

LETSEMENG LOCAL MUNICIPALITY



***"A RESPONSIVE MUNICIPALITY IN PERSUIT OF
SERVICE EXCELLENCE"***

DRAFT ANNUAL REPORT 2023- 2024 FY

**LLM MAYOR: CLLR. RBI
MOCWALEDI**

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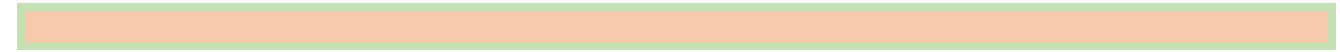
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THANK YOU!!!

1. MAYOR'S FOREWORD

COMPONENT A: MAYOR'S FOREWORD



On behalf of the Letsemeng council and officials, it is with great honour that I present the Annual Report of the Letsemeng Local Municipality for the financial year 2023/24

The mandate of Letsemeng local Municipality is not unique to the broader mandate given to Local Government encapsulated in Chapter 7 of the South African Constitution. The only uniqueness we have are the different legitimate expectations of our citizenry. Our specific mandate is drawn from the road shows we embarked upon in drafting our Integrated Development Plan, which is our guiding document in our performance. Our resolve is based on servicing our communities to the best of our abilities.

This report serves as a comprehensive reflection of our achievements, challenges, and the steps we have undertaken to advance the developmental agenda of our communities in alignment with our vision of sustainable growth, inclusivity, and economic transformation.

The past year has demanded resilience and innovation as we continued to navigate a complex socio-economic landscape. Despite these challenges, our council remains steadfast in its commitment to delivering on its mandate of providing quality services, fostering economic opportunities, and creating an enabling environment for the betterment of all residents within Letsemeng.

This report provides a transparent account of our performance across key areas of service delivery, financial management, infrastructure development, and governance. It is a testimony to our ongoing efforts to ensure that every decision and initiative reflects the priorities of the communities we serve.

These milestones would not have been possible without the unwavering dedication of the council, municipal officials, and our partners.

It is important to note that these can never be successful on their own, it becomes important that as a collective, Councillors and Officials, work together in identifying the challenges raised in the annual report and rectify them as soon as possible.

Having said that, it is equally important to note that there are a few specific areas, which must receive particular attention going forward: Improved mechanisms will need to be found to strengthen the accountability and discipline of officials in their daily work, both to each other and to political principals.

The establishment of project teams across the organization must become a cornerstone of a new working methodology for officials. This collaborative approach will help dismantle the silo mentality that often hampers efficiency and progress. Adopting a project-based approach must be seamlessly integrated into the performance management system for officials, ensuring accountability and alignment with organizational goals.

Speed, precision, and excellence in the quality of daily work must become defining features of how officials carry out their duties. To achieve this, significant improvements are required in the overall

turnaround times for administrative and professional tasks, emphasizing the importance of efficiency and effectiveness.

Additionally, efforts will be made to ensure that all officials, at some point, engage directly with our communities. The fundamental purpose of the public service—serving our people—should never be reduced to an abstract concept or viewed as the sole responsibility of political principals. Direct interaction with communities will foster a deeper understanding of their needs and priorities, reinforcing a people-centered approach to governance.

While we acknowledge our successes, we also recognize the areas that require significant improvement. The report identifies these challenges and outlines actionable strategies to address them in the year ahead. The emphasis remains on strengthening accountability, improving service delivery, and ensuring that no community is left behind.

We also welcome the audit report of the Auditor General with the few matters of concern raised and our municipality has developed an audit action plan to address all the issues identified by the office of the Auditor General on the audit of 2023/2024 financial statements, performance information and compliance. This audit action plan will be monitored on a monthly basis by internal audit, audit committee and the council to ensure effective implementation thereof.

In conclusion, I extend my gratitude to my fellow councillors, municipal staff, and community stakeholders for their commitment and contributions to our shared vision. I also thank the residents of Letsemeng for their patience, trust, and active participation in shaping the future of our municipality.

Together, we continue to build a Letsemeng that is resilient, inclusive, and thriving—a municipality where every resident feels the tangible impact of progress and development.

The Mandate given by society to us is to improve the quality of their lives. These ideals are captured in the IDP that were adopted at the beginning of each financial year.

It is our responsibility as politicians, to ensure that our Municipality does indeed perform to the best of its ability in addressing the backlogs of all services. We will do this because this is a mandate as enshrined in our Constitution. We are compelled to do the above irrespective of the limited resources at our disposal

Yours sincerely,



Cllr Mocwaledi RBI

Mayor: **Letsemeng Local Municipality**

25/01/2025

Date

2. EXECUTIVE SUMMARY

MUNICIPAL MANAGER'S OVERVIEW

The municipality endeavours to comply with the regulatory framework and best practices regarding governance. The electoral mandate forces the institution to render efficient government services. Noting some challenges and in a quest to turn around the situation a turnaround strategy is currently being implemented with focus on

- Financial management reform
- Improve internal controls
- Debt and cash flow management
- Revenue collection enhancement
- Expenditure control
- Governance and accountability
- Performance management

Overtime remains a challenge in the municipality and measures are applied to ensure that we overcome this.

