	-	20 466 118	20 466 118
Interest on receivables	23 926 979	42 427 408	-	66 354 387
<b>Total segment revenue</b>	<b>142 877 507</b>	<b>190 660 327</b>	<b>123 731 492</b>	<b>457 269 326</b>
<b>Entity's revenue</b>				<b>457 269 326</b>
<b>Expenditure</b>				
Total Segment expenditure	15 857 531	105 863 536	106 853 207	228 574 274
Depreciation and Amortisation	-	-	24 181 157	24 181 157
Interest expense	-	35 791 641	-	35 791 641
Debt Impairment	-	148 078 417	-	148 078 417
<b>Total segment expenditure</b>	<b>15 857 531</b>	<b>289 733 594</b>	<b>131 034 364</b>	<b>436 625 489</b>
<b>Total segmental surplus/(deficit)</b>	<b>127 019 976</b>	<b>(99 073 267)</b>	<b>(7 302 872)</b>	<b>20 643 837</b>
<b>Assets</b>				
Segment assets	1 246 129	121 997 382	3 574 674 393	3 697 917 904
<b>Total assets as per Statement of financial Position</b>				<b>3 697 917 904</b>
<b>Liabilities</b>				
Segment liabilities	1 476 253 129	3 219 000	1 479 472 129	2 958 944 258
<b>Total liabilities as per Statement of financial Position</b>				<b>2 958 944 258</b>

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#### 62. Consumer deposits (continued)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

#### Controlling entity - 2023

	Community and Public safety	Trading Services	Non Reporting Segment	Total
<b>Revenue</b>				
Revenue from non-exchange transactions	47 719 666	11 632 666	91 272 706	150 625 038
Revenue from exchange transactions	60 012 826	114 472 389	1 596 718	176 081 933
Interest on investments	-	-	35 495 114	35 495 114
Interest on receivables	20 751 435	33 436 032	-	54 187 467
<b>Total segment revenue</b>	<b>128 483 927</b>	<b>159 541 087</b>	<b>128 364 538</b>	<b>416 389 552</b>
<b>Entity's revenue</b>				<b>416 389 552</b>
<b>Expenditure</b>				
Segment Expenditure	15 481 844	104 158 732	103 958 310	223 598 886
Interest expenses	-	48 386 920	-	48 386 920
Depreciation and Amortisation	-	-	17 657 735	17 657 735
Debt Impairment	-	101 762 423	-	101 762 423
<b>Total segment expenditure</b>	<b>15 481 844</b>	<b>254 308 075</b>	<b>121 616 045</b>	<b>391 405 964</b>
<b>Total segmental surplus/(deficit)</b>	<b>113 002 083</b>	<b>(94 766 988)</b>	<b>6 748 493</b>	<b>24 983 588</b>
<b>Assets</b>				
Segment assets	462 744 966	77 986 533	2 580 456 842	3 121 188 341
<b>Total assets as per Statement of financial Position</b>				<b>3 121 188 341</b>
<b>Liabilities</b>				
Segment liabilities	-	36 658 560	1 162 504 848	1 199 163 408
<b>Total liabilities as per Statement of financial Position</b>				<b>1 199 163 408</b>

## **Lekwa Teemane Local Municipality**

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

### **Notes to the Consolidated Annual Financial Statements**

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Figures in Rand

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#### **62. Consumer deposits (continued)**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

## Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>63. Finance lease obligation</b>				
<b>Minimum lease payments due</b>				
- within one year	2 613 820	2 613 820	2 613 820	2 613 820
- in second to fifth year inclusive	653 455	3 267 276	653 455	3 267 276
	<u>3 267 275</u>	<u>5 881 096</u>	<u>3 267 275</u>	<u>5 881 096</u>
less: future finance charges	(281 014)	(847 308)	(281 014)	(847 308)
<b>Present value of minimum lease payments</b>	<b><u>2 986 261</u></b>	<b><u>5 033 788</u></b>	<b><u>2 986 261</u></b>	<b><u>5 033 788</u></b>
<b>Present value of minimum lease payments due</b>				
- within one year	2 347 500	2 047 527	2 347 500	2 047 527
- in second to fifth year inclusive	638 761	2 986 261	638 761	2 986 261
	<u>2 986 261</u>	<u>5 033 788</u>	<u>2 986 261</u>	<u>5 033 788</u>
Non-current liabilities	638 761	2 986 261	638 761	2 986 261
Current liabilities	2 347 500	2 047 527	2 347 500	2 047 527
	<u>2 986 261</u>	<u>5 033 788</u>	<u>2 986 261</u>	<u>5 033 788</u>

The municipality has leased printers for a period of 3 years (36 months).

- Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality has entered into a finance lease agreement with a third party for the lease of printers. The lease agreement is for a period of 36 months, commencing on 15/05/2023 and expiring on 14/05/2026. The lease shall commence on a month-to-month basis after expiring date until terminated by either the lessee or lessor by giving 30 days notice.

The implicit interest rate for the finance lease 14% (2023:14%) which has been used to discount the minimum lease payments to their present value.

No contingent rent payments or sub-lease income have been recognised during the reporting period.

The lease agreement includes the following terms and conditions:

The lease payments are fixed and are payable monthly in arrears.

The lessee is responsible for maintaining the asset in good condition.

The lease contains no escalation clauses.

No additional guarantees have been provided.

### 64. Going concern

We draw attention to the fact that the municipality incurred a net loss of (R77,580,296) during the year ended 30 June 2024 and, as of that date, the municipality's current liabilities exceeded its current assets by 82 738 601)

In addition, the municipality owed Eskom R 254,850,449 (2023: R279,702,705) and the Department of Water and Sanitation R 562,716,745 (2023: R497,603,696) as at 30 June 2024, which was long overdue. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concerns.

## Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

### Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

#### 64. Going concern (continued)

The municipality's liquidity position is expected to improve in the near future compared to previous financial years. As the municipality has appointed debt collectors to assist with collection of historic debt and defaulting debtors. The municipality is consistently working on decreasing the creditor's book; however, Eskom and water board debt remains a challenge. It should be noted that the municipality is part of the debt relief programme and should it succeed, at least one third of the Eskom debt will be written off. dditional text

#### 65. Transfer and subsidies

Development Agency Assistance	1 650 805	1 040 000	1 650 805	1 040 000
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#### 66. Capital and Operational Commitments

##### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	1 667 378	11 032 276	1 667 378	11 032 276
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##### Total capital commitments

Already contracted for but not provided for	1 667 378	11 032 276	1 667 378	11 032 276
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##### Total commitments

##### Total commitments

Authorised capital expenditure	1 667 378	11 032 276	1 667 378	11 032 276
Authorised operational expenditure	-	-	-	13 175 833
	<b>1 667 378</b>	<b>11 032 276</b>	<b>1 667 378</b>	<b>24 208 109</b>

This committed expenditure relates to property and will be financed by MIG. Operational commitments are not disclosed in the current year to comply with GRAP 19 reporting requirement.

#### 67. Investment in controlled entities

##### Investments in controlled entities

Name	Determination of ownership interest	Economic Entity		Controlling Entity		Economic Entity		Controlling Entity	
		ownership interest 2024	ownership interest 2023	ownership interest 2024	ownership interest 2023	Carrying amount 2024	Carrying amount 2023	Carrying amount 2024	Carrying amount 2023
Lekwa Teemane Development Agency	100	-	-	100,00	100,00	-	-	20 100	
Lekwa Teemane Local Municipality Entity 3 [specify] Jurisdiction [specify]	[Specify]	-	-	-	-	20 100	20 100	-	
						<b>20 100</b>	<b>20 100</b>	<b>20 100</b>	
						<b>20 100</b>	<b>20 100</b>	<b>20 100</b>	

The carrying amounts of controlled entities are shown at cost, net of impairment losses, if any.

# Lekwa Teemane Local Municipality

(Registration number NW396)

Consolidated Annual Financial Statements for the year ended 30 June 2024

## Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 68. Share capital / contributed capital

#### Issued

Ordinary	100	100	-	-
Share premium	20 000	20 000	-	-
	<u>20 100</u>	<u>20 100</u>	<u>-</u>	<u>-</u>

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

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

## Report on the audit of the consolidated and separate financial statements

### Disclaimer of opinion

1. I was engaged to audit the consolidated and separate financial statements of the Lekwa-Teemane Local Municipality and its subsidiary (the group) set out on pages **99** to **202**, which comprise the consolidated and separate statement of financial position as at 30 June 2024, the consolidated and separate statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the consolidated and separate financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

### Basis for disclaimer of opinion

#### Trade and other receivables from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence that receivables from exchange transactions are correctly accounted for due to the status of accounting records. I was unable to confirm these receivables by alternative means. Consequently, I was unable to determine whether any adjustment relating to receivables from exchange transactions of R161 063 632 (2023: R126 700 437) disclosed in note 4 to the consolidated and separate financial statements was necessary.
4. The Municipality did not have adequate systems and processes in place to correctly account for receivables from exchange transactions as required by with Standards of Generally Recognised Accounting Practice (GRAP) 104, *Financial Instruments* as the municipality incorrectly recognised itself as a receivables in their accounting system. Consequentially, this resulted in receivables from exchange transactions being overstated by R6 482 231. Additionally, they was an impact on service charges, deficit for the year and accumulated surplus.

#### Receivables from non-exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence that receivables from non-exchange transactions are correctly accounted for due to the status of accounting records. I was unable to confirm these receivables by alternative means. Consequently, I was unable to determine whether any adjustment relating to receivables from non-exchange transactions



of R66 226 643 (2023: R61 076 206) disclosed in note 5 to the consolidated and separate financial statements was necessary.

6. The Municipality did not have adequate systems and processes in place to correctly account for receivables from non-exchange transactions as required by GRAP 104, *Financial Instruments* as the municipality incorrectly recognised itself as a receivables in their accounting system. This resulted in receivables from non-exchange transactions being overstated by R5 426 077. Additionally, they was an impact on service charges, deficit for the year and accumulated surplus.

#### Property, plant and equipment

7. I was unable to obtain sufficient appropriate audit evidence that management had appropriately accounted for capital work-in-progress - roads, pavements & storm water included in property, plant and equipment, due to the status of the accounting records. I was unable to confirm these capital work-in-progress - roads, pavements & storm water included in property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments to capital work-in-progress - roads, pavements & storm water included in property, plant and equipment of R88 504 419 (2023: R49 441 299) as included in notes 11 respectively to the consolidated and separate financial statements were necessary.
8. I was unable to obtain sufficient appropriate audit evidence for contracted services included in the property, plant and equipment note as expenditure incurred to repair and maintain property, plant and equipment, due to the status of the accounting records. Consequently, I was unable to determine whether any adjustment relating to contracted services of R10 337 578 as included in note 11 of the notes to the consolidated and separate financial statements was necessary.

#### Financial liabilities

9. The municipality did not correctly account for financial liabilities as required by GRAP 104, *financial instruments*, as items that did not meet the definition of financial liabilities were incorrectly recognise as financial liability. Consequently, financial liabilities was overstated by R20 476 418 (2023: R18 323 744)

#### Payables from exchange transactions

10. I was unable to obtain sufficient appropriate audit evidence that trade payables and unallocated deposits are correctly accounted for due to the status of accounting records. I was unable to confirm these payables by alternative means. Consequently, I was unable to determine whether any adjustment relating to trade payables of R876 545 735 (2023: R701 576 913) and R873 492 418 (2023: R698 698 831) and unallocated deposits of R9 387 322 (2023: R10 647 356) as included in note 15 to the consolidated and separate financial statements was necessary.



### VAT payables

11. I was unable to obtain sufficient appropriate audit evidence that value-added tax (VAT) payables are correctly accounted for due to the status of accounting records. I was unable to confirm these VAT payables by alternative means. Consequently, I was unable to determine whether any adjustment relating to VAT payables of R6 261 108 (2023: R12 468 594) and R6 300 653 (2023: R12 519 045) in the consolidated and separate financial statements was necessary.

### Revenue from exchange transactions

12. The municipality did not have adequate systems and processes in place to correctly account for service charges as required by GRAP 9, *Revenue from exchange transactions*, electricity, waste management, waste water management and water included in revenue from exchange transactions were calculated using incorrect consumptions and incorrect tariffs. This resulted in revenue from exchange transactions being understated by R44 879 810 and trade and other receivable from exchange understated with the same amount.
13. During 2023, I was unable to obtain sufficient appropriate audit evidence for service charges - electricity due to the status of accounting records. I was unable to determine whether any adjustment to service charges - electricity of R86 634 593 was necessary. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. I was still unable to confirm revenue from exchange transactions by alternate means. 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.

### Revenue from non-exchange transactions

14. The municipality did not have adequate systems and processes in place to correctly account for property rates as required by GRAP 23, *Revenue from non-exchange transactions*. Property rates was not recognised as required by GRAP 23, *Revenue from non-exchange transactions*. Properties were identified for which property rates were not billed and recorded. Consequently, revenue from property rates was understated by R8 575 592 and receivable from non-exchange transactions was understated by the same amount.

### Contracted services

15. I was unable to obtain sufficient appropriate audit evidence that contracted services is correctly accounted for due to the status of accounting records and lack of adequate evidence that the goods and services were actually received at the correct quantity, quality and price. I was unable to confirm these contracted services by alternative means. Consequently, I was unable to determine whether any adjustment relating to contracted services of R35 672 739 as included in note 42 of the notes to the consolidated and separate financial statements was necessary.



### Operational costs

16. The municipality did not correctly classify operational cost. based on the nature of the expenditure as required by GRAP 1, *Presentation of financial statements*, resulting in operational expenditure being overstated and contracted services being understated by R12 493 653.

### Inventory consumed

17. I was unable to obtain sufficient appropriate audit evidence that inventory consumed are correctly accounted for due to the status of accounting records. I was unable to confirm these inventory consumed by alternative means. Consequently, I was unable to determine whether any adjustment relating to inventory consumed of R76 217 635 (2023: R22 211 239) as included in note 43 of the notes to the consolidated and separate financial statements was necessary.

### Debt impairment

18. I was unable to obtain sufficient appropriate audit evidence that debt impairment was correctly accounted for due to the status of accounting records. I was unable to confirm this debt impairment by alternative means. Consequently, I was unable to determine whether any adjustment relating to debt impairment of R148 078 417 (2023: R101 762 423) as included in note 40 to the consolidated and separate financial statements was necessary.

### Irregular expenditure

19. Section 125(2) (d) (i) of the Municipal Finance Management Act 56 of 2003 (MFMA) requires the disclosure of irregular expenditure incurred. 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 these irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to irregular expenditure of R251 485 587 (2023: R251 492 786) and R241 542 684 and (2023: R243 573 971) as disclosed in note 57 of the notes to the consolidated and separate financial statements financial statements was necessary. Additionally, the municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. I was unable to determine the full extent of the irregular expenditure that occurred during the financial year as it was impracticable to do so.

### Fruitless and wasteful expenditure

20. Section 125(2) (d) (i) of the MFMA requires the disclosure of fruitless and wasteful expenditure incurred. I was unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure due to the status of the accounting records. I was unable to confirm these fruitless and wasteful expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to fruitless and wasteful expenditure for current year and prior year included in note 56 of the notes to the consolidated and separate financial statements was necessary.



### Unauthorised expenditure

21. Section 125(2) (d) (i) of the MFMA requires the disclosure of unauthorised expenditure incurred. I was unable to obtain sufficient appropriate audit evidence for unauthorised expenditure due to the status of the accounting records. I was unable to confirm these unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to unauthorised expenditure of R354 729 514 (2023: R905 076 392) as included in note 55 of the notes to the consolidated and separate financial statements was necessary.

### Capital and operational commitments

22. I was unable to obtain sufficient appropriate audit evidence for capital commitments included in capital and operational commitments due to the status of the accounting records. I was unable to confirm these commitments by alternative means. Consequently, I was unable to determine whether any adjustment relating to capital and operational commitments of R1 667 378 (2023: R11 032 276) as disclosed in note 66 to the consolidated and separate financial statements was necessary.

### Prior period error

23. I was unable to obtain sufficient appropriate audit evidence for those prior period errors included in note 52 to the financial statements, as adequate supporting information was not provided. I was unable to confirm the prior-year adjustment disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior-year adjustments included in note 52 to the consolidated and separate financial statements.

### Segment information

24. The municipality did not prepare segment information in accordance with GRAP 18, *Segment reporting*. This is due to municipality not making minimum disclosures for segments requiring the disclosure in the financial statement. As result, segment information included in note 62 to the consolidated and separate financial statement is misstated.

### Bulk purchases

25. I was unable to obtain sufficient appropriate audit evidence for distribution losses as included in note 41, due to the status of the accounting records. I was unable to confirm these distribution loss by alternative means. Consequently, I was unable to determine whether any adjustment relating to electricity losses of R8 539 072 (2023: R6 808 500) and water losses of R1 893 894 (2023: R1 227 670).

### Statement of comparison of budget and actual amounts

26. The municipality did not correctly calculate statement of comparison of budget and actual amounts in accordance with GRAP 24, *Presentation of budget information in financial statements*. This is due to unexplained differences in identified the statement of comparison of budget and actual amounts presented in the consolidated and separate financial



statements for the current. I was unable to determine the full extent of the errors as it was impracticable to do so.

#### Cash flow statement

27. The municipality did not correctly prepare and disclose the net cash flows from operating activities, net cash flows from investing activities and financing activities as required GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows statement for the current and previous year. I was unable to determine the full extent of the errors as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment was necessary to net cash flows from operating activities of R33 627 211 (2023: R49 085 043) and R33 530 062 (2023: R49 019 427) as presented in the cash flow statement and disclosed in note 48, net cash flows from investing activities of R49 364 758 (2023: R41 140 067) and net cash flows from financing activities of R10 694 487 (2023: R2 017 848) to the consolidated and separate financial statements.

#### Statement of Changes in Net Assets

28. The municipality did not correctly calculate statement of changes in net assets in accordance with *GRAP 1, Presentation of financial statements*. This is due to unexplained differences in identified the statement of changes in net assets presented in the consolidated financial statements for the current and previous year. I was unable to determine the full extent of the errors as it was impracticable to do so

#### Material uncertainty relating to going concern

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

30. I draw attention to note 64 to the consolidated and separate financial statements, which indicates that a net loss of R77 580 296 was incurred during the year ended 30 June 2024 and, as of that date the total assets exceed its liabilities by R82 738 601. The group owed Eskom R254 850 449 (2023: R279 702 705) and the Department of Water and Sanitation R562 716 745 (2023: R497 603 696) as at 30 June 2024, which was long overdue. These events or conditions, along with other matters as set forth in note 64, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

#### Other matter

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

#### Unaudited disclosure notes

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



### **Responsibilities of the accounting officer for the consolidated and separate financial statements**

33. The accounting officer (AO) is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the Division of Revenue Act 5 of 2023 (Dora) and for such internal control as the accounting officer determines is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
34. In preparing the consolidated and separate 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 group or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements**

35. My responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with the International Standards on Auditing and to issue a consolidated auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this consolidated auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.
36. I am independent of the group 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**

37. 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 to key performance areas presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
38. I selected the following material performance indicators related to key performance area 1: Services delivery and Infrastructure development and key performance area 3: Municipal financial viability and management presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the group's performance on its primary mandated functions and that are of significant national, community or public interest.



- KPI.1 – Number of high-mast lights to be repaired/maintained in (Bloemhof and Christiana)
- KPI.2 – Number of households with basic solid waste collection
- KPI.3 – No of landfill sites maintained
- KPI.7 – Number of illegal dumping sites cleared
- KPI.10 – KM of municipal roads maintained
- KPI.11 – KMs of storm water drainage maintained
- KPI.12 – KMs of municipal internal roads paved
- KPI.21 – KMs of sewer pipelines maintained
- KPI.33 – Number of Indigents households on the register receiving free basic services

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

40. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the group's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the group's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets / measures taken to improve performance.



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

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

#### **Number of households with basic solid waste collection**

43. I could not determine whether the achievement of 12 019 (Bloemhof) + 6505 (Christiana) = 18 524 households received solid waste collection by September 2023 reported against a target of 18 524 households to receive weekly solid waste collection by June 2024 was correct, as there were no processes to consistently measure and report on achievements against planned indicators. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

#### **Number of illegal dumping sites cleared**

44. An achievement of 38 illegal dumping sites cleared was reported against a target of 20 illegal dumping sites cleared by June 2024. However, some supporting evidence was not provided for auditing; or, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

#### **Km of storm water drainage maintained**

45. An achievement of 0,952km was reported against a target of 10km of storm water drainage maintained by end June 2024. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

#### **Km of municipal internal roads paved**

46. An achievement of "Achieved" was reported against a target of 2km of municipal internal roads paved by the end June 2024. However, the audit evidence showed the actual achievement to be 3,78km.