In as much as there is positive growth, unemployment has increased from the last financial year. The closure of Petra mine has added to decreasing economic opportunities disadvantaging the locals more. This further declines economic opportunities. Forging and maintaining relations with private sector for economic development remains a priority.

Appreciation

I would like to appreciate the support of council, management and staff in general for ensuring that we execute the mandate.

Regards,

S.T Maneli
Acting Municipal Manager.

CHAPTER 1: MUNICIPAL FUNCTIONS, POPULATION & ENVIRONMENTAL OVERVIEW

1.1. INTRODUCTION TO BACKGROUND DATA

Our Municipality is situated in the South Western part of the Free State Province and forms part of the smallest district namely Xhariep District Municipality, a rich agricultural area with natural economic resources. The local municipality area measures 10 192 square kilometres in extend and comprises of five towns; Koffiefontein (which is the head office), Petrusburg, Jacobsdal, Oppermansgronde and Luckhoff. The figure below shows the Letsemeng area with its main towns and neighbouring municipalities of the Xhariep District.

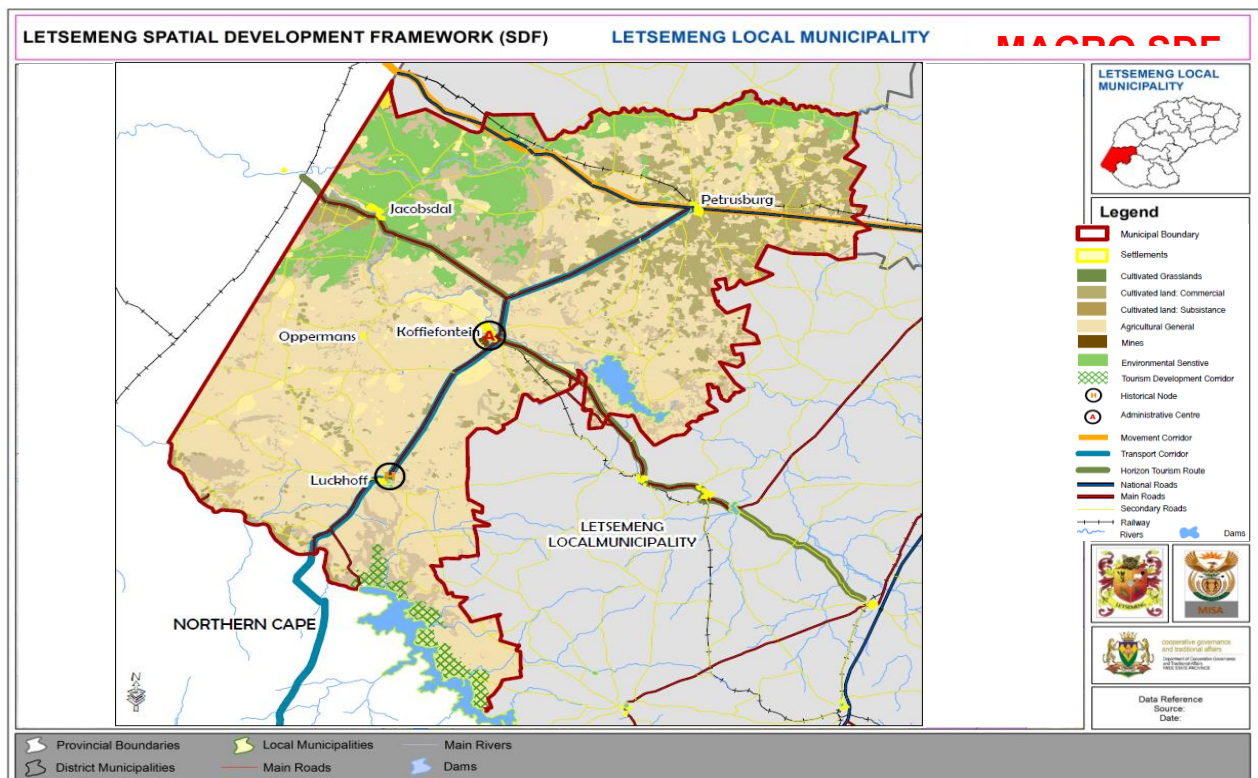


Figure 1: Letsemeng Municipal Area

It borders the Northern (through Jacobsdal) and Western Cape Provinces and is renowned for diamond, salt and slate mining as well as irrigation farming along the Orange Riet Canal and Van der Kloof Dam. Letsemeng Local Municipality is situated in the south-west of the Free State province within the Xhariep District Municipality, a rather agriculturally rich area with limited natural economic resources.

The N8 route transgresses the area to the North West and links Kimberley and Bloemfontein via Petrusburg. The N8 route also crosses the area to the north and links Kimberley and Bloemfontein via Petrusburg

The Local Municipality consists of the towns Koffiefontein, Jacobsdal, Petrusburg, Luckhoff and Oppermansgronde. The Municipal Head Office is based in Koffiefontein.

The five towns are connected with tarred road infrastructure via Koffiefontein. The R705 links Jacobsdal with Koffiefontein while the R48 links Petrusburg, Koffiefontein and Luckhoff in a north-south direction. The R704 links Koffiefontein, Fauresmith and Jagersfontein with one another.

The municipal area also accommodates Oppermansgronde, just west of Koffiefontein, which is part of a land restitution project. Several pans occur in the area while the Van der Kloof dam, Kalkfontein Dam and Wuras Resort are some of the more prominent water sources available near the area. The Riet River drains through the area in a Westerly direction while the Orange River is the border west of the area. Although there are ample water sources available near the area, access to potable water in some of the towns remain problematic.

The Northern parts of the municipal area surrounding Petrusburg are good cultivated agricultural land while the southern area is renowned for livestock farming. The socio-economic development of the municipality is centred on agriculture. The municipal area also has mining activities, with diamonds being the major natural resource that helps with employment creation.

Table 1: Overview of Neighbourhoods within Letsemeng Municipality

Overview of Neighbourhoods within Letsemeng	
Settlement Type	Households
Towns	
Jacobsdal	1003
Koffiefontein	3203
Petrusburg	2639
Luckhoff	1007
Sub-Total	7852
Townships	
Ratanang	1112
Sub-Total	1112
Rural settlements	1717
Oppermansgronde	230
Sub-Total	1947
Informal settlements	202
Sub-Total	202
Total	11113
	<i>T 1.2.6</i>

1.1.1 DEMOGRAPHIC AND SOCIO-ECONOMIC PROFILE

The population figures are based on the community survey conducted between 2016 and 2022. Migration tends to be voluntary, in most cases it is in search of better economic opportunities and a quality of life. A case in point is foreign nationals. Thus migration patterns are difficult to measure, keep track and get the exact reasons for migrating.

According to the 2022 survey, there is a positive growth in Letsemeng. It is an indication that more and more people are moving to Letsemeng municipality for various reasons. The population in Letsemeng currently stands at 43 101. This is according to the latest STATSSA figures.

Unemployment has marginally increased from 22.08% to 22.30%. Suffice to say the effect of drought and decreasing job opportunities might have a direct effect on migration out of the Letsemeng jurisdiction. Youth unemployment stands at 27.7%, which poses another challenge to the municipality and all Sector Departments to pay special attention to the youth in terms of both employment and economic empowerment.

Table 2: Census Key Statistics

Census Key Statistics	
Population	43 101
Age Structure	
Population under 0 - 15	28.53%
Population 15 to 65	73.5%
Dependency Ratio	
Per 100 (15-64)	54.6
Sex Ratio	
Males per 100 females	96
Population Growth	
Per annum	1.1%
Labour Market	
Unemployment rate (official)	22.30%
Youth unemployment rate (official) 15-34	27.70%
Education (aged 20 +)	
No schooling	10.8%
Higher education	5.1%
Matric	29.0%
Household Dynamics	
Households	10 940
Average household size	3,9
Female headed households	33.50%
Formal dwellings	84.8%
Housing owned	54.00%
Household Services	
Flush toilet connected to sewerage	82.5%
Weekly refuse removal	69.2%
Piped water inside dwelling	90.8%
Electricity for lighting	90%

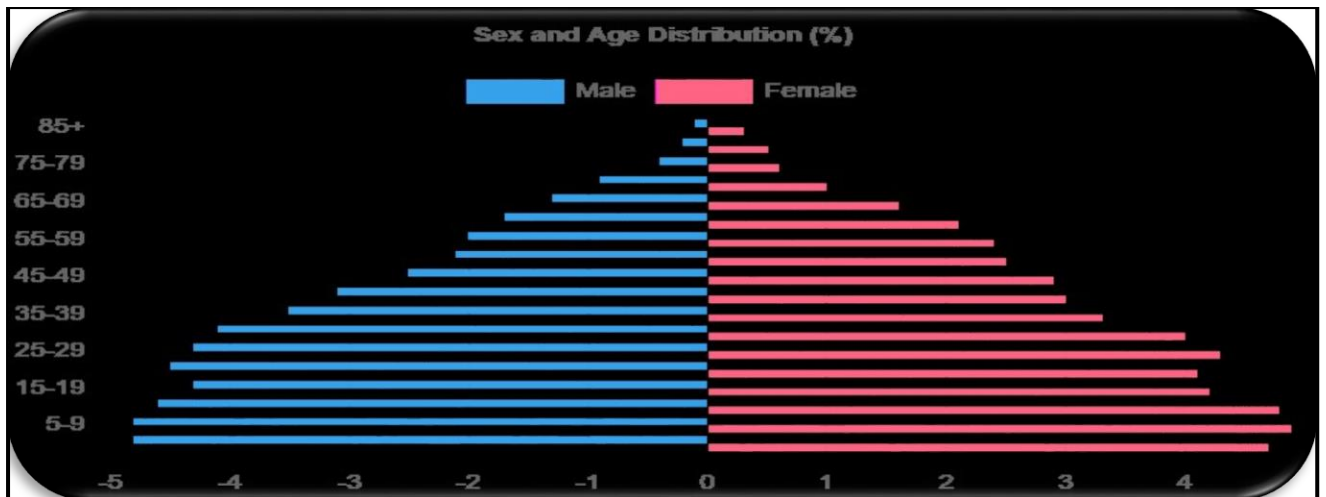


Figure 2: Population by Age and Gender

Table 3: Distribution of Population by Population Group

	Census 2022
Black African	66.7%
Coloured	23.2%
Indian/Asian	0.6%
White	9.2%
Other	0,3%

Households

There are 10 940 households in the municipality according to Stats SA. The technical department conducted a physical count of households at all five towns and found that there are 9 279 houses with an average household size of 3, 9 persons per household. 90, 6% of households have access to piped water either in their dwelling or in the yard. Only 4, 0% of households do not have access to piped water.