#### **Number of indigent households receiving free basic services**

47. "To be revised" was reported as a measure aimed at improving performance against the target of 9 000 indigent's households on register receiving free basic services by end June 2024. However, I could not determine if the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

48. An achievement of only 7 700 household have registered was reported against a target of 9 000 indigent's households on register receiving free basic services by end June 2024. However, some supporting evidence was not provided for auditing; or, where it was, I identified material differences between the actual and reported achievements. Consequently,



1. the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

### Various indicators

2. The reported achievements in the annual performance report were inconsistent with the commitments made in the approved planning documents. These discrepancies highlight misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

Indicator	Target	Reported achievement
<b>Km of municipal internal roads paved</b>	2km of municipal internal roads paved by the end June 2024	Achieved
<b>Number of indigent households receiving free basic services</b>	9 000 indigent households on register receiving free basic services by end June 2024	Only 7 700 household have registered

### Various indicators

3. A comparison of the actual performance for the year against the planned targets was not included in the annual performance report. Consequently, the reported information is not useful for evaluating progress over time and for identifying areas of improvement.
  - Number of households with basic solid waste collection
  - No of landfill sites maintained
  - Km of storm water drainage maintained
  - Km of municipal internal roads paved
  - Number of indigent households receiving free basic services

### Other matters

4. I draw attention to the matters below.

### Achievement of planned targets

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

The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages **47 to 71**.

**Key performance area 1: Services delivery and Infrastructure development and key performance area 3: Municipal financial viability and management**

<i>Targets achieved: 56%</i>		
<i>Budget spent: Not specified</i>		
<b>Key service delivery indicator not achieved</b>	<b>Planned target</b>	<b>Reported achievement</b>
KPI.1: Number of high-mast lights to be repaired / maintained in (Bloemhof and Christiana)	71 high-mast lights	Not achieved, 60 maintained and repaired
KPI.11: Kilometres of storm water drainage maintained	10km of storm water drainage maintained	0,952 kilometres
KPI.12: Kilometres of municipal internal roads paved	2km of municipal internal roads	Achieved – No kilometres reported
KPI.33: Number of indigent households on the register receiving free basic services	9 000 indigents households on register receiving Free basic services by end June 2024	Not achieved Only 7 700 household have registered

**Material misstatements**

54. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for key performance area 1: Services delivery and Infrastructure development and key performance area 3: Municipal financial viability and management. Management did not correct the misstatements and I reported material findings in this regard.

**Report on compliance with legislation**

55. 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.

56. 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.

57. 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 group, 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.



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

#### **Annual financial statements and annual report**

59. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of financial instrument, statement of changes in net assets, contingencies, and government grants and subsidies identified by the auditors in the submitted financial statements were subsequently corrected but the uncorrected material misstatements and supporting records that could not be provided resulted in the consolidated and separate financial statements receiving a disclaimer audit opinion.

#### **Strategic planning & performance management**

60. KPIs were not set for each of the development priorities and objectives, as required by section 41(1) (a) of the MSA and municipal planning and performance management regulation 9(1) (a).

61. No KPIs were set in respect of the provision of basic water, sanitation and electricity services, as required by section 43(2) of the MSA and municipal planning and performance management regulation 10(a).

62. The performance management system and related controls were inadequate as the Performance Management Systems management system was not always adhered to and properly managed as required by municipal planning and performance management regulation 7(1).

63. Annual performance objectives and indicators were not established for Lekwa-Teemane Development Agency and included in its multi-year business plan, as required by section 93B (a) of the MSA.

64. The performance of Lekwa-Teemane Development Agency was not monitored and reviewed as part of the annual budget process, as required by section 93B (b) of the MSA.

#### **Expenditure management**

65. Money owed by the municipality and its entity was not always paid within 30 days / an agreed period, as required by section 65(2) (e).

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

67. 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 non-compliance from normal procurement process.

68. 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 interest on late payment to suppliers.



69. 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 overspending on approved budget.

#### **Revenue management**

70. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2) (e) of the MFMA.
71. An effective system of internal control for debtors was not in place, as required by section 64(2) (f) of the MFMA.
72. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

#### **Consequence management**

73. Unauthorised, irregular and 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(a) and (b) of the MFMA.

#### **Procurement and contract management**

74. The preference point system was not applied some of the procurement of goods and services as required by section 2(1) (a) of the Preferential Procurement Policy Framework Act.
75. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c).
76. Some of the goods or services procured under contracts secured by other organs of state were not procured in accordance with SCM Regulation 32 as there were no demonstrable the benefits and discounts of participating in the contract
77. Some of the goods and services within the prescribed transaction value for competitive bids 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).
78. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
79. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2) (c) (ii) of the MFMA. Similar non-compliance was also reported in the prior year.

#### **Human resource management**

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



## Other information in the annual report

81. The accounting officer is responsible for the other information included in the annual report, which includes the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.
82. My opinion on the consolidated and separate 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.
83. 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 key performance areas presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
84. 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

85. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
86. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
87. Leadership failure to adequately monitor the implementation of action plans and continuous lack of consequence management for poor performance resulted in repeat findings that could have been prevented. Leadership failed to exercise oversight as decisive actions to address risks relating to complete and accurate financial and performance reporting and related internal controls were not taken.
88. Management did not monitor and review financial and performance reporting, compliance with laws and regulations and internal controls. Despite the use of consultants to compile the financial statements, these financial statements were of poor quality as they contained numerous errors that could have been prevented had adequate reviews been performed.



89. The audit committee and internal audit unit were functional during the year under review. However, these structures had limited impact in the financial and performance reporting, compliance with laws and regulations as well as the internal control environment. The municipality did not address the deficiencies and implement recommendations identified by the internal audit and audit committee.
90. The Municipal Public Accounts Committee (MPAC) did not fulfil its oversight responsibilities as investigations relating to unauthorised, irregular, fruitless and wasteful expenditure were not conducted.

### Material irregularities

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

### Material irregularities identified during the audit

92. The material irregularities identified are as follows:

### Status of previously reported material irregularities

#### Full and proper records not kept – 2019-20 – receivables and consumer debtors

93. Reasonable steps were not taken in the 2019-20 financial year to ensure that full and proper records were kept of receivables and consumer debtors 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 as disclosed in note 46 to the 2019-20 financial statements. 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 11 June 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter.
96. The accounting officer could not provide sufficient and appropriate actions taken or planned actions to be taken in response to being notified of the suspected material irregularity. I had recommended that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 30 April 2022.
97. The non-compliance with section 62(1) (b) of the MFMA should be investigated to determine the reasons and circumstance that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses.



98. Based on the reasons and circumstances, 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 section 62(1) (b) of the MFMA. The plan should include anticipated timeframes and address the following key areas as a minimum:
- Billing information and reconciliations to support revenue from service charges;
  - Consumer debtor reconciliations (including age analysis) of all amounts owed to the municipality;
  - Creditors reconciliations of amounts due by the municipality to third parties; and
  - Detailed records of water and electricity purchases and sales to quantify the extent and reason for distribution losses.
99. I had 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 31 July 2022. The plan should describe the anticipated timeframe and milestones to be achieved and include as a minimum strategies to:
- Implement the debt collection policy and increase the collection of revenue;
  - Efficiently manage the available resources of the municipality; and
  - Fund routine maintenance as well as urgent repairs of infrastructure assets.
100. The above timeframes for the implementation of the recommendations were running concurrently.
101. I considered the written response and substantiating documentation provided on 6 May 2022, 10 June 2022 and 29 July 2022 respectively on the implementation of the recommendations, and concluded that the recommendations were not adequately implemented at the stipulated time and appropriate actions were not taken to address the material irregularity.
102. On 7 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:
103. The non-compliance with section 62(1)(b) of 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.
104. Based on the reasons and circumstances, appropriate action must 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 auditee are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan should have included anticipated timeframes and addressed the following key areas as a minimum:
- Billing information and reconciliations to support revenue from service charges;
  - Consumer debtor reconciliations (including age analysis) of all amounts owed to the municipality;



- Creditors reconciliations of amounts due by the municipality to third parties; and
  - Detailed records of water and electricity purchases and sales to quantify the extent and reason for distribution losses.
105. I further recommended that the accounting officer 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 have described the anticipated timeframe and milestones to be achieved and include as a minimum strategies to:
- Implement the debt collection policy and increase the collection of revenue;
  - Efficiently manage the available resources of the municipality; and
  - Fund routine maintenance as well as urgent repairs of infrastructure assets.
106. The AO provided a progress report on 15 February 2024, three (3) months late, and the report was not supported by any substantiating documentation. On 19 February 2024, I provided the municipality with feedback on the progress report, outlining the shortcomings identified in the progress report and aspects that must be addressed in the final response, which was due in March 2024. The AO submitted a final response on 28 March 2024, supported by limited substantiating evidence. I assessed the submissions and concluded that the AO has not adequately implemented or made satisfactory progress with the implementation of the remedial action. In addition, the response by the AO did not address the remedial action on financial viability, as the AO failed to develop and commence with an action plan to address the financial problems of the municipality. Although the response by the AO was supported by substantiating documentation, it was inadequate to support all actions taken or in process.
107. I invoked section 11(2) of the Material Irregularity Regulations (the MI regulations), requesting intervention from relevant role players in the Accountability Eco System (AES). This action was taken to address the ongoing issues and ensure corrective measures were implemented.
108. I will follow up on the outcome of the intervention during my next audit.

#### Other reports

109. 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.

#### Investigations

110. The Directorate for Priority Crime Investigation (the Hawks) conducted an investigation into the 2014-15 allegations of fraud and corruption relating to the construction of Utlwanang community library and the investigation and the report was handed over to the Director of Public Prosecution for final decision on prosecution. The final decision was still outstanding at the reporting date.



111. The Directorate for Priority Crime Investigation is currently investigating allegations of irregular sale and disposal of municipal immovable property during 2019-20. The investigation was still ongoing at date of this report.
112. The South African Police Service is currently investigating an allegations of fraud and corruption relating to monies collected at the traffic department of the municipality during 2020/21. The investigation is still ongoing at date of this report.

*Auditor General*

Rustenburg

13 December 2024



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	Section 1 (a), (b) & (d) of the definition: irregular expenditure Section 1 Definition of SDBIP Sections 11(1); 13(2); 14(1); 14(2)(a); 14(2)(b); 15 Sections 24(2)(c)(iv); 29(1); 29(2)(b); 32(2) Sections 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) Sections 62(1)(d); 62(1)(f)(i); 62(1)(f)(ii); 62(1)(f)(iii) Sections 63(2)(a); 63(2)(c); 64(2)(b); 64(2)(c); 64(2)(e) Sections 64(2)(f); 64(2)(g); 65(2)(a); 65(2)(b); 65(2)(e) Sections 72(1)(a)(ii); 95(a); 112(l)(iii); 112(1)(j) Sections 116(2)(b); 116(2)(c)(ii); 117; 122(1); 122(2) Sections 126(1)(a); 126(1)(b); 127(2); 127(5)(a)(i) Sections 127(5)(a)(ii); 129(1); 129(3); 133(1)(a) Sections 133(1)(c)(i); 133(1)(c)(ii); 170; 171(4)(a); 171(4)(b)
LG: MFMA: Municipal budget and reporting regulations, 2009	Regulations 71(1); 71(2); 72
LG: MFMA: Municipal investment regulations, 2005	Regulations 3(1)(a); 3(3); 6; 7; 12(2); 12(3)
LG: MFMA: Municipal regulations on financial misconduct procedures and criminal proceedings, 2014	Regulations 5(4); 6(8)(a); 6(8)(b); 10(1)
LG: MFMA: Municipal supply chain management (SCM) regulations, 2017	Regulations 5; 12(1)(b); 12(1)(c); 12(3); 13(b); 13(c); 13(c)(i) Regulations 16(a); 17(1)(a); 17(1)(b); 17(1)(c); 19(a) Regulations 21(b); 22(1)(b)(i); 22(2); 27(2)(a); 27(2)(e) Regulations 28(1)(a)(i); 28(1)(a)(ii); 29(1) (a) and (b) Regulations 29(5)(a)(ii); 29(5)(b)(ii); 32; 36(1) Regulations 38(1) (c); 38(1)(d)(ii); 38(1)(e); 38(1)(g)(i) Regulations 38(1)(g)(ii); 38(1)(g)(iii) Regulations 43; 44; 46(2)(e); 46(2)(f)
Municipal Systems Act 32 of 2000 (MSA)	Sections 25(1); 26(a); 26(c); 26(i); 26(h); Sections 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) Sections 56(a); 57(2)(a); 57(4B); 57(6)(a) Sections 66(1)(a); 66(1)(b); 67(1)(d); 74(1) Sections 93B(a); 93B(b); 93C(a)(iv); 93C(a)(v); 96(b)
LG: MSA: Municipal planning and performance management regulations, 2001	Regulations 2(1)(e); 2(3)(a); 3(3); 3(4)(b); 3(5)(a); 7(1); 8 Regulations 9(1)(a); 10(a); 12(1); 15(1)(a)(i); 15(1)(a)(ii)
LG: MSA: Municipal performance regulations for municipal managers and managers directly accountable to municipal managers, 2006	Regulations 2(3)(a); 4(4)(b); 8(1); 8(2); 8(3)
LG: MSA: Regulations on appointment and conditions of employment of senior managers, 2014	Regulations 17(2); 36(1)(a)
LG: MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2); 5(3); 5(6); 8(4)
Annual Division of Revenue Act (Dora)	Sections 11(6)(b); 12(5); 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000 (CIDB)	Section 18(1)
CIDB regulations	Regulations 17; 25(7A)
Municipal Property Rates Act 6 of 2004 (MPRA)	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Sections 2(1)(a); 2(1)(f)
Preferential Procurement regulations (PPR), 2017	Regulations 5(1); 5(3); 5(6); 5(7) Regulations 6(1); 6(2); 6(3); 6(5); 6(6); 6(8) Regulations 7(1); 7(2); 7(3); 7(5); 7(6); 7(8) Regulations 8(2); 8(5); 9(1); 10(1); 10(2); 11(1)
Preferential Procurement regulations (PPR), 2022	Regulations 3(1) Regulations 4(1); 4(2); 4(3); 4(4) Regulations 5(1); 5(2); 5(3); 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)



## GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give “ <i>full and regular</i> ” 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.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	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.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	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.
<b>Basic municipal service</b>	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.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	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.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are “ <i>what we use to do the work</i> ”. They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> </ul>

	<ul style="list-style-type: none"> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	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".
<b>Outputs</b>	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.
<b>Performance Indicator</b>	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)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	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.
<b>Performance Targets:</b>	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.
<b>Service Delivery Budget Implementation Plan</b>	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.
<b>Vote:</b>	<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><i>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</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

## APPENDICES

### APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance						
Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance	
				%	%	
Clr Motlhabi	FT	Mayor/	PR: African National Congress	100%	0%	
Clr Pilane	FT	Speaker	Ward 5 African National Congress	93%	7%	
Clr Setsetse	PT	MPAC Chairperson	Ward 3 African National Congress	100%	0%	
Clr Dabampe	FT	Finance & Corporate (Chair) Community Services	PR Economic Freedom Fighters	100%	0%	
Cllr L. Legabe	FT	Community Services & LED(Chair)	PR Forum for Service Delivery	100%	1%	
Clr Komane	PT	Infrastructure Development and Town planning and MPAC	Ward 1 :Economic Freedom Fighters	79%	11%	
Cllr Mongalane	PT	Corporate, community Finance and Infrastructure Development and Town Planning	Ward 2 : Democratic Alliance	100%	0%	
Cllr Adams	PT	Finance and Infrastructure Development and Town Planning	PR : Democratic Alliance	100%	803%	
Cllr Gerber	PT	Finance & Corporate, Community Services & LED, Infrastructure Development & Town Planning and Corporate Services	Ward 5 Democratic Alliance	6%	36%	
Cllr L. Hussein	PT	Whip	Ward 7 : PR African National Congress	86%	14%	
Cllr Duiker	PT	Finance & Corporate, Community Services & LED and MPAC	PR: African National Congress	93%	7%	
Cllr Letebele	PT	Corporate Services	PR :Economic Freedom Fighters	93%	7%	

<b>Councillors, Committees Allocated and Council Attendance</b>						
<b>Council Members</b>	<b>Full Time / Part Time</b>	<b>Committees Allocated</b>	<b>*Ward and/ or Party Represented</b>	<b>Percentage Council Meetings Attendance</b>	<b>Percentage Apologies for non-attendance</b>	
				<b>FT/PT</b>	<b>%</b>	<b>%</b>
Cllr Seneke	PT	Community Services and Finance	PR : Economic Freedom Front	86%	14%	
Cllr Nel	PT	Corporate Services infrastructure Development & Town Planning Community Services and Finance and MPAC	PR Freedom Front Plus	93%	7%	
<i>Note: * Councillors appointed on a proportional basis do not have wards allocated to them</i>					<i>T A</i>	

## APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

<b>Committees (other than Mayoral / Executive Committee) and Purposes of Committees</b>	
<b>Municipal Committees</b>	<b>Purpose of Committee</b>
Corporate Services and Finance Portfolio	<p>Corporate Services and Finance Portfolio Committee considers and makes recommendations to the Council with regard to the matter delegated to it, which includes but not limited to</p> <ul style="list-style-type: none"> <li>▪ Municipal Land and Property Management</li> <li>▪ Staff establishment and Organisational Structure</li> <li>▪ Development and Review of System Delegation</li> <li>▪ Municipal Administration</li> <li>▪ Human Resources Development</li> <li>▪ Bargaining Council Agreements</li> <li>▪ Security</li> <li>▪ Public Participation of Communities in municipal matters</li> <li>▪ Financial Management of the Municipality</li> <li>▪ MFMA Implementation</li> <li>▪ Financial Viability Assessment</li> <li>▪ Risk Management and Assessment</li> </ul>
Infrastructure, Development and Town Planning Portfolio Committee	<p>The Infrastructure, Development and Town Planning Portfolio Committee considers and makes recommendations to Council with regard to matters delegated to it, which includes but not limited to</p> <ul style="list-style-type: none"> <li>▪ Building Regulations</li> <li>▪ Trading Regulations</li> <li>▪ Licensing of Dogs</li> <li>▪ Amusement Facilities</li> <li>▪ Local Roads and Streets</li> <li>▪ Local Amenities</li> <li>▪ Storm Water Management Systems in build-up areas</li> </ul>

Community Services and LED Portfolio Committee	<p>The Community Services and LED Portfolio Committee considers and makes recommendations to Council with regard to matters delegated to it, which includes but not limited to</p> <ul style="list-style-type: none"> <li>▪ Cemeteries, funeral parlours and crematoria serving the area of the municipality</li> <li>▪ Cleansing</li> <li>▪ Refuse removal, refuse dumps and solid waste disposal sites serving the area of the municipality</li> <li>▪ Municipal Parks and Recreation</li> <li>▪ Local Economic Development</li> <li>▪ Markets serving the area of the municipality</li> </ul>
Municipal Public Accounts Committee	<p>The main purpose of MPAC is to exercise oversight over the executive functionaries of Council and to ensure good governance on the municipality. This will include oversight over municipal entities.</p> <ul style="list-style-type: none"> <li>▪ The MPAC interrogates various aspects of the municipal financial reporting and performance reporting as provided for in the MFMA</li> <li>▪ MPAC also have responsibility over matters delegated to it by Council</li> </ul>

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### APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

<b>Third Tier Structure</b>	
<b>Directorate</b>	<b>Director/Manager (State title and name)</b>
Office of the Municipal Manager	Mr.K.J.Lesaisane- Acting
Corporate Services	Mr.K.J.Lesaisane-
Community Services	Mr.J.B.Sparks
Finance	Mr.T.C.Moseki
Technical Services	Mr.M.Z.,Duba

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## APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
<b>Constitution Schedule 4, Part B functions:</b>		
Air pollution	YES	NO
Building regulations	YES	YES
Child care facilities	NO	YES
Electricity and gas reticulation	YES	NO
Firefighting services	NO	YES
Local tourism	NO	YES
Municipal airports	NO	YES
Municipal planning	YES	NO
Municipal health services	YES	YES
Municipal public transport	NO	YES
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	YES	NO
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	NO	NO
Stormwater management systems in built-up areas	YES	NO
Trading regulations	YES	NO
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	YES	NO
Beaches and amusement facilities	NO	YES
Billboards and the display of advertisements in public places	YES	NO
Cemeteries, funeral parlours and crematoria	YES	NO
Cleansing	YES	NO
Control of public nuisances	NO	YES
Control of undertakings that sell liquor to the public	NO	YES
Facilities for the accommodation, care and burial of animals	NO	YES
Fencing and fences	YES	NO
Licensing of dogs	YES	NO
Licensing and control of undertakings that sell food to the public	YES	NO
Local amenities	YES	NO
Local sport facilities	YES	NO
Markets	NO	YES
Municipal abattoirs	NO	YES
Municipal parks and recreation	YES	NO
Municipal roads	YES	NO
Noise pollution	YES	NO
Pounds	YES	NO
Public places	YES	NO
Refuse removal, refuse dumps and solid waste disposal	YES	NO
Street trading	YES	NO
Street lighting	YES	NO
Traffic and parking	YES	NO
<b>* If municipality: indicate (yes or No); * If entity: Provide name of entity</b>		<i>T D</i>