The figures above are according to the 2022 census, and they are still official statistics. The view might slightly change following the physical count done by the municipality.

Table 4: Settlement Type

Area	Percentage
Urban	84,8%
Tribal/Traditional	0,3%
Farm	14,5%

Housing and dwellings

All urban areas are composed of various residential components varying from formal housing units to informal dwellings units as indicated in the table below. Within the Local Municipality, 84.8% of the population live in formal housing, 14.5% in informal housing and only 0.3% in traditional housing. This reflects that the housing backlog is not that huge but will increase with the new development patterns in the municipality.

The following issues were highlighted regarding the housing delivery:

- ❖ Lack of funding for housing development;
- ❖ Access to land for sustainable human development;
- ❖ Construction of more RDP houses;
- ❖ Provision of services to new residential sites;
- ❖ Fast tracking land availability and transfer of land;
- ❖ Slow delivery of housing development;
- ❖ Lack of capacity at local municipal level;

Socio- economic Status

The municipality is faced with a high percentage of ever increasing levels of poverty and unemployment, with a high percentage of residents and households earning incomes that are low. The key sector that has remained relatively stable in the past year is the Agricultural Sector which has consistently been employing local labour albeit on a seasonal basis.

The renewable energy sector has been an emerging sector that has shown great potential of creating job and business opportunities for our residents in the near future as the natural resources within our towns are attracting prospective investors.

The past year saw Petra Diamonds Mine cease its operations in Koffiefontein, in April 2023, which added to the decreasing economic development activities in our towns, which also contributed hugely to the closure of other local businesses that employed our residents and contributed to our economic growth.

We are pleased that there are a number of companies that have formally registered their intention to continue the operations of diamond mining thereby bringing back economic activities in our towns especially in Koffiefontein. The Municipality will continue to double its efforts in creating an environment that will be conducive for investment and where entrepreneurs are free to do business.

The municipality is actively working towards empowering local small businesses particularly those that are in the informal sector by partnering with other government departments and private companies provide them with necessary equipment and materials to can use in their businesses.

1.1.2 INCOME DISTRIBUTION

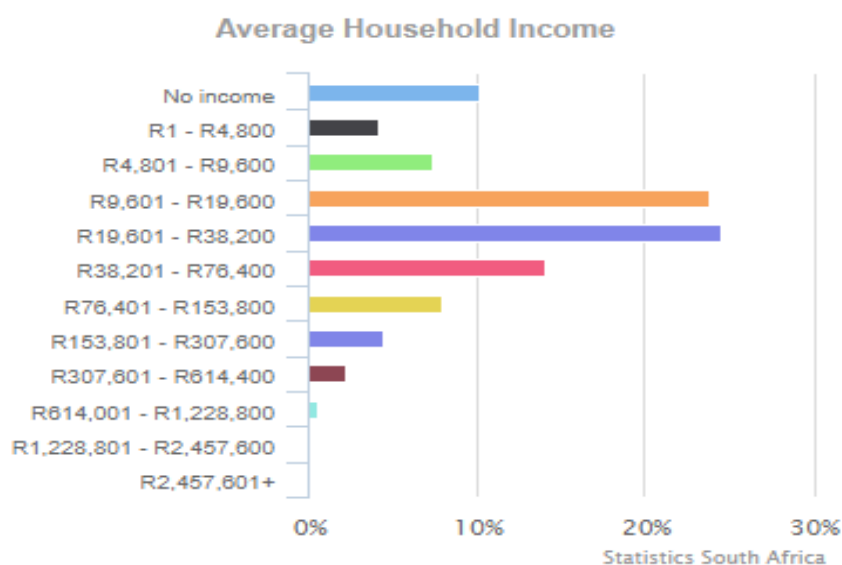
In order to determine the people's living standards, as well as their ability to pay for basic services, such as water and sanitation, the income levels of the local population are analysed.

Household Income

Household income is a parameter which is, amongst others, also indicative of poverty levels within a community. A financially healthy community's household income usually displays a so-called "normal" income distribution pattern where the income is spread over a fairly wide range of income categories, and the income of the bulk of the community is situated more or less within the first half to two thirds of the income category range.

Only 10.2% of households in the Letsemeng Municipal fall within the "No income" category. Of concern is that 11.6% of the households in Letsemeng have an annual income of less than R 10 000 and 23.9% of the households have an annual income of less than R19 601.00.

Table 5: Income profile



1.1.3 EDUCATION AND SKILLS

11 788 people are economically active (employed or unemployed but looking for work), and of these 22, 3% are unemployed. Of the 6 058 economically active youth (15 – 34 years) in the area, 27, 7% are unemployed. The level of skills within an area is important to determine the level of potential employment.