## APPENDIX E – WARD REPORTING

### WARD COMMITTEE MEETINGS : WARD 1

NAME OF REPRESENTATIVE	CAPACITY REPRESENTING	DATES OF MEETINGS HELD DURING THE YEAR
Cllr Komane	Councillor	25.07.2023,
Issac Motsumi	Secretary	30.08.2023,
Ditlhoriso Makhuane	Dept. Education	21.09.2023,
Valentine Didimalang	Sassa	27.10.2023 ,
Thabo Diratsagae	Health	21.11.2023,
Berta Mathebula	SAPS	12.12.2023
Edward Kgoroyadira	Labour, Home Affairs & ESKOM	22.01.2024,
Tlhago Makhure	Infrastructure	23.02.2024,
LKgomotso Setlhogo	Arts & Culture	26.03.2024,
		24.04.2024,
		22.05.2024,
		24.06.2024

### WARD COMMITTEE MEETINGS : WARD 2

NAME OF REPRESENTATIVE	CAPACITY REPRESENTING	DATES OF MEETINGS HELD DURING THE YEAR
Cllr Mapaseka Mongalane	Councillor	23.07.2023,
Karabo Noguka	Social Development	20.08.2023,
Matshediso Sebiya	Sports & Recreation	19.09.2023,
Puseletso Motshabi	Home Affairs	18.10.2023,
Realeboga Maoka	Education	21.11.2023;
Steve Ncube	Health	10.12.2023
Phillemon Molawa	Correctional Services	19.01.2024,
Percy Kubu	Churches	15.02.2024,
Othusitse Dupa	SASSA	19.03.2024
		15.04.2024,
		15.05.2024,
		15.06.2024
Mohudi ncube	Health	

### WARD COMMITTEE MEETINGS : WARD 3

NAME OF REPRESENTATIVE	CAPACITY REPRESENTING	DATES OF MEETINGS HELD DURING THE YEAR
Cllr Thabo Setsetse	Ward Councillor	19.07.2023
Isaac Mokhoana	Secretary	16.08.2023
Dipuo Bahuritshe, Lorraine Modise	SAPS & Correctional Services	13.09.2023
Moniemang Maemola	Health	13.10.2023
Meikie Seitshokelo	Education	08.11.2023
Lorraine Midise/ Shimi Mogapi/ Nunu Mathhare	Social Development & SASSA	13.12.2023
		10.01.2024
Tefo Marumo	Home Affairs	07.02.2024

Lorraine Modise/ Dipuo Bahurut-she	Elders Committee	06.03.2024 17.04.2024
Boisile Makhelane/ Tefo Marumo	Churches	14.05.2024
Ompie Mokhoane/ Nunu Matlhare	Sports & Recreation	12.06.2024

#### WARD COMMITTEE MEETINGS : WARD 4

NAME OF REPRESENTATIVE	CAPACITY REPRESENTING	DATES OF MEETINGS HELD DURING THE YEAR
Cllr W. Adams	Councillor	20.07.2023,
Maleshane Nakin	Dept. Health	24.08.2023,
Suzzy Oliphant	Dept. Social Development & SASSA	14.09.2023
Mpho Mosikare	Projects	16.10.2023,
Naomi Agaamag	Dept. Education	16.11.2023.
Ms Nel	SAPS & Correctional Services	04.12.2023
Mr Phillips	Dept. Labour	16.01.2024.
Mr Chweu	Dept. Arts & Culture	13.02.2024,
George Joseph	Community Development	07.03.2024
		14.04.2024,
		22.05.2024,
		13.06.2024

#### WARD COMMITTEE MEETINGS : WARD 5

NAME OF REPRESENTATIVE	CAPACITY REPRESENTING	DATES OF MEETINGS HELD DURING THE YEAR
Cllr Pilane	Councillor	09.07.2023
Mpontsheng Tabane	Secretary	10.08.2023
Monnapule Mokgethi	Education	10.09.2023
Beku Matoko	Arts, Culture & Recreation	09.10.2023
Kedisaletse Sereetse	Health	12.11.2023
Lesego Windvoel	Infrastructure	03.12.2023
Ace Shomoleile	SAPS & Correctional Services	20.01.2024
Kerileng Motshiwagae	Social Development & SASSA	11.02.2024
Motlalepule Mokwalatsie	Home Affairs	17.03.2024
		13.04.2024
		19.05.2024
		08.06.2024

#### WARD COMMITTEE MEETINGS : WARD 6

NAME OF REPRESENTATIVE	CAPACITY REPRESENTING	DATES OF MEETINGS HELD DURING THE YEAR
Cllr Gerber	Councillor	20.07.2023,
Nthabiseng Mokwena	Education	22.08.2023;
Boitumelo Dipico	ESKOM, Labour, SASSA & Social Development	14.09.2023
Gaarutiwe Makuapane	Infrastructure	20.10.2023.
Bonginkosi Nkomo	SAPS & Correctional Services	22.11.2023,
Maria Thameng	Health	11.12.2023
Kelebogile Mophoso	Home Affairs	22.01.2024,
		21.02.2024,

		19.03.2024,
		10.04.2024,
		22.05.2024,
		10.06.2024

**WARD COMMITTEE MEETINGS : WARD 7**

NAME OF REPRESENTATIVE	CAPACITY REPRESENTING	DATES OF MEETINGS HELD DURING THE YEAR
Cllr Hussain	Ward Councillor	13.07.2023
Olebogeng Morake	Secretary	19.08.2023
Nonkululeko Senosi	Social Development & SASSA	11.08.2023
Andries Mashitiso	SAPS & Correctional Services	15.10.2023
Sophie van Vyk	Education	12.11.2023
Peter Morapedi	Labour & ESKOM	02.12.2023
Kagiso Englishman	Home Affairs	18.01.2024
		18.02.2024
		14.03.2024
		14.04.2024
		11.05.2024
		17.06.2024

**DATES FOR WARD MASS MEETINGS**

	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
<b>WARD 1</b>	-	-	-	-
<b>WARD 2</b>	21.07.2023	-	20.02.2024	-
<b>WARD 3</b>	-	-	-	-
<b>WARD 4</b>	-	30.11.2023	-	-
<b>WARD 5</b>	10.09.2023	12.11.2023	25.01.2024 26.01.2024	-
<b>WARD 6</b>	-	-	-	-
<b>WARD 7</b>	27.08.2023	26.11.2023	28.01.2024 29.01.2024 30.01.2024	-

**APPENDIX F – WARD REPORTING**

<b>Functionality of Ward Committees</b>					
<b>Ward Name (Number)</b>	<b>Name of Ward Councilor and elected Ward committee members</b>	<b>Committee established (Yes / No)</b>	<b>Number of monthly Committee meetings held during the year</b>	<b>Number of monthly reports submitted to Speakers Office on time</b>	<b>Number of quarterly public ward meetings held during year</b>
Ward 1	Cllr Komane Issac Motsumi Dithoriso Makhuane Valentine Didimalang Thabo Diratsagae Berta Mathebula Edward Kgoroyadira Tlhago Makhure Kgomotso Setlhogo	Yes	13	13	0
Ward 2	Cllr Mapaseka Mongalane Karabo Noguka Matshediso Sebiya Puseletso Motshabi Realeboga Maoka Steve Ncube Phillemon Molawa Percy Kubu Othusitse Dupa Mohudi ncube	Yes	13	23	6
Ward 3	Cllr Thabo Setsetse Isaac Mokhoana Dipuo Bahuritshe, Lorraine Modise Moniemang Maemola Meikie Seitshokelo Lorraine Midise/ Shimi Mogapi/ Nunu Matlhare Tefo Marumo Lorraine Modise/ Dipuo Bahurutshe Boisile Makhelane/ Tefo Marumo Ompie Mokhoane/ Nunu Matlhare	Yes	13	13	0
Ward 4	Cllr W. Adams Maleshane Nakin Suzzy Oliphant	Yes	13	13	2

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councilor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	Mpho Mosikare Naomi Agaamag Ms Nel Mr Phillips Mr Chweu George Joseph				
Ward 5	Cllr Pilane Mpontsheng Tabane Monnapule Mokgethi Beku Matoko Kedisaletse Sereetse Lesego Windvoel Ace Shomoleile Kerileng Motshiwagae Mottalepule Mokwalatsie	Yes	13	13	3
Ward 6	Cllr Gerber Nthabiseng Mokwena Boitumelo Dipico Gaarutiwe Makuapane Bonginkosi Nkomo Maria Thameng Kelebogile Mophoso	Yes	13	12	9
Ward 7	Cllr Hussain Olebogeng Morake Nonkululeko Senosi Andries Mashitiso Sophie van Vyk Peter Morapedi Kagiso Englishman	Yes	13	13	2

#### WARD COMMITTEE AND THEIR FUNCTIONALITY

WARD NUMBER	COMMITTEE ESTABLISHED (YES/NO)	NUMBER OF REPORTS SUBMITTED TO SPEAKER'S OFFICE	NUMBER OF MEETINGS HELD
WARD 1	YES	13	13
WARD 2	YES	13	13
WARD 3	YES	13	13
WARD 4	YES	13	13
WARD 5	YES	13	13
WARD 6	YES	13	13
WARD 7	YES	13	13

### ANNUAL REPORT OF THE AUDIT AND PERFORMANCE AUDIT COMMITTEE

We are pleased to submit the report of the Audit and Performance Audit Committee for the year ended 30 June 2024.

#### 1. Background















Dr. Ruth Segomotsi Mompati District Municipality and its local municipalities, namely Mamusa Local Municipality, Kagisano-Molopo Local Municipality, and Lekwa-Teemane Local Municipality have opted for the shared Audit and Performance Committee Services. The Audit and Performance Committee was established in terms of section 166 of the Municipal Finance Management Act (MFMA), Act 56 of 2003. The Audit and Performance Committee has adopted its terms of reference.

#### 2. Statutory requirements

Section 166 of the MFMA stipulates that each municipality must establish an audit committee. The audit committee is an independent advisory body that advises the municipal council, the political office bearers, the accounting officer, and the management of the municipality on the following matters:

- ✓ Internal financial control and internal audits;
- ✓ Risk management;
- ✓ Accounting policies;
- ✓ The adequacy, reliability and accuracy of financial reporting and information;
- ✓ Performance management;
- ✓ Effective governance;
- ✓ Compliance with the MFMA, the Division of Revenue Act (DORA) and any other applicable legislation;
- ✓ Performance evaluation;
- ✓ Any other issues referred to it by the municipality;
- ✓ Review of the annual financial statements to provide an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall compliance with the MFMA, DORA any other applicable legislation;
- ✓ Respond to Council on any matter raised by the Auditor- General (AGSA); and carry out such investigation into the financial affairs of the municipality.

### 3.Attendance of meetings

Names of the	Position in Audit Committee	NUMBER OF MEETINGS ATTENDED		
		29 August 2023 (Special APC Meeting)	10 November 2023 (Statutory APC meeting)	27 February 2024 (Statutory Meeting)
Ms. J. Masite	Chairperson			
Prof. G.Malebe	Member			
Adv. S. Dikole	Member			
Ms. L. Holele	Member			
Ms. M. Ralikonyana	Member			
Mr. E. Van Rensburg	Member			

The statutory meeting that was scheduled to be held in May 2024, for the review of quarter 3 performance did not materialise due to the none submission of information to the Audit Committee. The following, although not members of the Audit and Performance Audit Committee, have standing invitation to Audit and Performance Committee meetings:

- ✓ Accounting Officer;
- ✓ Chief Financial Officer;
- ✓ Chairperson of the Risk Committee;
- ✓ Section 56 Managers/Departmental Heads;
- ✓ Chief Audit Executive;
- ✓ Chief Risk Officer;
- ✓ The Auditor- General (As and when); and
- ✓ The Provincial Treasury
- ✓ Cogta

The members of the Audit and Performance Audit Committee also held meetings with the Municipal Manager as the Accounting Officer, the Chairperson of Risk Management Committee, Senior Management of the municipality, the Internal Audit and the Auditor-General, collectively, on matters related to governance, internal control, performance, financial information, risk and other relevant matters concerning the municipality.

### 4.Internal Audit

The Internal Audit of the Dr Ruth Segomotsi Mompati District Municipality is in-house and has discharged its mandate in terms of its charter and managed to execute 82% of the projects were executed as per the 2023/24 Internal Audit Risk Based Annual Plan. The remaining activities were affected by the adhoc audits that the Internal Audit performed request from the Auditor General and

the municipality. Internal Audit performed significant work on behalf of the Auditor General (physical verification of movable assets), which demonstrates a growing reliance on Internal Audit by the Auditor General.

The Audit and Performance Committee is of the opinion that the Internal Audit unit is operating effectively to meet its mandate and has considered the risk pertinent to the municipality in its audit plans.

The following documents were approved by the Audit and Performance Committee and recommended to Council for adoption:

- ✓ Internal Audit Charter
- ✓ Internal Audit Methodology
- ✓ Internal Audit Risk Based Plan
- ✓ Three Year Rolling Strategic and Annual Audit Plan
- ✓ The Audit and Performance Audit Committee Process Plan

#### **5. Effectiveness of Internal Controls**

The system of internal control was not entirely effective during the year under review as compliance with prescribed policies and procedures were lacking in certain instances. The following reports are among others that were presented to the Audit and Performance Committee:

- ✓ Audit of quarterly performance information;
- ✓ Expenditure Management;
- ✓ Supply Chain Management;
- ✓ ICT audit;
- ✓ Governance;
- ✓ Leave Management;
- ✓ Local Economic Development; and
- ✓ Assets management.
- ✓ Recruitment and Selection
- ✓ Financial Reporting

#### **6. Risk Management**

The municipality has a risk unit that consists of three staff members and a Chairperson of the Risk Management, Anti-fraud, and Anti-corruption Committee.

- The Audit and Performance Committee is satisfied that:
  - ✓ Risk management has been embedded at the municipality.
  - ✓ The risk management unit facilitated risk management within the municipality.

#### **7. Performance Management**

Part of the responsibilities of the Audit and Performance Audit Committee includes the review of performance management. The Committee has in terms of the performance of the municipality reviewed the functionality of the performance management system and it appears to be functional,

however there is room for improvement in so far as achievement of planned targets and compliance matters are concerned.

### **8. Year- end Reporting**

The Audit and Performance Audit Committee reviewed Quarterly and Mid-Year Reports as submitted by management during the year.

### **9. Evaluation of Annual Financial Statements**

The Audit and Performance Audit Committee, has on its meeting held on the 29 August 2024 discussed the draft annual financial statements and unaudited annual report with the Accounting Officer, before submitting to the Auditor General. The Audit and Performance Committee wishes to indicate that it performed a review on the financial statements focusing among others on:

- ✓ Significant financial reporting adjustments and estimates contained in the Draft Annual Financial Statements;
- ✓ Clarity and completeness of disclosures;
- ✓ Accounting policies and practice;
- ✓ Significant adjustments arising from the audit;
- ✓ Reasons for major year to year fluctuations; and
- ✓ Reinstatement of prior year amounts.

The Audit and Performance Audit Committee reviewed and noted and recommend the Draft Annual Financial Statements for the financial year ended 30 June 2024.

### **10. Recommendation of Submission of the AFS and APR to Auditor General**

The Audit and Performance Audit Committee has:

Reviewed the draft Annual Financial Statements and Annual Performance Report and recommended that these reports be submitted to AGSA for auditing purposes after ALL the recommendations raised by the committee have been considered by management.

### **11. Conclusion**

The Audit and Performance Committee acknowledges the co-operation and assistance by the DR. RSMDM for coordinating the activities of the Committee

The Chairperson of the Audit and Performance Audit Committee remains confident that if all matters raised by the Internal Audit and Auditor-General the municipality receive due consideration and intervention, the audit opinion will improve.

We are committed to fully execute our assurance and oversight function to strengthening governance,

internal control and risk management processes.



.....  
S.J. Masite, CIA, CFE, CMIIA  
Chairperson of the Audit and Performance Committee  
Date: 31 August 2024

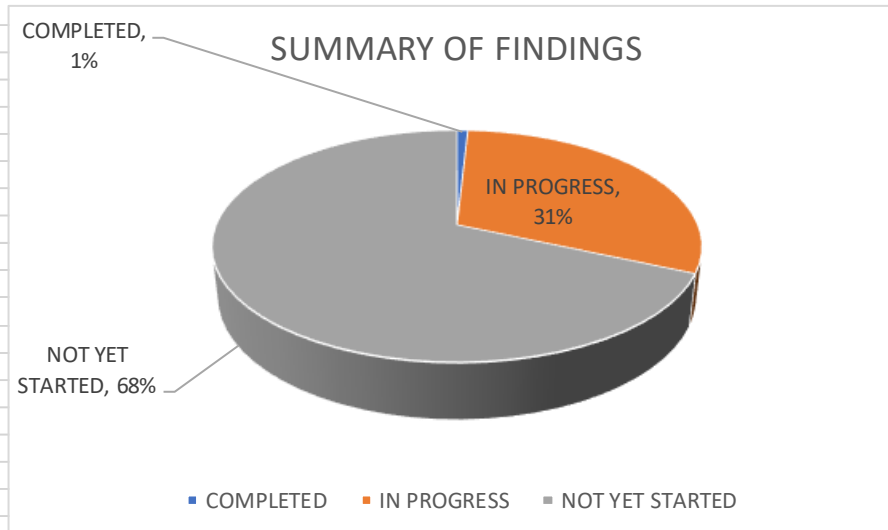
**APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE**

**APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE**

REVENUE COLLECTION PER SOURCE											
DESCRIPTION	2021/22					2022/23					
	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	O-BUDGET	A-BUDGET	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	O-BUDGET	A-BUDGET	
Revenue	R'000	R'000	R'000	%	%	R'000	R'000	R'000	%	%	
Property rates	30 124	30 124	28 122	93.35%	93.35%	32 507	35 623	35 576	109.44%	99.87%	
Service charges	161 666	161 666	112 999	69.90%	69.90%	174 357	146 313	131 752	75.56%	90.05%	
Rental of facilities and equipment	187	187	18	9.63%	9.63%	41	15	22	53.66%	146.67%	
Interest charged on overdue accounts	91 983	66 495	50 472	54.87%	75.90%	77 277	70 457	89 683	116.05%	127.29%	
Transfers to revenue - Grants	61 054	61 054	96 421	157.93%	157.93%	81 773	91 145	99 560	121.75%	109.23%	
Other revenue	1 071	1 071	806	75.26%	75.26%	5 302	4 030	24 580	463.60%	609.93%	
<b>Total revenue</b>	<b>346 085</b>	<b>320 597</b>	<b>288 838</b>	<b>83.46%</b>	<b>90.09%</b>	<b>371 257</b>	<b>347 583</b>	<b>381 173</b>	<b>102.67%</b>	<b>109.66%</b>	

## POST AUDIT ACTION PLAN 2023/2024 FINANCIAL YEAR

SUMMARY OF FINDINGS				
<b>TOTAL</b>			<b>117</b>	
COMPLETED	1%		1	
IN PROGRESS	31%		36	
NOT YET STARTED	68%		80	
<b>DEPARTMENTAL</b>				
	<b>TOTAL</b>	<b>COMPLETED</b>	<b>IN PROGRESS</b>	<b>NOT YET STARTED</b>
BTO	76	1	33	42
CORPORATE	14	0	3	11
MM	27	0	0	27



Section/Component	Issue	Detailed Finding	Root Cause	Recommendation	Responsible Person	DEPARTMENT	Action Plan	Action Plan Status
Financial Liabilities	<b>Issue 159</b>	During the audit of financial liabilities it was noted through inspection of the Service Level Agreement between Lekwa - Teemane Local Municipality, Addendum 1 of the Service Level Agreement between Lekwa - Teemane Local Municipality together with the Public Protector Report dated 29 December 2023, that the financial liability of R20 476 784 might have inappropriately disclosed in the Statement of Financial Position.	Non cooperation by CIGICELL to bring the matter into finality.	CFO should assess all the transaction (Payments & Receipt) with CIGICELL to determine the amount outstanding. Subsequent information in the form of the Public Protector Report must be considered to ensure appropriate disclosure of the financial liabilities.	<b>CFO</b>	<b>BTO</b>	a) Municipality will continue to reach out to CIGICELL to finalise the matter. b) Municipality to study Public Protector report and seek legal guidance if the matter can be closed. c) This should be done taking into account the possible impact on the amount owed by CIGICELL to the municipality	In progress
Cash flow Statement	<b>Issue 189</b>	During the performance of the cash flow statement the following was identified: 1. Management did not submit the cash flow statement calculation/workings used to perform the cash flow statement for the current and prior year adjustment were made in the annual financial statements affecting the cash flow comparative amounts 2. The Cash flows arising from taxes (Accounting for VAT) was not disclosed separately as per requirement of GRAP 2 for both the current and prior year 3. A reasonability test was performed in terms of the cash flow statement and the following difference were not for both the current and prior year: Deferrals, Accruals, Cash flow	a) Incomplete audit file as some of the supporting schedules were not submitted. b) Difference interpretation of GRAP between municipality and AGSA	Chief financial officer should perform a proper review of the financial statements and supporting information to ensure that accurate and complete financial reports are supported and evidenced by reliable information.	<b>Budget &amp; Reporting Manager</b>	<b>BTO</b>	The municipality will ensure the following: (a) all supporting documents are kept (preferable in a soft copy) to support the irregular expenditure recorded in the register. (b) Irregular expenditure register has enough information to ensure easy retrieval of documents for audit. (c) Request National Treasury, SALGA and COGTA on how to write off legacy irregular expenditure that does not have supporting documents. .	In progress

Section/Component	Issue	Detailed Finding	Root Cause	Recommendation	Responsible Person	DEPARTMENT	Action Plan	Action Plan Status
Financial Liabilities	<b>Issue 159</b>	During the audit of financial liabilities it was noted through inspection of the Service Level Agreement between Lekwa - Teemane Local Municipality, Addendum 1 of the Service Level Agreement between Lekwa - Teemane Local Municipality together with the Public Protector Report dated 29 December 2023, that the financial liability of R20 476 784 might have inappropriately disclosed in the Statement of Financial Position.	Non cooperation by CIGICELL to bring the matter into finality.	CFO should assess all the transaction (Payments & Receipt) with CIGICELL to determine the amount outstanding. Subsequent information in the form of the Public Protector Report must be considered to ensure appropriate disclosure of the financial liabilities.	<b>CFO</b>	<b>BTO</b>	a) Municipality will continue to reach out to CIGICELL to finalise the matter. b) Municipality to study Public Protector report and seek legal guidance if the matter can be closed. c) This should be done taking into account the possible impact on the amount owed by CIGICELL to the municipality	In progress
Cash flow Statement	<b>Issue 189</b>	During the performance of the cash flow statement the following was identified: 1. Management did not submit the cash flow statement calculation/workings used to perform the cash flow statement for the current and prior year adjustment were made in the annual financial statements affecting the cash flow comparative amounts 2. The Cash flows arising from taxes (Accounting for VAT) was not disclosed separately as per requirement of GRAP 2 for both the current and prior year 3. A reasonability test was performed in terms of the cash flow statement and the following difference were not for both the current and prior year. Refer to Annexure A - cash flow (Iss.189) Attached. The differences identified during the reasonability test performed on the cash flow statement, are not factual; the recalculations are based on the best available information and the auditors' understanding. It is the responsibility of management to assess accurately	a) Incomplete audit file as some of the supporting schedules were not submitted. b) Difference interpretation of GRAP between municipality and AGSA	Chief financial officer should perform a proper review of the financial statements and supporting information to ensure that accurate and complete financial reports are supported and evidenced by reliable information.	<b>Budget &amp; Reporting Manager</b>	<b>BTO</b>	The municipality will ensure the following: (a) all supporting documents are kept (preferable in a soft copy) to support the irregular expenditure recorded in the register. (b) Irregular expenditure register has enough information to ensure easy retrieval of documents for audit. (c) Request National Treasury, SALGA and COGTA on how to write off legacy irregular expenditure that does not have supporting documents. .	In progress

Cash flow Statement	<b>Issue 14</b>	<p>During the high level review of the statement of cashflows, the following differences were noted:</p> <p><b>Receipts</b></p> <p>1. A difference of R103 797 696 was identified between the total amount per prior year audited financial statements and the comparative figure indicated in the cash flow statement after taking into account prior period adjustments.</p> <p><b>Payments</b></p> <p>2. A difference of R39 137 307 was identified between the total amount per prior year audited financial statements and the comparative figure indicated in the cash flow statement after taking into account prior period adjustments.</p> <p>Cause Management did not perform adequate reviews on the annual financial statement to ensure that errors are detected and corrected timeously prior to submission of the AFS.</p> <p>Impact The differences noted may result in factual material misstatements in the financial statements.</p>	Annual Financial Statements were not prepared on time. Cash flow Statements is prepared last after all the componets of AFS are complete.	Management should perform detailed review of the financial statements to identify and correct errors timeously prior to the submission of such annual financial statement to the auditors.	<b>Budget &amp; Reporting Manager</b>	<b>BTO</b>	a) Timeously preparation of AFS which will allow adequated review of AFS.	In progress
Commitments	<b>Issue 33</b>	<p>1. During the audit of commitments the following differences were noted between the register and the annual financial statement</p> <p>2. During the review of the commitment register the following concerns were noted:</p> <p>I. There is duplication of the commitment for the project - Appointment of a service provider for the construction of Taxi Rank in Christiana (Utlwanang)- RC, WP, CW (Trumain Projects RIG Holdings JV).</p> <p>II. The expenditure to date does not indicate if it's inclusive of the retention amount or not.</p> <p>III. The following contract does not have any contract amount (Appointment of a panel of consultants for a period of 36 months-Civil Engineering Consultants-King &amp; Associates Engineering), the commitment is incorrectly calculated as the expenditure amount.</p>	Management did not perform adequate reviews on commitment register and the related note in the annual financial statements to ensure that errors are detected and corrected timeously prior to submission of the AFS	Management should perform adequate reviews on the commitment register and the related note in the annual financial statements to ensure that errors are detected and corrected timeously prior to submission of the AFS.	<b>CFO/SCM/Exp enditure</b>	<b>BTO</b>	a) Commitment register should be reconciled to Project register to identify any discrepancies. b) All expenditure in the commitment register will be confirmed with invoices and captured information on GL. c) The register will be casted and reviewed to identify duplications and calculations errors.	In progress

Contingent Liabilities	<b>Issue 72</b>	During the execution phase of the audit, we identified the following misstatement for Contingent Liabilities. 1. We identified the following differences between the Summons/ Legal Confirmation and the amount recognised in the AFS and Register for the following cases. (See Annexure)	a) Miscommunication between the legal department and municipality attorneys of the minimality. b) Municipality 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 reporting.	Management should ensure that the annual financial statements and the supporting schedules are thoroughly reviewed to identify and correct errors timeously prior to the submission of such annual financial statement to the auditors.	<b>Legal Advisory</b>	<b>CORPORATE</b>	a) Regular reconciliation between legal confirmation and contingent liabilities register. b) Contingent liabilities register should be supported by legal confirmations and these confirmations should be part of the audit file.	In progress
Statement of comparison between budget and actual	<b>Issue 173</b>	However contrary to the above, we noted the following differences when we were auditing Statement of comparison of budget and actual amounts.	a) Management did ensure that the Budget approved by council agrees with the Statement of budget and actual on the annual financial statements. b) Late preparation of AFS, were in late changes are often not updated on statement of comparison and actual amounts		<b>Budget &amp; Reporting Manager</b>	<b>BTO</b>	a) Budget information will be uploaded first in Caseware using MBRR Budget Adjustment. (Uploading of budget information on CaseWare is a manual exercise. b) Regular and timeously update of actual information as and when changes are made, this will also allow review process	In progress
Statement of Financial position	<b>Issue 08</b>	During the high level review of the annual financial statements submitted for audit, the following differences were noted between the amounts per the statement of financial position and the trial balance for the following line items: Trade and other receivables from exchange transactions 1. A difference of R7 441 991 was identified between the total amount per prior year audited financial statements and the comparative figure per the statement of financial position after taking into account prior period adjustments. 2. A difference of R19 627 257 was identified between the total amount per the trial balance and the total amount per the statement of financial position. Trade and other receivables from non - exchange transactions 3. A difference of R3 957 285 was identified between the total amount per prior year audited financial statements and the comparative figure per the statement of financial position after taking into account prior period adjustments	Lack of oversight by management to ensure that: (a) The submitted AFS in line with the GRAP (b) Late preparation and delays in preparation of AFS which results in inadequate review of AFS	Management should perform detailed review of the financial statements together with the trial balance and supporting schedule to identify and correct errors timeously prior to the submission of such annual financial statement to the auditors. Management should adjust the annual financial statement to correct the identified misstatement.	<b>CFO</b>	<b>BTO</b>	Strengthen AFS Reconciliation Processes: • Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records. • Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results. • Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations. • Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS. Enhance Management Review and Oversight: • Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations. • Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation. • Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate	In progress

Financial Performance	<b>Issue 11</b>	<p>During the high level review of the annual financial statements submitted for audit, the following differences were noted between the amounts per the statement of financial performance and the trial balance for the following line items:</p> <p>Revenue from exchange transactions</p> <ul style="list-style-type: none"> <li>□ A difference of R3 094 091 was identified between the total amount per prior year audited financial statements and the comparative figure per the statement of financial position after taking into account prior period adjustments.</li> </ul> <p><b>Revenue from non - exchange transactions</b></p> <ul style="list-style-type: none"> <li>□ A difference of R7 386 444 was identified between the total amount per prior year audited financial statements and the comparative figure per the statement of financial position after taking into account prior period adjustments.</li> </ul> <p><b>Employee related costs</b></p> <ul style="list-style-type: none"> <li>□ A difference of R22 559 805 was identified between the total amount per the trial balance and the total amount per the statement of financial performance.</li> </ul>	<p>Lack of oversight by management to ensure that:</p> <p>(a) The submitted AFS in line with the GRAP standard</p> <p>(b) Late preparation and delays in preparation of AFS which results in inadequate review of AFS</p>	<p>Management should adjust the annual financial statement to correct the identified misstatement. Management should perform detailed review of the financial statements together with the trial balance and supporting schedule to identify and correct errors timeously prior to the submission of such annual financial statement to the auditors.</p>	<b>CFO</b>	<b>BTO</b>	<p>Strengthen AFS Reconciliation Processes:</p> <ul style="list-style-type: none"> <li>• Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records.</li> <li>• Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results.</li> <li>• Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations.</li> <li>• Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS.</li> </ul> <p>Enhance Management Review and Oversight:</p> <ul style="list-style-type: none"> <li>• Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations.</li> <li>• Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation.</li> <li>• Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate</li> </ul>	In progress
Segment Reporting	<b>Issue 186</b>	<p>During the audit of segment reporting the following issues were identified:</p> <p>1. The municipality did not provide the auditor with the segment information schedule, workings or calculations to support the calculations disclosed in the financial statements as part of the submission of the annual financial statements, for both the current year (2023-24) and prior year (2022-23)</p> <p>2. The municipality incorrectly disclosed the following items which are post-employment benefits as part of reportable segments, which is part of employee related costs, which is not in line with GRAP 18.09</p> <p>1. Pension fund contributions (2023-24: R10 566 883) and (2022-23:9 729 954)</p> <p>3. The segment reporting disclosed under note does not reconcile to the statement of financial performance for both the current year (2023-24) and prior year (2022-23),</p>	<p>Lack of oversight by management to ensure that:</p> <p>(a) the submitted AFS in line with the GRAP standard</p> <p>(b) there is adequate review of the annual financial statements.</p> <p>The above issue has resulted to the following misstatements:</p> <ul style="list-style-type: none"> <li>- In inaccurate disclosure of segment reporting in terms of GRAP 18.</li> <li>- Material misstatement to the segment reporting disclosure in the AFS</li> <li>- Non-compliance with MFMA section 122(1)</li> </ul>	<p>Management should ensure that:</p> <p>1. The segment reporting reconcile to the face of the AFS including cash flow statement, except where the standard indicate otherwise. 2. The supporting schedule/working for segment reporting should be submitted for audit purpose to support the segment information disclosed in the AFS. 3. That proper review is done before AFS are submitted for audit</p>	<b>Budget &amp; Reporting Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>•Rectify Segment Reporting and Disclosure:</li> <li>• Identify missing cash flow data: Analyze financial records and segment information to determine the accurate cash flows for each reportable segment for the operating, investing, and financing activities.</li> <li>• Restate Note 53: Recast Note 53 in the AFS to include the missing cash flow data, ensuring proper disclosure aligns with GRAP 18 and MFMA requirements.</li> <li>• Assess materiality and potential restatement: Evaluate the materiality of the misstatement and its impact on other financial statement accounts. Consider consulting with auditors and legal professionals regarding potential restatement of prior year financials.</li> </ul> <p>Strengthen Internal Controls and Review Procedures:</p> <ul style="list-style-type: none"> <li>• Review and update internal controls framework: Reassess existing internal controls related to segment reporting and financial statement preparation, identifying and addressing weaknesses.</li> <li>• Implement documented review procedures: Establish clear and consistent procedures for reviewing</li> </ul>	In progress

Prior period note	<b>Issue 126</b>	<p>1. The nature of the prior period error was not disclosed in terms of GRAP 3.51(a) in the prior period error note</p> <p>2. The following narration in the prior period error note 51 were identified to be incomplete &gt; During the current year, It was identified that the municipality did not reduce unspent conditional grant liability that was revert back to National treasury against equitable shares grant, instead the amount was incorrectly reduced form equitable shares revenue resulting in overstatement of unspent conditional grant liability and understatement of grant and &gt; During the current year, it was identified that the Municipality incurred significant cash deficit form the money collected on behalf of North West department of road and transport in terms of principal agent relationship between two parties. A liability was not recognized in the books of the Municipality for the cash that was not paid to the department. Subsequently &gt; In the current year, it was identified consumer debtors balance was not included</p>	Management did not perform adequate reviews on the annual financial statement to ensure that the restated amounts per Note 51 agrees to the comparative figures on the face of the financial statements.	The chief financial officer should ensure that the correction made in terms of the comparative amount are disclosed in terms of GRAP 3 with all requirement taken into account. Furthermore the information as disclosed in the prior period error note should be consistence with the face of the financial statements and note in term of the corrections made.	<b>CFO</b>	<b>BTO</b>	<p>Rectify Disclosure in the AFS:</p> <ul style="list-style-type: none"> <li>• Review and identify applicable adjustments: Analyze the nature of the prior period error and ensure all related restatements and adjustments are reflected in the AFS.</li> <li>• Update "Prior Period Error" note: Clearly disclose the restatement amount, its nature, and impact on relevant financial statement accounts within the "Prior Period Error" note.</li> <li>• Consider revised financial statements: Depending on the materiality of the missing disclosure, consult with auditors regarding the need to revise and reissue the AFS with the updated note.</li> </ul> <p>Strengthen Internal Controls and Review Procedures:</p> <ul style="list-style-type: none"> <li>• Review and update internal controls framework: Reassess existing internal controls related to accounting changes, error identification, and financial statement disclosures, addressing any weaknesses.</li> <li>• Implement documented disclosure review procedures: Establish clear and consistent procedurs for reviewing all disclosures in the AFS before finalization, ensuring compliance with GRAP and regulatory requirements</li> </ul>	In progress
Prior period note	<b>Issue 127</b>	During the audit of the prior period error note, differences between restated amounts per Note 51 and comparative amounts on the face of the statement of financial position and financial performance were noted.	Management did not perform adequate reviews on the annual financial statement to ensure that the restated amounts per Note 51 agrees to the comparative figures on the face of the financial statements.	Management should ensure that reviews on the financial statements are made, in order to ensure that the amounts per the comparative figures on the face of the financial statements agrees with the restated amounts per Note 51: Prior period error note.	<b>CFO</b>	<b>BTO</b>	<p>Rectify Disclosure in the AFS:</p> <ul style="list-style-type: none"> <li>• Review and identify applicable adjustments: Analyze the nature of the prior period error and ensure all related restatements and adjustments are reflected in the AFS.</li> <li>• Update "Prior Period Error" note: Clearly disclose the restatement amount, its nature, and impact on relevant financial statement accounts within the "Prior Period Error" note.</li> <li>• Consider revised financial statements: Depending on the materiality of the missing disclosure, consult with auditors regarding the need to revise and reissue the AFS with the updated note.</li> </ul> <p>Strengthen Internal Controls and Review Procedures:</p> <ul style="list-style-type: none"> <li>• Review and update internal controls framework: Reassess existing internal controls related to accounting changes, error identification, and financial statement disclosures, addressing any weaknesses.</li> <li>• Implement documented disclosure review procedures: Establish clear and consistent procedures for reviewing all disclosures in the AFS before finalization, ensuring compliance with GRAP and regulatory requirements</li> </ul>	In progress

Prior period note	<b>Issue 13</b>	During the high level review of the financial statements, differences between restated amounts per Note 51 and comparative amounts on the face of the statement of financial position and financial performance were noted.	Management did not perform adequate reviews on the annual financial statement to ensure that the restated amounts per Note 51 agrees to the comparative figures on the face of the financial statements.	Management should ensure that reviews on the financial statements are made, in order to ensure that the amounts per the comparative figures on the face of the financial statements agrees with the restated amounts per Note 51: Prior period error note.	<b>CFO</b>	<b>BTO</b>	<p>Rectify Disclosure in the AFS:</p> <ul style="list-style-type: none"> <li>Review and identify applicable adjustments: Analyze the nature of the prior period error and ensure all related restatements and adjustments are reflected in the AFS.</li> <li>Update "Prior Period Error" note: Clearly disclose the restatement amount, its nature, and impact on relevant financial statement accounts within the "Prior Period Error" note.</li> <li>Consider revised financial statements: Depending on the materiality of the missing disclosure, consult with auditors regarding the need to revise and reissue the AFS with the updated note.</li> </ul> <p>Strengthen Internal Controls and Review Procedures:</p> <ul style="list-style-type: none"> <li>Review and update internal controls framework: Reassess existing internal controls related to accounting changes, error identification, and financial statement disclosures, addressing any weaknesses.</li> <li>Implement documented disclosure review procedures: Establish clear and consistent procedures for reviewing all disclosures in the AFS before finalization, ensuring compliance with GRAP and regulatory requirements.</li> </ul>	In progress
Distribution Losses	<b>Issue 172</b>	During the testing of distribution losses management provided the auditors with the calculation of the distribution loss however, management does not perform meter readings for water purchased, and there are no controls in place to ensure the accuracy of units purchased. Refer to issue 50 bulk purchases, as a result, we cannot reperform the calculation of distribution losses for water.	Municipality didn't implement proper internal controls to ensure that water and electricity invoices are accompanied by meter readings. This resulted in Municipality unable to estimate its distribution losses	Management should ensure that adequate internal controls are put in place to ensure the municipality is billed correctly on the water and electricity.	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Enhance Internal Controls for Water Purchases:</b></p> <ul style="list-style-type: none"> <li>Develop and implement a formal receiving process: Establish documented procedures for receiving bulk water deliveries, including verifying meter readings and documenting them on receiving reports.</li> <li>Designate specific personnel: Assign clear roles and responsibilities for receiving, recording, and reconciling water meter readings with supplier invoices.</li> <li>Implement mandatory dual verification: Require two authorized personnel to verify and sign off on received water volumes and corresponding invoices.</li> <li>Conduct regular internal audits: Schedule periodic internal audits to assess the effectiveness of implemented controls for bulk water purchases.</li> <li>Address Prior Year Expenditure: Request missing meter readings: Collaborate with the water supplier to retrieve missing meter readings for the 2020/21 financial year.</li> <li>Reconcile meter readings with invoices: Conduct a thorough reconciliation of retrieved meter</li> </ul>	In progress

Prior period note	<b>Issue 83</b>	<p>During the execution of property, plant and equipment disposals the following misstatements were identified:  For movable assets the amount as per write off list and council resolution does not agree to the amount as per AFS for the year ended 30 June 2023.  # Amount as per write off list and council resolution: R504 307.68  # Disposal amount as per AFS: R387 864  # Difference: R116 443.68</p> <p>For Landfill sites the amount of reassessment as per valuations report does not agree to the amount as per AFS for the year ended 30 June 2023.  # Amount as per report: R1 621 514.  # Amount as per AFS: R1 829 056  # Difference: R207 542</p>	<p>Lack of oversight by management to ensure that:  (a) The balances presented on the AFS are supported and also agrees with GL, TB and supporting schedules</p>	<p>Chief Financial Officer should review the AFS in relation to assets, to ensure that the AFS agree to relevant and supporting information such as the write-off list, valuation report as well as the council resolutions</p>	<b>CFO</b>	<b>BTO</b>	<p><b>Strengthen AFS Reconciliation Processes:</b></p> <ul style="list-style-type: none"> <li>• Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records.</li> <li>• Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results.</li> <li>• Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations.</li> <li>• Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS.</li> </ul> <p>Enhance Management Review and Oversight:</p> <ul style="list-style-type: none"> <li>• Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations.</li> <li>• Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation.</li> <li>• Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate</li> </ul>	In progress
Prior period note	<b>Issue 84</b>	<p>During the audit of property, plant and equipment: WIP, the following misstatements relating to transfers were noted:  The transfer amount as per completion certificate dated 7 February 2023 of High Mast Installation project does not agree to the amount as per AFS and asset register:  # Amount as signed completion certificate: R4 877 616.10  # Amount as per asset register and AFS: R5 652 300  # Difference: R774 684</p>		<p>Chief Financial Officer should ensure that reviews are performed by ensuring that the amount capitalised to Infrastructure:WIP and transferred to Infrastructure assets is reconciled to the amount as per supporting documents.</p>	<b>CFO</b>	<b>BTO</b>	<p><b>Strengthen AFS Reconciliation Processes:</b></p> <ul style="list-style-type: none"> <li>• Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records.</li> <li>• Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results.</li> <li>• Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations.</li> <li>• Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS.</li> </ul> <p>Enhance Management Review and Oversight:</p> <ul style="list-style-type: none"> <li>• Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations.</li> <li>• Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation.</li> <li>• Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate</li> </ul>	In progress