Using the expanded definition, on average 22.3% of the population in Letsemeng is unemployed, with the highest rate of unemployment being in rural areas.

This high unemployment rate has serious repercussions on the ability of the residents of Letsemeng to pay for their daily needs. Unemployment is more than 21% in all of the areas and the highest is in Luckhoff at 32%.

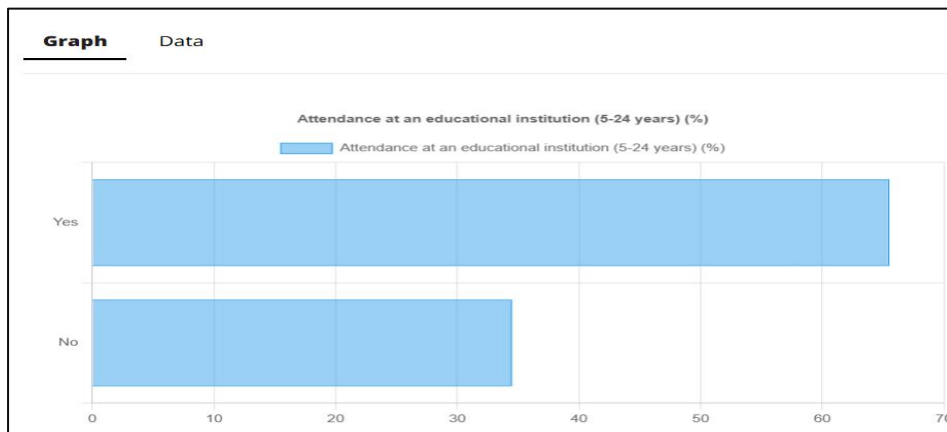
Table 6: Employment Status:

Employment Status	Number
Employed	9164
Unemployed	2624
Discouraged Work Seeker	1745
Not Economically Active	11518

Table 7: Distribution of population aged 20 years and older by level of education attained

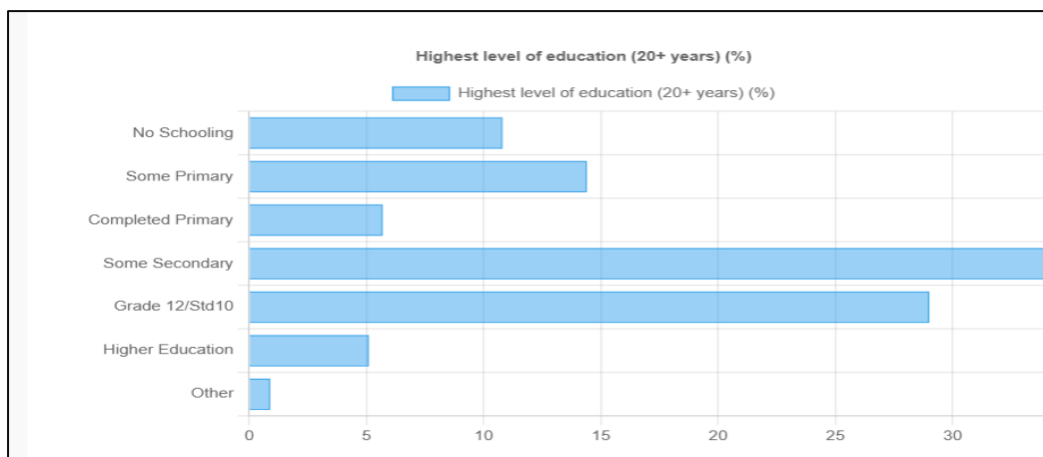
Name	Frequency	%
No Schooling	2 720	10,8%
Some Primary	3 644	14,4%
Completed Primary	1 454	5,8%
Some Secondary	8 593	34,1%
Grade 12/Std10	7 313	29,0%
Higher Education	1 282	5,1%
Other	229	0,9%

The graph below shows population of ages between 5 – 24 years that have attended an educational institution:



Only 65% of population of ages between 5 – 24 years have attended an educational institution, and 35% have not.

The graph below shows the highest level of education obtained for population with an age of 20 years and above:



Only 5.1% have had access to higher education, and 29% of the population studied until Grade 12/Std 10. 65% of population with ages of 20 and above did not study until Grade 12.

1.2 SERVICE DELIVERY OVERVIEW

1.2.1. WATER

The Municipality's objective remains that of ensuring at least 100% of its inhabitants have access to portable water. Measures are being implemented on a regular and on-going basis to ensure that this objective is achieved. We will continue to ensure that this is met, and clean water is delivered to our communities. Where necessary and required, the municipality will engage the Provincial/National Government as well as other key stakeholders.

90, 8% of households have access to piped water either in their dwelling or in the yard. Only 2, 2% of households do not have access to piped water.