PPE	<b>Issue 141</b>	<p>1. During the physical verification of PPE WIP we were not able to confirm the existence of the Bloemhof Sewer Reticulation for the OR Consulting, we could only verify the Christina Sewer Reticulation</p> <p>2. During the audit of the PPE WIP, we identified that the following: As per memorandum of agreement between COGTA and Lekwa-Teemane LM dated 16/11/2022, paragraph 7.1 states that the municipality shall ensure the implementation of the project on the same terms and conditions as agreed by all parties. As per the scoping report dated October 2020, paragraph 4.6 operation and maintenance states that Dr Ruth Segomotsi Mompoti District Municipality as the Water Service Authority accepts ownership of the schemes.</p> <p>Based on the above, the municipality was appointed as the implementation agent for the Christina and Bloemhof sewer reticulation projects.</p>	<p>a) Lack of coordination between the municipality and Cogta (The project was funded by Cogta. b) Lack of oversight by management in ensuring that all the completed projects have necessary documentation such as completion certificates, BOQ, etc</p>	<p>1. Management should ensure that all the assets (On-going projects) are availed for the physical verification. 2. Management should ensure that all the disclosure as required by GRAP are complete.</p>	<b>CFO/Assets Consultants</b>	<b>BTO</b>	<p>a) Verification of all assets including all projects under WIP. b) All completed projects will be supported by completion certificates, bill of quantity, other reports, etc, c) All completed projects will be unbundled and added into the assets register as per GRAP 17</p>	In progress
Contracted Services	<b>Issue 106</b>	<p>During the auditing of the property, plant and equipment we have noted that there was an amount that have been incurred and disclosed as contracted services however, we were unable to trace the amount back to the contracted services note as the note did not have repairs and maintenance line item.</p> <p>Expenditure incurred to repair and maintain property, plant and equipment in terms of note 11 of the financial statement is as follows: Contracted services R10 337 578</p> <p>The misstatement have resulted in the understatement /overstatement of contracted services disclosure by R10 337 578</p>	<p>Financial and performance management 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 reporting.</p>	<p>The Chief financial Officer must ensure through review of the financial statements that the information that have been presented in the notes agrees to amount presented in the face of the financial statements.</p>	<b>SCM/Expenditure</b>	<b>BTO</b>	<p><b>Corrective Action:</b> Implement a record-keeping system:  <ul style="list-style-type: none"> <li>• Define what constitutes complete, relevant, and accurate records for financial reporting.</li> <li>• Choose a record-keeping system (e.g., software, physical files) that ensures accessibility and organization</li> <li>• Establish clear guidelines for documenting and storing financial information.</li> </ul> Establish timely recording procedures:  <ul style="list-style-type: none"> <li>• Set deadlines for entering financial data into the chosen system.</li> <li>• Assign responsibility for data entry and verification to specific individuals.</li> <li>• Implement regular reviews and reconciliation processes to ensure accuracy.</li> </ul> Training and awareness:  <ul style="list-style-type: none"> <li>• Provide training to relevant personnel on proper record-keeping procedures and deadlines.</li> <li>• Communicate the importance of timely and accurate financial reporting to all staff.</li> </ul> Monitor and review:  <ul style="list-style-type: none"> <li>• Regularly monitor compliance with the</li> </ul> </p>	In progress

Contracted Services	<b>Issue 120</b>	During the audit of contracted services, we have noted that some of the transactions that relates to the previous financial periods have been recorded in the current year. Summary of transactions that have been recorded in the current year however, there were incurred before the start of the current reporting period.	a) Creditors module on the financial system is not active. b) Invoices are recorded when they are paid not when they are incurred	The Chief financial Officer must ensure through review of the financial statements and appropriate supporting documentations that the transactions are recorded in the correct financial period	<b>SCM/Expenditure</b>	<b>BTO</b>	<p>Corrective Actions:</p> <ol style="list-style-type: none"> <li>1. Implement Accrual Accounting Practices: <ul style="list-style-type: none"> <li>•Educate staff on accrual basis: Provide training to relevant personnel on accrual accounting principles, emphasizing timely expense recognition and documentation requirements.</li> <li>•Develop and document accrual procedures: Establish clear and consistent procedures for identifying, documenting, and recording accrued expenses before payment.</li> <li>•Integrate with accounting system: Review and adjust accounting systems to ensure automatic capture and recording of accrued expenses in the appropriate period.</li> </ul> </li> <li>2. Conduct Catch-up Accruals and Adjustments: <ul style="list-style-type: none"> <li>•Identify unrecorded accruals: Conduct a comprehensive review of outstanding liabilities and unpaid invoices to identify all accrued expenses not yet recorded.</li> <li>•Record adjustments and reclassifications: Accrue and record all identified expenses in the appropriate accounting period, adjusting current and prior year financial statements if necessary.</li> </ul> </li> </ol>	In progress
Operational Costs / Irregular Expenditure	<b>issue 193</b>	During the audit of operational costs we have noted that the municipality did not obtain 3 quotations before making the purchase of fuel. As it is required that the expenditure incurred without following the proper procurement procedures should be recorded as irregular in the irregular expenditure register, we have traced the expenditure to the irregular expenditure register and we noted that the transaction was not recorded as irregular.	Lack of oversight by management to ensure that: (a) the submitted AFS in line with the GRAP standard and MFMA (b) there is no adequate internal control to detect irregular expenditure	Management should perform detailed review of the financial statements together with the supporting schedule to identify and correct errors timeously prior to the submission of such annual financial statement to the auditors.	<b>SCM/Expenditure</b>	<b>BTO</b>	<p>Strengthen Irregular Expenditure Management:</p> <ul style="list-style-type: none"> <li>• Develop and implement a formal irregular expenditure policy: Establish a clear policy defining irregular expenditure, outlining approval procedures, and requiring detailed documentation.</li> <li>• Designate a responsible officer: Assign an individual responsible for monitoring, investigating, and reporting all instances of irregular expenditure.</li> <li>• Implement a tracking system: Establish a system to track and record all instances of irregular expenditure, including details, justifications, approvals, and supporting documentation.</li> <li>• Conduct thorough investigations: Promptly investigate all identified instances of irregular expenditure to determine root causes and potential recovery options.</li> </ul> <p>Enhance Disclosure and Transparency:</p> <ul style="list-style-type: none"> <li>• Complete the missing Note: Gather all necessary information and finalize the note on irregular expenditure, ensuring compliance with GRAP disclosure requirements.</li> <li>• Review and update accounting</li> </ul>	In progress

Non-compliance	<b>Issue 194</b>	During the audit of operational costs, we have noted that management did not make payment to the respective supplier within the period of 30 days. refer to the attached annexure A	Lack of funds	Management should ensure that payments are made to suppliers within 30 days of incurring the expenditure	<b>Expenditure</b>	<b>BTO</b>	Municipality will develop financial recovery plan to be approved by council.	In progress
Operational Costs	<b>Issue 195</b>	During the audit of operational costs we have noted that the municipal's officials or end-user departments did not acknowledge the receipts of goods or services to serve as a confirmation that the goods/services received by the municipality relates to the actual goods/services ordered by the municipal and they were used for the benefit of the municipality, refer to annexure A attached	Municipality does not have internal controls to ensure that invoices that are received/paid are for services or goods that have been received by the municipality.	Management should keep records to support the acknowledgement of goods/services purchased by the municipal to confirm that the goods/services received upon delivery relates to the goods/services ordered	<b>SCM/Expenditure</b>	<b>BTO</b>	The municipality will implement the following controls: (a) keep good received notes that will be signed by the designated receiver and the service provider. (b) The goods received note will include specification of the goods ordered versus the goods received, the condition, the date received, the details of the designated receiver and the signature line for both the receiver and supplier. c) Management should ensure that it implements controls to ensure that it verifies all goods and services received and keep sufficient and accurate records evidence that supports that the goods are received. The accounting officer must ensure that action plans are in place and there should be consequences for not implementing the action plans.	In progress
Trade payables	<b>Issue 64</b>	1. During the audit of payables from exchange transactions, the following differences were noted between the accounts payable age analysis and the trade payables per the annual financial statements: Description: Trade payables Amount per register: 879 351 675,63 Amount per TB/AFS: 873 492 418 Difference: 5 859 257,64  2. During the audit of payables from exchange transactions, the following differences were noted between the retention register and the retention per the annual financial statements: Description: Retention Amount per register: 4 960 256,49 Amount per TB/AFS: 5 859 258 Difference: 899 001,51  3. During the audit of payables from exchange transactions, the following differences were noted between the retention register submitted and the auditor's recalculations: Description : Retention Amount per register : 4 960 256,49 Recalculations : 6 041 624,23 Difference: 1 081 367,74	Information migrated to the new system was not unbundled, therefore the trade payables listing is not accurate	The CFO must ensure proper review of the account payable age analysis or schedule and the annual financial statements to ensure that the financial statements are a true reflection of the account payable age analysis or schedule.	<b>Expenditure</b>	<b>BTO</b>	Corrective Actions: 1. Address Misstatement and Reconcile Data: •Identify and quantify discrepancies: Conduct a thorough review to identify and quantify differences between the provided schedule and the annual financial statements for payables from exchange transactions. •Investigate root causes: Analyse the underlying reasons for discrepancies, such as data entry errors, misclassifications, or missing information. •Rectify errors and adjust statements: Make necessary adjustments to the schedule and annual financial statements to reflect accurate payables from exchange transactions. 2. Strengthen Control Environment and Communication: •Develop and document reconciliation procedures: Establish clear and detailed procedures for preparing and reconciling schedules with the annual financial statements, outlining data sources, responsible personnel, and review processes. •Regular communication and meetings: Implement regular communication	In progress

Trade payables	<b>Issue 100</b>	During the performance of the audit, we identified the following differences between the creditor's age analysis and the Trade Payables amount recognised in the AFS Amount as per AFS: R 705 151 158 Amount as per Age analysis: R 650 114 903.73 Difference R 55 036 254.27	Age analysis and GL should seamlessly interface, therefore no differences should be experienced unless there are manual interventions. A thorough investigation is needed to identify the root cause of the problem	Management should ensure that the financial statements are properly reviewed. Management should correct Financial Statements and ensure that the amount as per the creditor's age analysis agrees to the amount Disclosed on the AFS.	<b>Expenditure</b>	<b>BTO</b>	<p>Corrective Actions:</p> <p>1. Address Misstatement and Reconcile Data:</p> <ul style="list-style-type: none"> <li>•Identify and quantify discrepancies: Conduct a thorough review to identify and quantify differences between the provided schedule and the annual financial statements for payables from exchange transactions.</li> <li>•Investigate root causes: Analyse the underlying reasons for discrepancies, such as data entry errors, misclassifications, or missing information.</li> <li>•Rectify errors and adjust statements: Make necessary adjustments to the schedule and annual financial statements to reflect accurate payables from exchange transactions.</li> </ul> <p>2. Strengthen Control Environment and Communication:</p> <ul style="list-style-type: none"> <li>•Develop and document reconciliation procedures: Establish clear and detailed procedures for preparing and reconciling schedules with the annual financial statements, outlining data sources, responsible personnel, and review processes.</li> <li>•Regular communication and meetings: Implement regular communication</li> </ul>	In progress
Trade payables	<b>Issue 129</b>	During the execution of the audit on the Trade and other payables, we noted that the unallocated deposit amounting to R9 387 322 disclosed in note 15 does not have a sufficient listing or supporting document.	Information migrated to the new system was not unbundled, therefore the trade payables listing is not accurate	Management should ensure that the annual financial statements are supported by schedules which are thoroughly reviewed to identify and correct errors timeously prior to the submission of such annual financial statement to the auditors.	<b>Expenditure</b>	<b>BTO</b>	<p>Corrective Actions:</p> <p>1. Address Misstatement and Reconcile Data:</p> <ul style="list-style-type: none"> <li>•Identify and quantify discrepancies: Conduct a thorough review to identify and quantify differences between the provided schedule and the annual financial statements for payables from exchange transactions.</li> <li>•Investigate root causes: Analyse the underlying reasons for discrepancies, such as data entry errors, misclassifications, or missing information.</li> <li>•Rectify errors and adjust statements: Make necessary adjustments to the schedule and annual financial statements to reflect accurate payables from exchange transactions.</li> </ul> <p>2. Strengthen Control Environment and Communication:</p> <ul style="list-style-type: none"> <li>•Develop and document reconciliation procedures: Establish clear and detailed procedures for preparing and reconciling schedules with the annual financial statements, outlining data sources, responsible personnel, and review processes.</li> <li>•Regular communication and meetings: Implement regular communication</li> </ul>	In progress

Payables from Exchange	<b>Issue 181</b>	During the audit of Payables from exchange transactions - Prior period error, the following difference was noted between the restated amount per Note 51 and the amount in the statement of financial position	Management did not perform adequate reviews on the annual financial statement to ensure that the restated amounts per Note 51 agrees to the comparative figures on the face of the financial statements.	The Chief Financial Officer must ensure that the financial statements together with the notes to the financial statements are reviewed to ensure consistency between the amounts disclosed in the Notes and the amounts disclosed in the face of the financial statements.	<b>Expenditure</b>	<b>BTO</b>	Rectify Disclosure in the AFS: <ul style="list-style-type: none"> <li>Review and identify applicable adjustments: Analyze the nature of the prior period error and ensure all related restatements and adjustments are reflected in the AFS.</li> <li>Update "Prior Period Error" note: Clearly disclose the restatement amount, its nature, and impact on relevant financial statement accounts within the "Prior Period Error" note.</li> <li>Consider revised financial statements: Depending on the materiality of the missing disclosure, consult with auditors regarding the need to revise and reissue the AFS with the updated note.</li> </ul> Strengthen Internal Controls and Review Procedures: <ul style="list-style-type: none"> <li>Review and update internal controls framework: Reassess existing internal controls related to accounting changes, error identification, and financial statement disclosures, addressing any weaknesses.</li> <li>Implement documented disclosure review procedures: Establish clear and consistent procedures for reviewing all disclosures in the AFS before finalization, ensuring compliance with GRAP and regulatory requirements.</li> </ul>	In progress
SCM	<b>Issue 202</b>	During the testing of the SCM deviation , we noted the following :  1. For deviation relating to T AND T M ELECTRICAL (PTY) LTD -SPECIALIST SERVICE PROVIDER TO LOWER AND REPAIR 30M HIGHMAST LIGHTS IN BLOEMHOF amounting to R490 170, we noted that the municipality has identified high mast lights that are non-functional and need to be lowered in order to be repaired. This is a specialised service which requires a service provider with the necessary skills and experience to execute works. The repairing of these high mast lights would improve the safety and security of the beneficiary communities while also ensuring efficient community lighting especially when approaching the winter months, while also improving service delivery". Inspected the request for deviation approved by the CFO on the 09 May 2024 and assessed the motivation which we noted that it is not Justifiable as there is no indication that the municipality tested the	a) Deviations not done in line with SCM regulations. b) Management did not ensure that proper motivation with aligne with the SCM regulation is done when there is a need for a procurement through deviations. c) Over reliance on deviations to procure (deviations becoming a norm)	SCM Manager and the CFO should ensure that proper motivation with aligne with the SCM regulation is done when there is a need for a procurement through deviations.	<b>SCM</b>	<b>BTO</b>	a) SCM staff training on SCM regulations. b) appoinment of panel of service provider to chose from rather than procuring via deviations.	In progress

SCM	<b>Issue 155</b>	<p>During the audit of SCM, we noted that the preferential procurement system points were incorrectly calculated for the following tender. However the bidder was appointed as a winning bidder.</p> <p>Provision of short-term assets insurance for a period of 36 months</p> <p>This differences is due to the following:  On Reconstruction &amp; Development Programme Goals , management rated Blaq M under Men</p> <p>Ownership - &gt; 51% : Black however based on the B-BBEE sworn Affidavid, Blaq M should be rated under Men Ownership - 100% : Black</p>	Lack of capacity under SCM unit	Bid Evaluation committee should implement controls that ensure that they evaluate the specific goal in accordance to the BBBEE verification Certificate or Sworn affidavit provided by the bidders	SCM	BTO	<p>a) SCM staff training on SCM regulations to ensure that all SCM regulations are complied with.</p> <p>b) Review of tender documents by internal audit or designated personell to check compliance with SCM regulations before the tender is awarded</p>	In progress
SCM	<b>Issue 82</b>	<p>During the audit of procurement and contract management, the auditor requested the following request of information below issued on 18 October 2024 and due on 22 October 2024, however the following information has not been submitted:</p> <p>1. Please provide the SLA / contract for BID NUMBER : LTLM2020-21BTO02 APPOINTED BIDDER: Eagilwe Property Consulting and Assets.</p> <p>The above results in a limitation of scope to completing the testing of contract management for Eagilwe Property Consulting and Assets.</p>	Management does not have a proper filing system in place to ensure that information requested is easily retrievable and submitted within 3 days.	Management should implement controls that information requested by auditors is readily available to be submitted for audit. Management should submit the requested information within the required timeframes.	SCM	BTO	<p><b>Conduct a Filing System Assessment:</b>  Evaluate the existing filing system to identify weaknesses, inefficiencies, and areas for improvement. Consider feedback from staff who regularly access and manage files.</p> <p><b>Develop a Standardized Filing Protocol:</b>  Establish a standardized filing protocol that clearly defines how documents should be organized, labeled, and stored. Ensure that the protocol aligns with the nature of the information and facilitates easy retrieval.</p> <p><b>Implement Digital Document Management Systems:</b>  Explore and implement digital document management systems that enable efficient organization, indexing, and retrieval of electronic documents. Ensure the chosen system integrates seamlessly with the organization's workflow.</p> <p><b>Provide Staff Training:</b>  Conduct training sessions for</p>	In progress

SCM	<b>Issue 165</b>	<p>During the testing of SCM deviation, we noted payment voucher number 8139 supplier: KWIKSPACE for procurement of Mobile office, which the reason for deviation is noted to be the following: "Our building has burned down and insurance is underway and as a result, we do not have sufficient office space. We had an arrangement with the library manager to accommodate for us, the Auditor General and they later changed the arrangement because of the Library programs".</p> <p>however based on the assessment of the motivation we noted that the motivation is not Justifiable as immediate action was not necessary since auditors were already on the municipal premises occupying the boardroom chamber ,further after the arrival mobile offices , the offices were occupied by the municipal Employees which is not being used for the intend purposed.</p>	<p>a) Deviations not done in line with SCM regulations. b) Management did not ensure that proper motivation with aligne with the SCM regulation is done when there is a need for a procurement through deviations. c) Over reliance on deviations to procure (deviations becoming a norm)</p>	CFO and SCM manager should ensure that deviations reported meet the requirements of the SCM laws and regulations, and that all instances of irregular and fruitless and wasteful expenditure are identified and included in the disclosure notes.	SCM	BTO	<p>a) SCM staff training on SCM regulations. b) appointment of pannel of service provider to chose from rather than procuring via deviations.</p>	In progress
Limitation of Scope - SCM	<b>Issue 201</b>	<p>During the audit of procurement and contract management, the auditor requested the following request for information below issued on 18 October 2024 and due on 22 October 2024, however the following information has not been submitted:</p> <p>1. Please provide the SLA / contract for BID NUMBER : LTLM2020-21BTO02 APPOINTED BIDDER: Eagilwe Property Consulting and Assets</p> <p>Management did not take appropriate measures to ensure that the municipality is compliant with the MFMA SCM Regulation regarding the disclosure of awards to close family members of persons in the service of the state resulting in non-compliance with MFMA SCM Regulation s45(b). Non-compliance with Municipal Systems act schedule 2(1).</p>	Management does not have a proper filling system in place to ensure that information requested is easily retrievable and submitted within 3 days.	Management should implement controls that information requested by auditors is readily available to be submitted for audit. Management should submit the requested information within the required timeframes.	SCM	BTO	<p><b>Conduct a Filing System Assessment:</b> Evaluate the existing filing system to identify weaknesses, inefficiencies, and areas for improvement. Consider feedback from staff who regularly access and manage files.</p> <p><b>Develop a Standardized Filing Protocol:</b> Establish a standardized filing protocol that clearly defines how documents should be organized, labeled, and stored. Ensure that the protocol aligns with the nature of the information and facilitates easy retrieval.</p> <p><b>Implement Digital Document Management Systems:</b> Explore and implement digital document management systems that enable efficient organization, indexing, and retrieval of electronic documents. Ensure the chosen system integrates seamlessly with the organization's workflow.</p> <p><b>Provide Staff Training:</b> Conduct training sessions for</p>	In progress

Consumer debtors	<b>Issue 48</b>	<p>During the audit of consumer debtors the following differences were noted between the allowance for impairment schedule and the disclosure in the annual financial statements. (i). The auditor agreed the apportioned allowance for impairment indicated in the apportioned allowance for impairment schedule to the allowance for impairment disclosed in Note 6 of financial statements. The net difference between the apportioned allowance for impairment schedule and the annual financial statements is a total of R331 392, with the difference per service charges being individually material.</p> <p>Through discussions with management it was confirmed that the apportioned allowance for impairment is informed by the methodology utilised to determine allowance for impairment per service charge.</p> <p>It was further confirmed that there is no supporting data to the apportioned allowance for impairment. As a result, there is a limitation in the allowance for impairment</p>	<p>Lack of oversight by management to ensure that:</p> <p>(a) the submitted AFS in line with the GRAP standard</p> <p>(b) there is adequate review of the annual financial statements.</p>	<p>Management must ensure that the allowance for impairment schedules are based on appropriate, reliable data and reviewed for appropriate accuracy before presentation in the annual financial statements</p>	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>•Strengthen Debt Impairment Assessment:</li> <li>•Develop and implement a formal impairment assessment policy: Establish documented procedures for regularly assessing debt for potential impairment using GRAP standards.</li> <li>• Assign clear roles and responsibilities: Designate personnel responsible for conducting impairment assessments and documenting results.</li> <li>• Utilize appropriate tools and methodologies: Implement quantitative and qualitative analysis tools to assess creditworthiness and potential losses.</li> <li>• Maintain supporting documentation: Ensure all calculations, analyses, and justifications for impairment decisions are clearly documented.</li> </ul> <p><b>Enhance Accounting Standards Compliance:</b></p> <ul style="list-style-type: none"> <li>• Provide training to relevant staff: Train personnel involved in financial reporting on GRAP standards related to debt impairment and impairment loss recognition.</li> <li>• Update accounting policies and procedures: Ensure accounting policies</li> </ul>	In progress
Trade and Other Receivables - Non Exchange	<b>Issue 63</b>	<p>During the audit of receivables from non-exchange transactions, the following differences were noted between the gross balance of property rates per the debtors age analysis and the gross balance of property rates per the annual financial statements:</p>	<p>Lack of oversight by management to ensure that:</p> <p>(a) the submitted AFS in line with the GRAP standard and</p> <p>(b) ensure that the AFS are adequately reviewed</p>	<p>The CFO must ensure proper review of the debtors age analysis and the annual financial statements to ensure that the financial statements are a true reflection of the debtors age analysis.</p>	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>•Reconcile and Reclassify Discrepancies:</li> <li>• Identify and analyze differences: Conduct a thorough review to identify and understand the nature and cause of discrepancies between the receivables debtors' age analysis and AFS amounts.</li> <li>•Reclassify and adjust entries: Based on the analysis, make necessary reclassifications and adjustments to the AFS to accurately reflect the aging of outstanding receivables, ensuring alignment with GRAP standards.</li> <li>•Document and disclose adjustments: Clearly document the reconciliation process, identified discrepancies, and any adjustments made to the AFS, with proper disclosure in the financial statements.</li> <li>• Strengthen Internal Controls and Review Procedures:</li> <li>• Develop and implement reconciliation procedures: Establish documented procedures for regularly reconciling the debtors' age analysis with the general ledger and AFS, ensuring timely identification and correction of discrepancies.</li> <li>• Assign clear roles and responsibilities:</li> </ul>	In progress

Trade and Other Receivables - Exchange	<b>Issue 65</b>	During the audit of Trade and other receivables from exchange, the auditor noted that the presentation and disclosure for 2023/24 note 4 and 6 is not consistent with the presentation and disclosure for 2022/23 note 10. Furthermore, on note 4 of the Annual Financial statement the naration is incomplete as it is written Collection rate of consumer receivables however there is no disclosure for Collection rate of consumer receivables	Lack of oversight by management to ensure that: (a) the submitted AFS in line with the GRAP standard and (b) ensure that the AFS are adequately reviewed	Management should ensure that the presentation and disclosure is consistent with prior year. Furthermore, management should ensure that the naration for Collection rate of consumer receivables is complete.	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>•Reconcile and Reclassify Discrepancies:</li> <li>• Identify and analyze differences: Conduct a thorough review to identify and understand the nature and cause of discrepancies between the receivables debtors' age analysis and AFS amounts.</li> <li>•Reclassify and adjust entries: Based on the analysis, make necessary reclassifications and adjustments to the AFS to accurately reflect the aging of outstanding receivables, ensuring alignment with GRAP standards.</li> <li>•Document and disclose adjustments: Clearly document the reconciliation process, identified discrepancies, and any adjustments made to the AFS, with proper disclosure in the financial statements.</li> <li>• Strengthen Internal Controls and Review Procedures:</li> <li>• Develop and implement reconciliation procedures: Establish documented procedures for regularly reconciling the debtors' age analysis with the general ledger and AFS, ensuring timely identification and correction of discrepancies.</li> <li>• Assign clear roles and responsibilities:</li> </ul>	In progress
Trade and Other Receivables - Exchange	<b>Issue 86</b>	During the audit of trade and other receivables the auditor noted that the municipality charged itself for consumer debtors for 2023/24. Furthermore the auditors noted the debtors named "Water" and account numbers which does not have the name. Refer to annexure A - Consumer Debtors	Lack of oversight by management to ensure that: (a) the submitted AFS in line with the GRAP standard and (b) ensure that the AFS are adequately reviewed	Management should ensure that debtors are correctly named and that it does not charge itself for service charges	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>•Reconcile and Reclassify Discrepancies:</li> <li>• Identify and analyze differences: Conduct a thorough review to identify and understand the nature and cause of discrepancies between the receivables debtors' age analysis and AFS amounts.</li> <li>•Reclassify and adjust entries: Based on the analysis, make necessary reclassifications and adjustments to the AFS to accurately reflect the aging of outstanding receivables, ensuring alignment with GRAP standards.</li> <li>•Document and disclose adjustments: Clearly document the reconciliation process, identified discrepancies, and any adjustments made to the AFS, with proper disclosure in the financial statements.</li> <li>• Strengthen Internal Controls and Review Procedures:</li> <li>• Develop and implement reconciliation procedures: Establish documented procedures for regularly reconciling the debtors' age analysis with the general ledger and AFS, ensuring timely identification and correction of discrepancies.</li> <li>• Assign clear roles and responsibilities:</li> </ul>	In progress

Long term debtors	<b>Issue 136</b>	During the audit of Long-term debtors we noted that there is no sufficient support for the split between current portion and non-current portion. We were provided a listing for Long-term debtor however, the listing does not show per debtor the split between current portion and non-current portion of long-term debtors, as a result we are limited on the classification of short-term portion and long-term portion of long-term debtors.	Lack of oversight by management to ensure that: (a) the submitted AFS in line with the GRAP standard and (b) ensure that the AFS are adequately reviewed	Management should ensure that the financial statements are properly reviewed before submitting for audit. In addition, management should strengthen the daily recording of transaction to ensure that when preparing financial statement every transaction is supported by sufficient evidence.	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>•Reconcile and Reclassify Discrepancies:</li> <li>• Identify and analyze differences: Conduct a thorough review to identify and understand the nature and cause of discrepancies between the receivables debtors' age analysis and AFS amounts.</li> <li>•Reclassify and adjust entries: Based on the analysis, make necessary reclassifications and adjustments to the AFS to accurately reflect the aging of outstanding receivables, ensuring alignment with GRAP standards.</li> <li>•Document and disclose adjustments: Clearly document the reconciliation process, identified discrepancies, and any adjustments made to the AFS, with proper disclosure in the financial statements.</li> <li>• Strengthen Internal Controls and Review Procedures:</li> <li>• Develop and implement reconciliation procedures: Establish documented procedures for regularly reconciling the debtors' age analysis with the general ledger and AFS, ensuring timely identification and correction of discrepancies.</li> <li>• Assign clear roles and responsibilities:</li> </ul>	In progress
Trade and Other Receivables - Non Exchange	<b>Issue 148</b>	During the audit of the prior period corrections for receivables from non-exchange transactions, the following differences were noted between the prior period error correction amount and the amount representing the difference between the prior year audited financial statements and the comparative figure per the current year financial statements:	Lack of oversight by management to ensure that: (a) the submitted AFS in line with the GRAP standard and (b) ensure that the AFS are adequately reviewed	Management should ensure the financial statements are adequately reviewed before sending to the AFS	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>•Reconcile and Reclassify Discrepancies:</li> <li>• Identify and analyze differences: Conduct a thorough review to identify and understand the nature and cause of discrepancies between the receivables debtors' age analysis and AFS amounts.</li> <li>•Reclassify and adjust entries: Based on the analysis, make necessary reclassifications and adjustments to the AFS to accurately reflect the aging of outstanding receivables, ensuring alignment with GRAP standards.</li> <li>•Document and disclose adjustments: Clearly document the reconciliation process, identified discrepancies, and any adjustments made to the AFS, with proper disclosure in the financial statements.</li> <li>• Strengthen Internal Controls and Review Procedures:</li> <li>• Develop and implement reconciliation procedures: Establish documented procedures for regularly reconciling the debtors' age analysis with the general ledger and AFS, ensuring timely identification and correction of discrepancies.</li> <li>• Assign clear roles and responsibilities:</li> </ul>	In progress

Receivables	<b>Issue 157</b>	During the audit of presentation and disclosure of receivables from non-exchange transactions, the following misstatements were identified in the presentation of receivables from non-exchange transactions: 1. The following inconsistencies were identified within Note 5: Receivables from non-exchange transactions and Note 6: Consumer debtors: Statutory Receivables: (a) Differences were noted between the Statutory Receivables and Receivables from nonexchange disclosed in Note 5 (b) Casted the total comparative Statutory Receivables and agreed to the disclosed comparative Statutory Receivables and identified differences (c). Agreed the allowance for impairment disclosed in Note 6 to the allowance for impairment disclosed in Note 5 for property rates and identified differences (d). Casted the total Property rates gross balance ageing disclosed in Note 6 and agreed to the Total Gross balance disclosed in note 6 and	Lack of oversight by management to ensure that: (a) the submitted AFS in line with the GRAP standard and (b) ensure that the AFS are adequately reviewed	The Chief financial Officer must ensure through review of the financial statements and the supporting schedules that the amounts disclosed, including narrations in Note 5: Receivables from non-exchange transactions and Note 6: Consumer Debtors, are presented and disclosed appropriately	Revenue Manager	BTO	<b>Corrective Actions:</b> •Reconcile and Reclassify Discrepancies: • Identify and analyze differences: Conduct a thorough review to identify and understand the nature and cause of discrepancies between the receivables debtors' age analysis and AFS amounts. •Reclassify and adjust entries: Based on the analysis, make necessary reclassifications and adjustments to the AFS to accurately reflect the aging of outstanding receivables, ensuring alignment with GRAP standards. •Document and disclose adjustments: Clearly document the reconciliation process, identified discrepancies, and any adjustments made to the AFS, with proper disclosure in the financial statements. • Strengthen Internal Controls and Review Procedures: • Develop and implement reconciliation procedures: Establish documented procedures for regularly reconciling the debtors' age analysis with the general ledger and AFS, ensuring timely identification and correction of discrepancies. • Assign clear roles and responsibilities:	In progress
Revenue from exchange - Electricity	<b>Issue 73</b>	During the audit of revenue from exchange: Sale of electricity the auditor found the following differences- Electricity: Difference between the billing report and auditors calc	Management do not test the accuracy of informatio on the system	Chief Financial Officer should ensure that controls are put in place to ensure that the amount	Revenue Manager	BTO	<b>Corrective Actions:</b> •Investigate and Reconcile Discrepancies: • Identify missing properties: Analyze both valuation rolls to determine the specific properties present in one year but missing in the other, categorizing them based on reason for exclusion (e.g., new construction, demolition, ownership changes). • Investigate missing property information: For each missing property, gather relevant details (ownership, location, value) through property databases, title deeds, and other sources. • Rectify valuation rolls: Based on the investigation, make necessary additions or removals to ensure both rolls accurately reflect all rateable properties within the municipality's jurisdiction. • Strengthen Internal Controls and Procedures: • Develop and implement property registration procedures: Establish documented procedures for timely inclusion of new properties in the valuation rolls upon construction, ownership changes, or other relevant events.	In progress

Service Charges - CAATS	<b>Issue 216</b>	During the testing of services charges through CAATs it was identified that the customer listed under Annexure D to I attached were billed for the period less than 12 months for service charges	Management do not test the accuracy of informatio on the system	capitalised and disclosed on the AFS agree to the relevant supporting documents ie. invoices	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>• Investigate and Reconcile Discrepancies:</li> <li>• Identify missing properties: Analyze both valuation rolls to determine the specific properties present in one year but missing in the other, categorizing them based on reason for exclusion (e.g., new construction, demolition, ownership changes).</li> <li>• Investigate missing property information: For each missing property, gather relevant details (ownership, location, value) through property databases, title deeds, and other sources.</li> <li>• Rectify valuation rolls: Based on the investigation, make necessary additions or removals to ensure both rolls accurately reflect all rateable properties within the municipality's jurisdiction.</li> <li>• Strengthen Internal Controls and Procedures:</li> <li>• Develop and implement property registration procedures: Establish documented procedures for timely inclusion of new properties in the valuation rolls upon construction, ownership changes, or other relevant events.</li> </ul>	In progress
Property Rates	<b>Issue 55</b>	<p>1. During the audit of property rates, the following differences were identified between the property rates billed per debtor's account statement/billing report as well as the auditor's recalculation:</p> <p>2. The following properties were levied for property rates, however they are properties that are exempted from levying property rates in terms of the rates policy of the municipality. In addition, no tarrif was set for these properties:</p>	Management do not test the accuracy of informatio on the system	The revenue manager and revenue unit should ensure that the property billing system, debtor's statement of account is reviewed to ensure that properties are levied based on the classification of the property and appropriate tarrifs set out.	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>• Investigate and Reconcile Discrepancies:</li> <li>• Identify missing properties: Analyze both valuation rolls to determine the specific properties present in one year but missing in the other, categorizing them based on reason for exclusion (e.g., new construction, demolition, ownership changes).</li> <li>• Investigate missing property information: For each missing property, gather relevant details (ownership, location, value) through property databases, title deeds, and other sources.</li> <li>• Rectify valuation rolls: Based on the investigation, make necessary additions or removals to ensure both rolls accurately reflect all rateable properties within the municipality's jurisdiction.</li> <li>• Strengthen Internal Controls and Procedures:</li> <li>• Develop and implement property registration procedures: Establish documented procedures for timely inclusion of new properties in the valuation rolls upon construction, ownership changes, or other relevant events.</li> </ul>	In progress

Revenue - Sale of Water	<b>Issue 91</b>	During the detail testing of Revenue - Sale of water, below differences were identified between the auditor's recalculation and the amount as per the billing report including the adjustments processed on the service charges reconciliations:	Management do not test the accuracy of informatio on the system	Management should ensure that adequate reviews are conducted on a monthly basis to ensure that correct rates are used for billing service changes and the reconciliation performed are reviewed by the revenue manager and ultimately the chief financial officer.	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>• Investigate and Reconcile Discrepancies:</li> <li>• Identify missing properties: Analyze both valuation rolls to determine the specific properties present in one year but missing in the other, categorizing them based on reason for exclusion (e.g., new construction, demolition, ownership changes).</li> <li>• Investigate missing property information: For each missing property, gather relevant details (ownership, location, value) through property databases, title deeds, and other sources.</li> <li>• Rectify valuation rolls: Based on the investigation, make necessary additions or removals to ensure both rolls accurately reflect all rateable properties within the municipality's jurisdiction.</li> <li>• Strengthen Internal Controls and Procedures:</li> <li>• Develop and implement property registration procedures: Establish documented procedures for timely inclusion of new properties in the valuation rolls upon construction, ownership changes, or other relevant events.</li> </ul>	In progress
Revenue from non-exchange	<b>Issue 94</b>	During the audit of prior period corrections of revenue from non-exchange transactions, the auditor requested the following information below issued on 18 October 2024 and due on 22 October 2024, however the following information has not been submitted: Kindly provide us with the following requested information for items listed in annexure A of the attached excel spreadsheet relating to prior period corrections of revenue from non-exchange transactions as disclosed in the prior period error note: <input type="checkbox"/> Workings supporting the corrections effected <input type="checkbox"/> Journals supporting the corrections effected <input type="checkbox"/> Any other supporting document to the corrections effected (a). Property rates interest - R536 886 (b). Property rates - R930 241.57	Management do not test the accuracy of informatio on the system	Management should implement controls that information requested by auditors is readily available to be submitted for audit. Management should submit the requested information within the required timeframes.	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>• Investigate and Reconcile Discrepancies:</li> <li>• Identify missing properties: Analyze both valuation rolls to determine the specific properties present in one year but missing in the other, categorizing them based on reason for exclusion (e.g., new construction, demolition, ownership changes).</li> <li>• Investigate missing property information: For each missing property, gather relevant details (ownership, location, value) through property databases, title deeds, and other sources.</li> <li>• Rectify valuation rolls: Based on the investigation, make necessary additions or removals to ensure both rolls accurately reflect all rateable properties within the municipality's jurisdiction.</li> <li>• Strengthen Internal Controls and Procedures:</li> <li>• Develop and implement property registration procedures: Establish documented procedures for timely inclusion of new properties in the valuation rolls upon construction, ownership changes, or other relevant events.</li> </ul>	In progress

Prior period issue (COMM 33)	<b>Issue 97</b>	During the audit of Revenue from non-exchange, the auditor note the following difference:	Management do not test the accuracy of informatio on the system	Management should ensure that trial balance, general ledger and annual financial statements are	<b>CFO</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>•Investigate and Reconcile Discrepancies:</li> <li>• Identify missing properties: Analyze both valuation rolls to determine the specific properties present in one year but missing in the other, categorizing them based on reason for exclusion (e.g., new construction, demolition, ownership changes).</li> <li>• Investigate missing property information: For each missing property, gather relevant details (ownership, location, value) through property databases, title deeds, and other sources.</li> <li>• Rectify valuation rolls: Based on the investigation, make necessary additions or removals to ensure both rolls accurately reflect all rateable properties within the municipality's jurisdiction.</li> <li>• Strengthen Internal Controls and Procedures:</li> <li>• Develop and implement property registration procedures: Establish documented procedures for timely inclusion of new properties in the valuation rolls upon construction, ownership changes, or other relevant events</li> </ul>	In progress
Service Charges	<b>Issue 107</b>	During the audit of Revenue from Exchange Transaction service charge - waste management, we noted that the tariff used for billing of additional charge per bin is incorrect. The auditors recalculated the amount based on tariffs approved by council and noted differences, refer to the table below:	Management do not test the accuracy of informatio on the system	Management should review the supporting schedules to ensure accuracy recording on the financial	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>•Investigate and Reconcile Discrepancies:</li> <li>• Identify missing properties: Analyze both valuation rolls to determine the specific properties present in one year but missing in the other, categorizing them based on reason for exclusion (e.g., new construction, demolition, ownership changes).</li> <li>• Investigate missing property information: For each missing property, gather relevant details (ownership, location, value) through property databases, title deeds, and other sources.</li> <li>• Rectify valuation rolls: Based on the investigation, make necessary additions or removals to ensure both rolls accurately reflect all rateable properties within the municipality's jurisdiction.</li> <li>• Strengthen Internal Controls and Procedures:</li> <li>• Develop and implement property registration procedures: Establish documented procedures for timely inclusion of new properties in the valuation rolls upon construction, ownership changes, or other relevant events</li> </ul>	In progress

Service Charges - Electricity	<b>Issue 110</b>	<p>During the audit of revenue from exchange transactions we noted differences between the amount as per AFS and amounts as per supporting documents</p> <p>Management did not perform adequate reviews on Service charges - electricity and the related note in the annual financial statements to ensure that errors are detected and corrected timeously prior to submission of the AFS.</p>	Management do not test the accuracy of informatio on the system	Management should reconcile the financial statements against the underlying records prior to finalizing Financial Statements. Furthermore, management should investigate the difference and make the necessary corrections	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>• Investigate and Reconcile Discrepancies:</li> <li>• Identify missing properties: Analyze both valuation rolls to determine the specific properties present in one year but missing in the other, categorizing them based on reason for exclusion (e.g., new construction, demolition, ownership changes).</li> <li>• Investigate missing property information: For each missing property, gather relevant details (ownership, location, value) through property databases, title deeds, and other sources.</li> <li>• Rectify valuation rolls: Based on the investigation, make necessary additions or removals to ensure both rolls accurately reflect all rateable properties within the municipality's jurisdiction.</li> <li>• Strengthen Internal Controls and Procedures:</li> <li>• Develop and implement property registration procedures: Establish documented procedures for timely inclusion of new properties in the valuation rolls upon construction, ownership changes, or other relevant events.</li> </ul>	In progress
Revenue	<b>Issue 147</b>	During the audit of revenue from exchange transactions license and permits we noted differences between the amount as per AFS and amount as per auditors' recalculation performed using the e-Natis reports.	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	finalizing Financial Statements. Furthermore, management should investigate the difference and	<b>Revenue Manager</b>	<b>BTO</b>	Management should review the supporting schedules to ensure accuracy recording on the financial statements	In progress