Table 8: Distribution of households with access to piped (tap) water by geography

Geography	Households				Percentages			
	Piped (tap) inside dwelling/yard	Piped (tap) water on community stand	No access to piped (tap) water	Total	Piped (tap) inside dwelling/yard	Piped (tap) water on community stand	No access to piped (tap) water	Total
FS161: Letsemeng	9907	790	243	10 940	90.8	7.0	2.2	100.0
Koffiefontein	3180	8	15	3203	99.3	0.3	0.5	100.0
Ratanang	1105	1	6	1112	99.3	0.1	0.5	100.0
Jacobsdal	646	354	3	1003	64.4	35.3	0.3	100.0
Riet River	224	78	30	332	67.6	23.5	8.9	100.0
Petrusburg	2400	154	1000	3554	91.0	5.8	3.2	100.0
Oppermans	230	-	-	230	100.0	-	-	100.0
Luckhoff	987	17	3	1007	98.0	1.6	0.3	100.0

1.2.2 SANITATION

The Municipality's continues to provide proper sanitation facilities to all communities. The municipality managed to reduce the number of bucket toilets. To date there are two hundred households who are still using a bucket system. Plans are afoot to totally eradicate the system.

Table 9: Toilet Facility

Name	Frequency	%
Flush toilet	9 031	82,5%
Chemical toilet	81	0,7%
Pit toilet	652	6,0%
Bucket toilet	473	4,3%
Other	24	0,2%
None	450	4,2%

1.2.3 ELECTRICITY

Electricity provision in the Municipality is jointly supplied by ESKOM and the Municipality. The Municipality is servicing four of the five towns under its jurisdiction, which are Koffiefontein, Petrusburg town and newly electrified Bolokanang Extension 7, newly electrified Riemvasmaak in Jacobsdal and Luckhoff. Oppermansgronde distribution is done by ESKOM solely.

Table 10: Distribution of households with access to electricity for lighting by geography

Geography	Households				Percentages			
	Electricity	Other	None	Total	Electricity	Other	None	Total
FS161: Letsemeng	9839	1075	26	10940	90	10	0.1	100.0
Koffiefontein	3157	41	5	3203	98.6	1.3	0.2	100.0
Ratanang	1068	44	-	1112	96.0	4.0	-	100.0
Jacobsdal	809	187	7	1003	80.6	18.7	0.7	100.0
Riet River	258	74	-	332	77.7	22.3	-	100.0
Petrusburg	2524	112	2	2638	95.7	4.3	0.1	100.0
Oppermans	227	2	-	229	98.9	1.1	-	100.0
Luckhoff	919	88	-	1007	91.3	8.7	-	100.0

1.2.4 REFUSE REMOVAL

Waste Removal Services are provided to all the towns Koffiefontein, Petrusburg, Luckhoff, Oppermansgronde and Jacobsdal. These land fill sites with the exception of Jacobsdal and Petrusburg, are currently used as transfer stations and will be registered accordingly and be used fully as land fill sites.

Table 11: Distribution of households by type of refuse removal and geography

Geography	Households					Percentages				
	Formal Dwelling	Informal	Traditional	Other	Total	Formal Dwelling	Informal	Traditional	Other	Total
FS161: Letsemeng	9279	1586	33	43	10940	84.8	14.5	0.3	0.4	100.0
Koffiefontein	2659	538	1	5	3203	83.0	16.8	0.0	0.2	100.0
Ratanang	861	240	2	10	1113	77.4	21.6	0.2	0.9	100.0
Jacobsdal	598	395	-	10	1003	59.6	39.4	-	1.0	100.0
Riet River	251	76	5	-	332	75.6	23.0	1.4	-	100.0
Petrusburg	2181	450	1	7	2639	82.6	17.1	0.0	0.3	100.0
Oppermans	229	1	-	-	230	99.5	0.5	0	0	100.0
Luckhoff	937	60	1	8	1006	93.1	6.0	0.1	0.8	100.0

1.2.5 HOUSING

The objective of the Municipality is to facilitate provision of adequate and affordable housing structures to the communities in its area of jurisdiction. Provision for houses is not the core competency of the Municipality; this objective is undertaken in partnership with the Provincial Department of Human Settlement which continues to allocate houses to residents on an on-going basis. This is mainly due to the fact that demand for housing remains a big challenge but we remain committed to facilitate the provision of shelter to the communities we serve.

1.2.6 ROADS AND STORM WATER

Another aim of the municipality is to facilitate the adequate and constant maintenance of access roads and to ensure regular maintenance of all internal roads. Every year, a lot more kilometres of internal roads have been repaired. Furthermore, there is an annual allocation to ensure that roads are maintained. The proportion of households with access to the minimum level of services is shown in the table below:

Table 12: Proportion of Households with minimum level of Basic Services

Proportion of Households with minimum level of Basic services				
			2022-23	2023-24
Electricity service connections			100%	100%
Water - available within 200 m from dwelling			99%	99%
Sanitation - Households with at least VIP service			99%	99%
Waste collection - Kerbside collection once a week			100%	100%

1.3 FINANCIAL OVERVIEW

This overview sets out highlights of the municipality's financial performance in the past year. Full details appear in the annual financial statements.