Revenue from Exchange	<b>Issue 171</b>	During the audit of revenue from exchange transactions - Service charges water and electricity we noted that management did not perform estimates of water and electricity in instances where they could not perform meter readings due to locked gates or dogs etc. Refer to annexure A	Management do not test the accuracy of informatio on the system	Management should review the supporting schedules to ensure accuracy recording on the financial statements	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>• Investigate and Reconcile Discrepancies:</li> <li>• Identify missing properties: Analyze both valuation rolls to determine the specific properties present in one year but missing in the other, categorizing them based on reason for exclusion (e.g., new construction, demolition, ownership changes).</li> <li>• Investigate missing property information: For each missing property, gather relevant details (ownership, location, value) through property databases, title deeds, and other sources.</li> <li>• Rectify valuation rolls: Based on the investigation, make necessary additions or removals to ensure both rolls accurately reflect all rateable properties within the municipality's jurisdiction.</li> <li>• Strengthen Internal Controls and Procedures:</li> <li>• Develop and implement property registration procedures: Establish documented procedures for timely inclusion of new properties in the valuation rolls upon construction, ownership changes, or other relevant events.</li> </ul>	In progress
Service Charges and Property Rates- CAATS	<b>Issue 180</b>	<p>1. During testing of Property rates, using data CAATs it was noted that some properties had duplications rates in the monthly billing files (Refer to Annexure C)</p> <p>2. During testing of Property rates, using data CAATs it was noted that some properties were billed for property rate, however they were not included in the Valuation Roll. (Refer to Annexure B)</p> <p>3. During testing of revenue, using data CAATs it was noted that some properties were in the Valuation Roll however there were</p>	Management do not test the accuracy of informatio on the system	Management should investigate the identified items and ensure that the following: 1. All the properties which are required to be billed are billed. 2. Ensure that there are not properties which are billed twice for the same service. 3. And ensure that only properties which exist are being billed	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>• Investigate and Reconcile Discrepancies:</li> <li>• Identify missing properties: Analyze both valuation rolls to determine the specific properties present in one year but missing in the other, categorizing them based on reason for exclusion (e.g., new construction, demolition, ownership changes).</li> <li>• Investigate missing property information: For each missing property, gather relevant details (ownership, location, value) through property databases, title deeds, and other sources.</li> <li>• Rectify valuation rolls: Based on the investigation, make necessary additions or removals to ensure both rolls accurately reflect all rateable properties within the municipality's jurisdiction.</li> <li>• Strengthen Internal Controls and Procedures:</li> <li>• Develop and implement property registration procedures: Establish documented procedures for timely inclusion of new properties in the valuation rolls upon construction, ownership changes, or other relevant events.</li> </ul>	In progress

Revenue from Exchange	<b>Issue 209</b>	<p>1. During the testing of Revenue from exchange transaction - service charge electricity, we noted prior year transactions included in the current year billing report</p> <p>2. We further noted that the following transactions do not appear on the meter reading, as a results we could not reperform the calculation of the revenue amount,</p> <p>3. Furthermore, we noted differences between the billing report and auditors' recalculation,</p>	Management do not test the accuracy of informatio on the system	Management should exercise oversight in ensuring compliance with laws and regulations is kept and that a board of the entity is appointed to fulfil its duties in compiling a multi-year business plan as well as tabling a budget for the approval for the council of the lekwa-teemane local municipality	<b>Revenue Manager</b>	<b>BTO</b>	<p><b>Corrective Actions:</b></p> <ul style="list-style-type: none"> <li>• Investigate and Reconcile Discrepancies:</li> <li>• Identify missing properties: Analyze both valuation rolls to determine the specific properties present in one year but missing in the other, categorizing them based on reason for exclusion (e.g., new construction, demolition, ownership changes).</li> <li>• Investigate missing property information: For each missing property, gather relevant details (ownership, location, value) through property databases, title deeds, and other sources.</li> <li>• Rectify valuation rolls: Based on the investigation, make necessary additions or removals to ensure both rolls accurately reflect all rateable properties within the municipality's jurisdiction.</li> <li>• Strengthen Internal Controls and Procedures:</li> <li>• Develop and implement property registration procedures: Establish documented procedures for timely inclusion of new properties in the valuation rolls upon construction, ownership changes, or other relevant events.</li> </ul>	In progress
VAT payable	<b>Issue 42</b>	<p>During the preparations of the VAT payable lead shedule we have identified that the prior period note 51 does not presents the VAT payable however, it presents the VAT receivable whereas the face of the financial statement presents the VAT payable. Refer to the below differences:</p> <p>Management did not perform adequate reviews on VAT payables and the related note in the annual financial statements to ensure that errors are detected and corrected timeously prior to submission of the AFS. The issue have resulted in the overstatement of the VAT receivable and an incorrect disclosure of the prior period error note.</p>	Management did not perform adequate reviews on the annual financial statement to ensure that the restated amounts per Note 51 agrees to the comparative figures on the face of the financial statements.	Management should ensure that reviews on the financial statements are made, in order to ensure that the amounts per the comparative figures on the face of the financial statements agrees with the restated amounts per Note 51: Prior period error note.	<b>CFO</b>	<b>BTO</b>	<p><b>Rectify Disclosure in the AFS:</b></p> <ul style="list-style-type: none"> <li>• Review and identify applicable adjustments: Analyze the nature of the prior period error and ensure all related restatements and adjustments are reflected in the AFS.</li> <li>• Update "Prior Period Error" note: Clearly disclose the restatement amount, its nature, and impact on relevant financial statement accounts within the "Prior Period Error" note.</li> <li>• Consider revised financial statements: Depending on the materiality of the missing disclosure, consult with auditors regarding the need to revise and reissue the AFS with the updated note.</li> </ul> <p><b>Strengthen Internal Controls and Review Procedures:</b></p> <ul style="list-style-type: none"> <li>• Review and update internal controls framework: Reassess existing internal controls related to accounting changes, error identification, and financial statement disclosures, addressing any weaknesses.</li> <li>• Implement documented disclosure review procedures: Establish clear and consistent procedures for reviewing all disclosures in the AFS before finalization, ensuring compliance with GRAP and regulatory requirements.</li> </ul>	In progress

Prior period follow up - VAT receivable	<b>Issue 75</b>	<p>Issue 1: During the audit of VAT Receivable the auditor noted the following: The VAT amount(vat receivable:5 484 346)as included in the 2022/23 financial year for the 2021/22 financial year(comparative figures) is different from the amount included in the 2021/22 financial year(VAT: payable:15 921 250).Thorough inspection of the annual financial statement, the auditor verified the absence of any prior year adjustment. Management could not provide the auditor with evidence for the inconsistencies and therefore I was unable to obtain sufficient appropriate audit evidence for the VAT receivable.</p> <p>Issue 2 Management did not submit tax returns within the period ending on the twenty-fifth day of the first month commencing after the end of a tax period as required by section 28 of the VAT ACT</p>	VAT transactions are not recorded in accordance to GRAP and Value Added Tax	Management should ensure that the VAT receivable/ payable is calculated correctly and supported by information as may be required for the purpose of the calculation of VAT. Management should ensure that they submit tax returns within the period ending on the twenty-fifth day of the first month commencing after the end of a tax period as required by section 28 of the VAT ACT	<b>CFO</b>	<b>BTO</b>	<p>a) analyse VAT submission from previous years to identify transactions that were allowed for refunds and those that were disallowed and record transactions accordingly. b) Analyse all write offs that has VAT implications and process journals per transaction to take into account VAT implications. c) Improve on the time that returns are submitted to SARS to avoid penalties and interest.</p>	In progress
VAT payable	<b>Issue 166</b>	During the testing of the Note 57 - Additional disclosure in terms of Municipal Finance Management Act we noted that the note 58 indicate VAT Receivable, however the statement of the financial position indicate the VAT is Payable.	Lack of oversight by management to ensure that: (a) The submitted AFS in line with the GRAP (b) Late preparation and delays in preparation of AFS which results in inadequate review of AFS	CFO should ensure that the face of the financial statement agrees to the note of the financial statement	<b>CFO</b>	<b>BTO</b>	<p>Strengthen AFS Reconciliation Processes:</p> <ul style="list-style-type: none"> <li>• Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records.</li> <li>• Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results.</li> <li>• Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations.</li> <li>• Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS.</li> </ul> <p>Enhance Management Review and Oversight:</p> <ul style="list-style-type: none"> <li>• Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations.</li> <li>• Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation.</li> <li>• Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate</li> </ul>	In progress

VAT payable	<b>Issue 176</b>	<p>Issue 1 In the previous financial year the municipality disclosed VAT receivable of which could not be audited and a limitation qualification was included in the audit report as follows: "VAT receivable I was unable to obtain sufficient appropriate audit evidence for the VAT receivable due to the status of the accounting records. I was unable to confirm this VAT receivables by alternative means. Consequently, I was unable to determine whether any adjustment relating to the VAT receivables of R10 974 596 (2022: R5 484 346) as disclosed in note 18 to the financial statements was necessary".</p> <p>In addition to the audit report, the VAT amount (vat receivable: R5 484 346) as included in the 2022/23 financial year for the 2021/22 financial year (comparative figures) was different from the amount included in the 2021/22 financial year (VAT Payable of R15 921 250). Thorough inspection of the annual financial statement we verified</p>	VAT transactions are not recorded in accordance to GRAP and Value Added Tax	Management should ensure that the VAT receivable/ payable is calculated correctly and supported by information as may be required for the purpose of the calculation of VAT. Management should ensure that they submit tax returns within the period ending on the 28th of the first month commencing after the end of the tax period as required by section 28 of VAT ACT	<b>CFO</b>	<b>BTO</b>	<p>a) analyse VAT submission from previous years to identify transactions that were allowed for refunds and those that were disallowed and record transactions accordingly. b) Analyse all write offs that has VAT implications and process journals per transaction to take into account VAT implications. c) Improve on the time that returns are submitted to SARS to avoid penalties and interest.</p>	In progress
Irregular expenditure	<b>Issue 21</b>	<p>During the audit of irregular expenditure we have noted a difference between the opening balance as per the irregular expenditure register and the financial statements. The difference have been stated below:</p>	Lack of oversight by management to ensure that: (a) The submitted AFS in line with the GRAP (b) Late preparation and delays in preparation of AFS which results in inadequate review of AFS	Management should perform detailed review of the financial statements together with the supporting schedule to identify and correct errors timeously prior to the submission of such annual financial statement to the auditors.	<b>SCM</b>	<b>BTO</b>	<p>Strengthen AFS Reconciliation Processes:</p> <ul style="list-style-type: none"> <li>• Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records.</li> <li>• Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results.</li> <li>• Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations.</li> <li>• Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS.</li> </ul> <p>Enhance Management Review and Oversight:</p> <ul style="list-style-type: none"> <li>• Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations.</li> <li>• Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation.</li> <li>• Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate</li> </ul>	In progress

Fruitless and Wasteful expenditure	<b>Issue 38</b>	During the audit of fruitless and wasteful expenditure it was noted that management provided the listing of the opening balance for fruitless and wasteful, however the listing does not have the individual breakdown of each transaction of the fruitless and wasteful, therefore the auditor will not be able to utilise the register provided to select items for testing. And the similar issue was also raised in the prior year	Lack of oversight by management to ensure that: (a) The submitted AFS in line with the GRAP (b) Late preparation and delays in preparation of AFS which results in inadequate review of AFS	Management should ensure that the register submitted for the audit has a detail listing.	<b>Expenditure</b>	<b>BTO</b>	Strengthen AFS Reconciliation Processes: • Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records. • Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results. • Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations. • Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS. Enhance Management Review and Oversight: • Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations. • Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation. • Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate	In progress
Unauthorised expenditure	<b>Issue 177</b>	During the audit of unauthorised expenditure we have noted that the unauthorised expenditure disclosed in note 54 does not agree to the breakdown of the unauthorised expenditure disclosed as part of the note.	Lack of oversight by management to ensure that: (a) The submitted AFS in line with the GRAP (b) Late preparation and delays in preparation of AFS which results in inadequate review of AFS	Management should ensure that the financial statement are adequately review before being submitted for audit.	<b>Budget &amp; Reporting Manager</b>	<b>BTO</b>	Strengthen AFS Reconciliation Processes: • Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records. • Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results. • Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations. • Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS. Enhance Management Review and Oversight: • Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations. • Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation. • Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate	In progress

Irregular expenditure	<b>Issue 44</b>	During the preparations of AFS, management revisited the population of irregular expenditure and adjusted for prior period error amounting to R32 170 196. However, the nature of the adjustments was not disclosed in the AFS as required by GRAP 3 and not reflected in the main note	Lack of oversight by management to ensure that: (a) The submitted AFS in line with the GRAP (b) Late preparation and delays in preparation of AFS which results in inadequate review of AFS	Management should ensure that all adjustments that are done on the prior year audited financial statements are included in the prior period error note with the nature that lead to the error, the value and how the corrections were done and the impact to be disclosed on the main note	<b>SCM</b>	<b>BTO</b>	Strengthen AFS Reconciliation Processes: • Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records. • Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results. • Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations. • Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS. Enhance Management Review and Oversight: • Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations. • Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation. • Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate	In progress
Fruitless and Wasteful expenditure	<b>Issue 74</b>	During the audit of disclosure items, we discovered the below difference, which indicate that the fruitless and wasteful expenditure movement may be understated:	Lack of oversight by management to ensure that: (a) The submitted AFS in line with the GRAP (b) Late preparation and delays in preparation of AFS which results in inadequate review of AFS	Management response received and agree with the the finding. Therefore the finding remains and will result in a factual material mistatement on fruitless & wasteful expenditure amounting to R2 916 077 to be reported in the management report and impact to be assessed on the audit report.	<b>Expenditure</b>	<b>BTO</b>	Strengthen AFS Reconciliation Processes: • Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records. • Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results. • Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations. • Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS. Enhance Management Review and Oversight: • Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations. • Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation. • Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate	In progress

Unauthorised expenditure	<b>Issue 104</b>	During the audit of Unauthorised Expenditure Disclosure, the auditor requested the following request of information below issued on 18 October 2024 and due on 22 October 2024, however the following information has not been submitted: 1. Please provide us with the unauthorised expenditure register for the opening balance amounting to R905 076 392.	Lack of oversight by management to ensure that: (a) The submitted AFS in line with the GRAP (b) Late preparation and delays in preparation of AFS which results in inadequate review of AFS	Management should implement controls that information requested by auditors is readily available to be submitted for audit. Management should submit the requested information within the required timeframes.	<b>Budget &amp; Reporting Manager</b>	<b>BTO</b>	Strengthen AFS Reconciliation Processes: • Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records. • Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results. • Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations. • Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS. Enhance Management Review and Oversight: • Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations. • Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation. • Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate	In progress
Irregular expenditure	<b>Issue 121</b>	During the audit of Irregular Expenditure Disclosure, the auditor requested the following request of information below issued on 18 October 2024 and due on 22 October 2024, however the following information has not been submitted: 1. Please provide us with the Irregular Expenditure Register for the opening balance amounting to R243 573 971	Lack of oversight by management to ensure that: (a) The submitted AFS in line with the GRAP (b) Late preparation and delays in preparation of AFS which results in inadequate review of AFS	Management should implement controls that information requested by auditors is readily available to be submitted for audit. Management should submit the requested information within the required timeframes.	<b>SCM</b>	<b>BTO</b>	Strengthen AFS Reconciliation Processes: • Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records. • Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results. • Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations. • Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS. Enhance Management Review and Oversight: • Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations. • Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation. • Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate	In progress

UIFW	<b>Issue 213</b>	<p>During the performance of the audit, we identified the following differences between the irregular expenditure register and the expense incurred on the Sempro contract relating to the financial year of 2024</p> <p>Amount as per register: R 4 360 719  Amount as per GL : R 5 014 826,85  Difference: R654 107,85</p>	<p>Lack of oversight by management to ensure that:</p> <p>(a) The submitted AFS in line with the GRAP  (b) Late preparation and delays in preparation of AFS which results in inadequate review of AFS</p>	<p>Management should ensure that the financial statements are properly reviewed and Management should correct the irregular expenditure register to ensure that the amount per the register agrees to the general ledger</p>	<b>CFO</b>	<b>BTO</b>	<p>Strengthen AFS Reconciliation Processes:</p> <ul style="list-style-type: none"> <li>• Develop a formal reconciliation schedule: Create a detailed plan outlining specific accounts and balances to be reconciled between the AFS and supporting records.</li> <li>• Assign clear ownership and responsibilities: Designate personnel responsible for performing reconciliations and documenting results.</li> <li>• Standardize reconciliation procedures: Establish consistent methodology and timing for performing reconciliations.</li> <li>• Implement review and oversight: Implement a multi-level review process for completed reconciliations before finalizing the AFS.</li> </ul> <p>Enhance Management Review and Oversight:</p> <ul style="list-style-type: none"> <li>• Increase management engagement: Schedule regular meetings to discuss financial performance and review key reconciliations.</li> <li>• Conduct analytical reviews: Regularly analyze financial statements for trends and anomalies requiring investigation.</li> <li>• Hold management accountable: Establish performance expectations and monitoring mechanisms for accurate</li> </ul>	In progress
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## ANNUAL REPORT



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## 1. PROFILE OF LEKWA-TEEMANE LOCAL MUNICIPALITY

Lekwa-Teemane Local Municipality is situated in the Dr Ruth Segomotsi Mompati District Municipality in the South Eastern Region of the North West Province. The municipal area comprises of two major towns of: Christiana and Bloemhof, with Christiana as the municipal head office. The total geographical area of the municipality is 3,681.2560 square kilometres and borders the Vaal River on the eastern side.

The municipality has an estimated population of 53 248 persons and 14 930 house-holds. The unemployment rate is estimated to be over 34% and the poverty rate estimated over 70%. The agricultural sector is the largest employer employing over 24%.

Source: Statistics South Africa- Census 2011.



## 2. PROGRAMME MANAGER'S OVERVIEW

I would like to take this opportunity to present to you the overview on the Agency's performance for the year ended 30 June 2024. The entity measures its performance on the following key performance areas: sound governance; institutional development and transformation; financial viability and local economic development that will be further elaborated in the ensuing paragraphs.

### **Sound Governance**

The Lekwa-Teemane Development Agency's board of directors' term ended in November 2022. This hampers progress on strategic decisions that could quicken the implementation of projects in Lekwa Teemane for job creation and overall economic development.

A set of financial statements and draft annual report were timeously submitted to the Auditor General in August 2023 and a mid-year assessment report was submitted in January 2024.

The municipality is yet to appoint a new board of directors at an ordinary council sitting on the advert that closed on This has directly hampered progress of the entity as it cannot operate without a fully functional Board according to the precepts of the Companies Act of 2008. The resultant implications are that poverty alleviation remains unsolved in our municipal jurisdiction as no jobs can be created.

### **Institutional Development and Transformation**

The entity currently is operating with a staff compliment of 3 individuals whom are on acting capacities on varied posts. This is as a result of 4 vacant posts, which may only be filled when the entity has self-sustainable projects generating revenue. Our pursuit is to see the implementation of such projects in order to further create jobs for these key positions for the monitoring of projects. The absence of a Board resulted in the entity failing to update policies, signing of performance agreements and reviving the website as all these key functions require oversight of a functional board.

### **Financial Viability**

It is regrettable to note that the entity is insolvent. This is due to the fact that the entity's existing assets will be unable to meet its financial obligations in the foreseeable future and continue its normal operations. This position is clearly set out in the Annual Financial. Council availing land for projects may be the necessary life line for the entity to generate revenue and be sustainable.

### **Local Economic Development**

The entity has 3 projects that were activated in the financial year.

The Christiana Transit Node project that was approved by council in June 2022 and is now underway with the investor undertaking preliminary studies for the project. Phase 1 will consist of a Truckstop Development and Phase 2 will be construction of a Diesel depot.

The second investor driven project is the Bloemhof Mall project that was initiated in August 2023, by the municipality appointing one of the consultants on risk for engineering that sourced funding for the construction of the mall. Studies are underway and tentatively construction will begin mid – 2025.

Last is the Brickmaking project which was launched by the Honourable Mayor of Lekwa Teemane Local Municipality, Councillor Sebang Motlhabi on 20 February 2024 in Bloemhof. A total of 40 young people were given an opportunity to participate in the project. The primary objective of project is to manufacture 60mm paving bricks for retail outlets and the general public, as well as 80mm paving bricks for local and outsourced contractors to pave roads.