Table: Financial Overview – 2023-24

2022/23				2023/24		
Details	Original budget	Adjustment Budget	Actual	Original Budget	Adjustment Budget	Actual
Income:						
Grants	90 897 000	90 897 000	129 718 936	95 791 000	97 791 000	111 947 144
Taxes, Levies and tariffs	93 055 009	103 637 127	88 204 524	113 287 681	112 596 854	103 001 121
Other	17 263 100	21 29 123	34 262 040	14 593 474	14 598 809	15 597 257
Sub Total	201 215 114	215 825 250	252 185 500	231 260 640	230 480 980	258 837 174
Less: Expenditure	248 390 919	247 886 339	328 352 046	273 218 836	254 921 150	321 182 191
Net Total*	(47 175 805)	(32 061 089)	(76 166 546)	(41,958,196)	(24,440,170)	(62,345,017)
* <i>Note: surplus/(deficit)</i>						

Table: Operating Ratios

Operating Ratios	2022/2023	2023/2024
Employee Costs	25%	26.4%
Repairs and Maintenance	2.2%	0.79%
Finance Charges	4.92%	7.09%

Table: Total Capital Expenditure

Total Capital Expenditure: '2022/2023 - to '2023/24		
Detail	2022/23	2023/24
Original Budget	61 943 765	52 200 000
Adjustment Budget	56 994 000	46 600 000
Actual	47 578 990	29 932 043

1.3.1 COMMENT ON CAPITAL EXPENDITURE

The municipality's property, plant and equipment for the financial year under review amounted to R 657,307,261 compared to R 691 862 804 for the previous year. Capital commitments as of 30 June 2024 amounted to R 38 968 217 (2023: R5 967 210). The fixed assets were financed from government grants.

1.4 ORGANISATIONAL DEVELOPMENT OVERVIEW

Staffing

All senior management positions are vacant, COGTA has seconded Municipal Manager and Director. There are also key posts that need to be filled with urgency.

1.5 AUDITOR GENERAL REPORT

The Municipality Received a Qualified Opinion for 2023/2024 financial year

According to legislation the Annual Report of a municipality must be tabled in the municipal council on or before 31 January each year. In order to enhance Councils oversight, function the municipality should submit their Annual Performance Reports as soon as possible after the financial year end, ideally this ought to be the end of August.

The Annual Financial Statements and Annual Performance Report were submitted on 31 August 2024 to the Auditor-General. The legislative process for the creation, submission, review and approval of the 2023/24 Annual Report is set out in the table below.

1.6 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 2024
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft 2022/23 Annual Performance Report to Internal Audit	
5	Audit/Performance committee considers draft Annual Report of municipality	August 2024
6	Municipality submits draft Annual performance Report including annual financial statements to Auditor General	
7	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
8	Auditor General audits Annual performance Report including Annual Financial Statements	September – November 2024
9	Municipalities receive and start to address the Auditor General's comments	December 2024
10	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	January 2025
11	Audited Annual Report is made public and representation is invited	February 2025
12	Municipal Public Accounts Committee assesses Annual Report	Feb-March 2025
13	Council adopts Oversight report	March 2025
14	Oversight report is made public	April 2025

COMPONENT B: CHAPTER 2 (POLITICAL AND ADMINISTRATIVE GOVERNANCE)

2.1 INTRODUCTION TO GOVERNANCE

The Letsemeng Local Municipality is an organ of state within the local sphere of government. It was established by means of Provincial Notice No 181, published in the Free State Provincial Gazette of 28 September 2000. The Municipality is a municipality with Collective executive system determined by the Determination of Types of Municipality Act, 2000 (Act No. of 2000).

In terms of section 151(3) of the Constitution of the Republic of South Africa the municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to the national and provincial legislation, as provided for in the Constitution.

2.2 POLITICAL AND ADMINISTRATIVE

2.2.1 INTRODUCTION TO POLITICAL GOVERNANCE

Section 151 of the Constitution, 1996 states that, the executive and legislative authority of a municipality is vested in its municipal council. This is complemented by the Municipal Structures Act and Municipal Systems Act. In terms of section 160(2) of the Constitution, 1996, the following powers may not be delegated by a municipal council and must therefore be exercised by council: passing of by-laws, approval of budgets, imposition of rates and taxes, levies and duties and the raising of loans. The Speaker is appointed by Council and performs her/his functions in terms of section 37 of the Municipal Structures Act, such as presiding at council meetings and overseeing the work of council committees.

The Municipal Council uses a governance system that applies to executive type system. It is consisted of thirteen (13) Councillors with a Speaker and the Mayor being a member designated as a full time councillor.

The main obligations of the Municipal Council is to formulate and endorse or pass by – laws, policies, most importantly the Integrated Development Plan and the Medium term revenue and expenditure framework (Budget)

The Speaker presides over ordinary as well as special Council meetings. The administration dispatch notices and agendas to Councillors forty eight (48) hours before the commencement of the council meetings as determined in the Standard Rule and Orders.

The Mayor as a political head of the Municipal Council attends to day to day obligations of the Municipal Council by playing oversight role over the administration and represents the meeting at the district and provincial intergovernmental relation forums as well as at the, South African Local Government Association. The Mayor provides general guidance over the fiscal and financial affairs of the municipality as well as the Integrated Development Plan.