### **Conclusion**

We are of the hope that the board of directors will be appointed in order for us to unlock funding and implement projects to create jobs, ensure economic development and the alleviation of poverty.

I wish to extend my gratitude to the community of Lekwa-Teemane at large for the unwavering support and the parent Municipality for in kind contributions and the monetary grants.

We look forward to the 2023/24 financial year and are of the hope that land for projects will continue to be released by council and economic development will be realized in Lekwa-Teemane.

**Kealeboga  
Marian Chitima  
Acting Programme Manager**

### 3. GOVERNANCE

The Board of Directors of the LTLDA should subscribe to the letter and spirit of good corporate governance expressed in King Code III and the Code of Conduct for Directors referred to in section 93L of the Municipal Systems Act, 2000 (as amended). The Board should recognise the need to conduct the affairs of the municipal entity with integrity to ensure increased public confidence and the confidence of its parent municipality. It is the policy of the Board to actively review and enhance the entity's systems of control and governance on a continuous basis to ensure that the entity is managed ethically and within prudently determined risk parameters.

### 4. POLITICAL AND ADMINISTRATIVE GOVERNANCE

The LTLDA received its mandate from the LTLM through the office of the Municipal Manager. The LTLM is represented on the board by the Chairperson of the LED Portfolio committee namely Cllr Legabe who exercises political oversight. The LTLDA relies on support from the LED Portfolio Committee as contained in the Service Level Agreement. The Finance and Administration Officers are responsible to provide corporate governance, financial sustainability and compliance support.

#### 4.1. POLITICAL GOVERNANCE

LTLDA interacts with the LED Portfolio Committee for the oversight of its activities and functions. In respect of strategic and operational matters the LTLDA management should be accountable to the Board of Directors which stands in a fiduciary relationship with the company.

The Board of Directors is directly accountable to council that is the 100 percent shareholder.

#### 4.2. ADMINISTRATIVE GOVERNANCE

**The Lekwa-Teemane Local Development Agency is committed to:**

- The highest standards of integrity and behaviour in all its dealings with its stakeholders and society at large;
- Carrying on business through fair commercial and competitive practices;
- Eliminating discrimination and enabling employees to realise their potential through continuous training and development of their skills;
- Being responsible towards environment and social issues and
- Ensuring that each of its directors declare any direct or indirect personal or business interest that might adversely affect such director in the proper performance of their stewardship of the entity.

### 5. DIRECTORS AND EMPLOYEE DECLARATIONS OF INTEREST

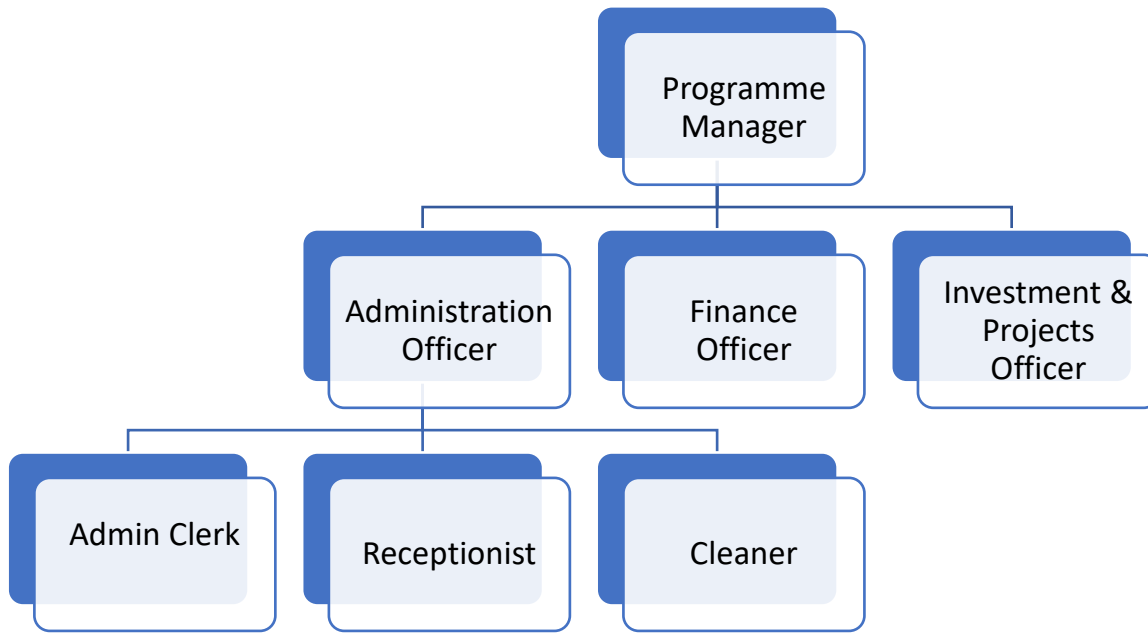
In accordance with its Code of Conduct which is consistent with Schedule 1 of the Municipal Systems Act and the provisions of the Policy on Declarations of Interest of Directors of LTLDA. The Entity maintains a register of Directors' Declarations. LTLDA ensures that a declaration register is also circulated at every Board and Board Committee meeting for the Directors to declare any interests in relation to every matter that is to be discussed at a particular meeting. In terms of the LTLDA's Employee Code of Ethics and Terms and Conditions of Employment, all LTLDA employees are required to fill in declarations of interest covering shareholding in private companies, membership of close

corporations, directorships held, partnerships and joint ventures, remunerative employment outside of the LTLDA, gifts and hospitality and the status of their municipal accounts.

The Board of Directors of the LTLDA subscribes to the letter and spirit of good corporate governance expressed in King Code III and the Code of Conduct for Directors referred to in section 93L of the Municipal Systems Act, 2000 (as amended). The Board recognises the need to conduct the affairs of the municipal entity with integrity to ensure increased public confidence and the confidence of its parent municipality. It is the policy of the Board to actively review and enhance the entity's systems of control and governance on a continuous basis to ensure that the entity is managed ethically and within prudently determined risk parameters.

## Organogram

The LTLDA staff organogram as at 30 June 2024 is reflected in the following diagram:



## 6. ECONOMIC EMPOWERMENT, HR DEVELOPMENT, WELLNESS AND HEALTH AND SAFETY

This KPA is measured in five areas:

- Employment Equity.
- Staff Turnover.
- HIV/AIDS Policy Compliance.
- Occupational Health & Safety Compliance.
- Expenditure on training and development of staff.

### 6.1. EMPLOYMENT EQUITY

In employment equity of LTLDA looks as follows:

- Black staff percentage – 100% of total staff complement is black.

- Female staff – 50% of total staff is females.
- Black females in management position – 50% of total number of employees in management. At present 100% of the staff is black, 40% are females and 20% of the senior management team is made up of black woman.

## 6.2. STAFF TURNOVER

### Staff Movement

STAFF MOVEMENT	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL
	MAL E	FE-MAL E	MAL E	FE-MAL E	MALE	FE-MAL E	MALE	FEMALE	
Appointments									0
Resignations									0
Dismissals									0
Retirements									0
Absenteeism									0
Termination/Other									0

## 6.3. HIV/AIDS POLICY COMPLIANCE

The Lekwa-Teemane Local Development Agency has developed a draft staff wellness policy which needs to be approved by the Board of Directors. During the year under review no HIV/AIDS counseling sessions were conducted.

## 6.4. OCCUPATIONAL HEALTH & SAFETY COMPLIANCE

One Health & Health Compliance inspections were conducted by the Department of Labour. The Development Agency is making use a portion of the municipal building. Compliance certificates were issued to the Parent Municipality. Occupational health & safety legislation is pasted on the notice board.

## 6.5. EXPENDITURE ON TRAINING AND DEVELOPMENT OF STAFF

No staff member attended training for the financial year ended June 2023.

## 7. INTRODUCTION TO THE PERSONNEL

Employee total, Turnover and Vacancies

Description	2024	2023		
	Employees No.	Approved Post No.	Employees no.	Vacancies no.
Top Management	1	1	1	0
Middle management	3	5	0	5
Clerk	1	1	1	0
Administration/Receptionist	1	1	1	0
<b>Totals</b>	<b>6</b>	<b>8</b>	<b>3</b>	<b>5</b>

### Turn-Over Rate

Details	Total appointment as of beginning of financial year no.	Terminations/Resignations during financial year No.
2023/2024	0	0

## 8. POLICIES

No policies were reviewed for this financial year (2023/2024). All policies that were approved, were adopted from the municipality.

## 9. EMPLOYMENT EQUITY

The following principles continue to guide our employment equity initiatives:

The LTLDA has adopted the Employment Equity Plan of the Parent Municipality.

- The LTLDA undertakes an annual review of its EE process and general employment practices.
- The Employment Equity Statistics are sourced to review progress and provide direction regarding progress in the implementation of the employment equity plan.
- To ensure focus, the Board's Human Resources Committee also provide regular input to the strategies and initiatives regarding EE and its implementation in the organisation.

### Employment Equity Demographics Status for 2023/2024

#### Staff Movement

STAFF MOVEMENT	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	

Appointments									0
Resignations									0
Dismissals									0
Retirements									0
Absenteeism									0
Termination/Other									0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Employment Equity Status-Demographics

LEVELS	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
Top Management	0	1	0	0	0	0	0	0	1
Middle management	0	1	0	0	0	0	0	0	1
Clerk	1	0	0	0	0	0	0	0	1
Housekeepers	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

### 10. GENDER EQUITY

LEVELS	BLACK		WHITE		TOTALS
	Male	Female	Male	Female	
Top Management	0	1	0	0	1
Middle management	0	0	0	0	1
Clerk	1	0	0	0	0
Administration	0	1	0	0	1
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>3</b>

LEVELS	POSITIONS
--------	-----------

Top Management	CEO
Middle management	Finance Officer, Project Officer
Clerk	SMME Clerk
Administration	Cleaner/Receptionist

The LTLDA currently has 100% Black staff, which exceeds the target of 80% provided in the Employment Equity Plan. The LTLDA currently has 50% female staff against the target of 50%.

The LTLDA currently has 50% Black females in management positions against a target of 50%.

## 11. LOCAL ECONOMIC DEVELOPMENT

<i>IDP development objectives</i>	<i>Corporate objectives</i>	<i>Baseline</i>	<i>Key performance indicator</i>	<i>Output indicator</i>	<i>Budget</i>	<i>Annual target</i>	<i>Annual Action Target</i>	<i>Reasons for Deviation</i>	<i>POSSIBLE SOLUTIONS</i>	<i>EVIDENCE</i>
<b><i>Institutional Development and Transformation</i></b>	Operate a well Administered Agency	4 HR policies Adopted	4 HR policies adopted by end June 2024	4HR Policies adopted	n/a	4 HR policies adopted by end June 2024	Not achieved	The entity is still waiting for the appointment of the board by the council.	Pursue the municipality for the appointment of the board	No board of directors
<b><i>Institutional Development and Transformation</i></b>	Operate a well Administered Agency	2 Performance Contracts signed	2 staff signed performance agreements by end June 2023	Signed performance contracts	n/a	2 staff signed performance agreements by end July 2024	Not achieved	No board of directors, and the entity is short-staffed	Appointment of board and staff	No performance contracts
<b><i>Institutional Development and Transformation</i></b>	Operate a well Administered Agency	3 staff members trained	3 staff members trained by June 2024	Number of staff trained	opex	3 staff members trained by June 2024	Not achieved	No projects for revenue generation	Implementation of projects for sustainability	No training conducted
<b><i>Institutional Development and Transformation</i></b>	Operate a well Administered Agency	Website not updated	4 updates on website by June 2024	Website updated	opex	Website updated 4 times by June 2024	Not achieved	No board of directors	Awaiting appointment of the board of directors	Updated
<b><i>Sound Governance</i></b>	Relevant policy implementation and	Progress Report for previous Audit in place	4 progress reports on audit action plan submitted to council June 2024	4 Progress reports submitted	n/a	4 progress reports on audit action plan submitted to council June 2024	Not achieved	No board of directors	Appointment of board of directors	None

<b><i>IDP development objectives</i></b>	<b>Corporate objectives</b>	<b>Baseline</b>	<b>Key performance indicator</b>	<b>Output indicator</b>	<b>Budget</b>	<b>Annual target</b>	<b>Annual Action Target</b>	<b>Reasons for Deviation</b>	<b>POSSIBLE SOLUTIONS</b>	<b>EVIDENCE</b>
	monitoring									
<b><i>Sound Governance</i></b>	Relevant policy implementation and monitoring	No progress reports on resolution register	4 progress reports on implementation of resolutions submitted to council by June 2024	Quarterly progress implementation of resolutions taken	n/a	4 progress reports on implementation of resolutions submitted to council by June 2024	Not achieved	No resolutions were taken since the board was terminated	Appointment of Board	Previous board minutes
<b><i>Sound Governance</i></b>	Relevant policy implementation and monitoring	1 performance report	4 performance reports submitted to the Board by June 2024	Reports submitted quarterly	n/a	4 performance reports submitted to the Board by June 2024	Not achieved	No meetings were conducted due to the absence of the board	Appointment of the board by the council	Previous board minutes
<b><i>Sound Governance</i></b>	Relevant policy implementation and monitoring	Board committees established	4 board and 4 audit; committee meetings conducted by June 2024	4 meetings conducted for each committee	Opex	16 meetings conducted by June 2024	Not achieved	5 Board meetings and 3 committee meetings were conducted.	The board was re-instated for 6 months only.	Previous board minutes

<b>IDP development objectives</b>	<b>Corporate objectives</b>	<b>Baseline</b>	<b>Key performance indicator</b>	<b>Output indicator</b>	<b>Budget</b>	<b>Annual target</b>	<b>Annual Action Target</b>	<b>Reasons for Deviation</b>	<b>POSSIBLE SOLUTIONS</b>	<b>EVIDENCE</b>
<b>Sound Governance</b>	Relevant policy implementation and monitoring	Mid-year report submitted	Submit a mid-year budget and performance assessment report to council by January 2024	1 assessment report		Submit a mid-year budget and performance assessment report to council by January 2024	Achieved	N/A	1 report submitted	Mid-year report
<b>Sound Governance</b>	Relevant policy implementation and monitoring	2022/23 Annual Financial submitted	Submit AFS for approval to council by 20 August 2023	AFS submitted timely	opex	Submit AFS for approval to council by 20 August 2023	Achieved	n/a	n/a	Audited AFS 2022/23
<b>Sound Governance</b>	Relevant policy implementation and monitoring	2022/23 Annual Performance Report submitted	Compile a Draft Annual report by 20 August 2023	Draft report submitted together with AFS	opex	Compile a draft Annual report by 20 August 2023	Achieved	n/a	n/a	Annual report 2022/2023
<b>Financial Viability</b>	Effective and efficient financial management system and		2024/25 final budget approved by 31 May 2024 and adoption of financial policies	Approved Budget	opex	2024/25 budget approved by the board 31 May 2024	Not Achieved	No board of directors.	Appointment of a board of directors.	Previous board contracts.

<b><i>IDP development objectives</i></b>	<b>Corporate objectives</b>	<b>Baseline</b>	<b>Key performance indicator</b>	<b>Output indicator</b>	<b>Budget</b>	<b>Annual target</b>	<b>Annual Action Target</b>	<b>Reasons for Deviation</b>	<b>POSSIBLE SOLUTIONS</b>	<b>EVIDENCE</b>
	budget implementation									
<b><i>Financial Viability</i></b>	Effective and efficient financial management system and budget implementation		12 financial reports submitted to council by end June 2024	12 financial reports submitted and Circular 71 reports		12 financial reports submitted to council by end June 2024	Achieved	None	n/a	Financial reports
<b><i>Financial Viability</i></b>	Effective and efficient financial management system and budget implementation		Integrated financial management plan adopted end June 2024	1 integrated financial plan		Integrated financial management plan adopted end June 2024	Not achieved.	No board of directors.	Appointment of the board	Previous board contracts.

<b>IDP development objectives</b>	<b>Corporate objectives</b>	<b>Baseline</b>	<b>Key performance indicator</b>	<b>Output indicator</b>	<b>Budget</b>	<b>Annual target</b>	<b>Annual Action Target</b>	<b>Reasons for Deviation</b>	<b>POSSIBLE SOLUTIONS</b>	<b>EVIDENCE</b>
<b>Financial Viability</b>	Effective and efficient financial management system and budget implementation	Supplier database	Advertise for supplier database information by end of June 2024	Updated supplier database	opex	Constant supplier database information by end of June 2024	Not achieved	No projects	Appointment of board	N/A
<b>Financial Viability</b>	Effective and efficient financial management system and budget implementation	SCM Policy	Reports on the implementation of the SCM policy MFMA section (63)	4 Report on the implementation of the SCM policy	opex	Submit report to council on SCM policy implementation by 30 June 2024	Not Achieved	N/A	N/A	Financial report
<b>Local Economic Development</b>	Project identification and implementation	Economic Development of Lekwa-Teemane	4 reports on implementation of projects submitted to council by June 2024	Project implementation reports submitted		4 reports on implementation of projects submitted to council by June 2024	Not achieved	No projects were not implemented	Appointment of board	Previous board contracts

<b>IDP development objectives</b>	<b>Corporate objectives</b>	<b>Baseline</b>	<b>Key performance indicator</b>	<b>Output indicator</b>	<b>Budget</b>	<b>Annual target</b>	<b>Annual Action Target</b>	<b>Reasons for Deviation</b>	<b>POSSIBLE SOLUTIONS</b>	<b>EVIDENCE</b>
<b>Local Economic Development</b>	Project identification and implementation	Economic Development of Lekwa-Teemane	2 investment seminars conducted by June 2024	Investor attraction to Lekwa - Teemane		2 investment seminars conducted by June 2024.	Not Achieved	No board of directors	Appointment of board by council	Previous board contracts
<b>Local Economic Development</b>	Project identification and implementation	Brickmaking Project	Continuation of Brickmaking Project in Bloemhof	Profitable Brickmaking Project	opex	Operational Brickmaking Project by June 2024	Achieved	N/A	N/A	Lab Test reports
<b>Local Economic Development</b>	Project identification and implementation	Poultry /Farm Project in Christiana	Continuation of Poultry & Farm Project in Christiana	Profitable Poultry & Farming Project	opex	Operational Poultry Farm Project by June 2023	Not achieved	Study requires review	Appointment of board	None
<b>Local Economic Development</b>	Project identification and implementation	Bloemhof Mall	Implementation of Bloemhof Mall Project	Bloemhof Mall Implementation	opex	Bloemhof Mall Project Implementation by 30 June 2024	Achieved	Project in planning phase	N/A	Timelines provided by investor.
<b>Local Economic Development</b>	Project identification and implementation	Packaging Project	Implementation of Packaging Project	Operational Packaging Project	opex	Implementation of Potato Packaging project in Lekwa Teemane by 30 June 2023	Not Achieved	Study requires review	Appointment of board	None

<i>IDP development objectives</i>	<i>Corporate objectives</i>	<i>Baseline</i>	<i>Key performance indicator</i>	<i>Output indicator</i>	<i>Budget</i>	<i>Annual target</i>	<i>Annual Action Target</i>	<i>Reasons for Deviation</i>	<i>POSSIBLE SOLUTIONS</i>	<i>EVIDENCE</i>
<b>Local Economic Development</b>	Project identification and implementation	Skills Training Centre	Implemented STC in Lekwa-Teemane	Operational Skills Training Centre	opex	Set up of a STC in Lekwa – Teemane by 30 June 2023	Not achieved	No board of directors	Appointment of board	None

## 12. RISK MANAGEMENT

The LTLDA's board monitors risk through the Audit, Finance and Risk Committee. The Committee is responsible for evaluating development proposals with a view to making recommendations for approval to the Board. This entails examining risks associated with the proposed projects such as the risk financing, risk returns and risk profiles. Further, and primarily, the Committee bears accountability for ensuring that, there is an effective risk management process and system within the organisation. This approach does not relieve the LTLDA Board of its accountability and responsibility in ensuring that, an adequate and effective risk management system and process is in place, as the Board is expected to exercise the duty of care, skill, and diligence identifying, assessing and monitoring risks as presented by the Development and Risk Committee. It recommends to the Board risk strategies and policies that need to be set, implemented and monitored.

The LTLDA's risk management strategy is guided by the principles of the enterprise-wide risk management system in terms of which all identified risk areas are managed systematically and continuously at the departmental level. The LTLDA has a risk register in place which is treated as a working risk management document of which the identified risks are constantly recorded and properly managed. The LTLDA's management monitors and evaluates the implementation and efficiency of management's controls and such actions identified as actions to improve current controls in the risk register.

## 13. SYSTEM AND INSTITUTIONAL EFFICIENCY

This KPA is measured in the following area:

- Clean Audits
- Operating Budget Management
- SCM compliance
- GRAP Compliance

## 14. AUDITS

During 2023/2024 financial year the entity obtained a disclaimer outcome.