The Council has established two (2) Section 80 Committees in terms of the Municipal Structures Act and the Municipal Finance Management Act to process items before they could be forwarded to the Municipal Council i.e. Finance and Technical Committee and Community and Corporate Services committee. These Committees process items and forward them to the Executive Committee (EXCO).

The Executive Committee prepare reports that are then submitted to Council for consideration and approval. Important to note is that the Section 80 Committees and Municipal Council sit as per schedule of Council meetings that was adopted by the Council.

The Municipal Council has established an MPAC, which is composed of three members and the Council is playing an Oversight role in the activities that are performed by the Municipality.

The Annual Report is prepared by the Performance Management Unit in collaboration with other departments. When the management is satisfied with this report it is then submitted to the Council for noting on or before the 31st January of each year. Subsequent to this process it is forwarded to the Municipal Public Accounts Committee (MPAC) after tabling for assessment and thereafter it is presented before the Council with the Committee comments and recommendations. The Annual Report and the Committee report are submitted to Departments of Treasury, Cooperative Governance and Traditional Affairs for comments. Furthermore, these reports are separately published to the community for comments.

The Internal Audit Unit conducts audits throughout the year in terms of their audit plan and prepares Audit reports that are then submitted to the Audit and Performance Committee. After consideration of these reports the Audit Committee forwards its recommendations to Council for considerations and approval.

The Municipality has appointed the Municipal Manager who is the head of the administration. He is responsible for day to day operations of the organization and accounts to the Mayor in between Council meetings. Other senior managers who have been appointed in terms of Section 56 of the Local Government: Municipal Systems Act, 2000 reports directly to the Municipal Manager. It is important to highlight that the Municipality is composed of four (4) departments that are headed by departmental heads, Section 56 managers, excluding the office of the Municipal Manager i.e. Corporate Services, Budget and Treasury, Community Services and Technical Services.

2.2.2 POLITICAL GOVERNANCE

POLITICAL STRUCTURE	Function
MAYOR	
Cllr RBI Mocwaledi	Preside over Municipal Council meetings and attend to day to day obligations of the Council by playing oversight role over the administration.
SPEAKER	
Cllr. XH Mthukwane	Presides over Council proceedings as a Chairperson
SECTION 80 COMMITTEE CHAIRPERSONS	
Cllr II Ramohlabi	Chairperson for Finance and Technical Committee Expenditure, Revenue, Assets & Liability Management, Budgeting & Reporting and Water, Sanitation, Electricity, Roads & Storm water, Urban Planning and PMU
Cllr TV Nthapo	Chairperson for Community and Corporate Services Waste Management, Sport & Recreation, Arts & Culture, Public Safety and Parks And Human Resources, Auxiliary and Legal Services, Council Support
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	
Cllr J Kumalo	Chairperson for Municipal Public Accounts Committee Playing an oversight Role over the finances and the administration of the Municipality

COUNCILLORS

The Municipal Council of Letsemeng Local Municipality comprises of thirteen (13) Councillors. Nine (9) of them were elected to represent wards and (4) were proportional representative. The Council is represented by four (4) political parties as follows:

African National Congress (ANC)	: Eight (9)
Democratic Alliance (DA)	: Two (2)
Economic Freedom Fighter (EFF)	: One (1)
Freedom Front (FF)	: One (1)

Two (2) members of Council, were designated as Chairpersons of Section 80 Committees. Each Committee is composed of three members which includes the Chairperson of the Committee. Furthermore, it has established a Municipal Public Accounts Committee which is composed of Three (3) Council members. The Ward Councillors are Chairpersons of Ward Committees, and the Ward Committee serves as an advisory committee to the Wards Councillors.

2.3 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the accounting officer of the municipality as the head of administration and reports directly to the Mayor and Council. Directors (Section 56 Managers') reports directly to the Municipal Manager and their performance is managed by the Municipal Manager in terms of the annually signed performance agreements and plans.

Directors are responsible for the management of their respective functions/departments, which include the management of service delivery programs and targets, personnel and budgets.

The Municipal Manager ensures accountability by departments through weekly and monthly management meetings and quarterly performance reviews of Directors.

Top Administrative Structure

POST DESIGNATION		FUNCTION	PERFORMANCE AGREEMENT SIGNED YES/NO
1.	ACTING MUNICIPAL MANAGER Mr BC Mekomela/Ms ST Maneli	Accounting Officer/Head of Administration	No
2.	ACTING DIRECTOR: CORPORATE SERVICES Vacant	<i>Human Resources, Auxiliary and Legal Services, Council Support</i>	No
3.	CHIEF FINANCIAL OFFICER Mr SJ Tooi	<i>Expenditure, Revenue, Assets & Liability Management, Budgeting & Reporting</i>	No
4.	ACTING DIRECTOR: COMMUNITY SERVICES Dr. K Mothlale	<i>Waste Management, Sport & Recreation, Arts & Culture, Public Safety and Parks</i>	No
5.	DIRECTOR: TECHNICAL SERVICES Mrs P Morokolo	<i>Water, Sanitation, Electricity, Roads & Storm water, Urban Planning and PMU</i>	No

2.4 INTERGOVERNMENTAL RELATIONS

2.4.1 INTRODUCTION TO COOPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Letsemeng Municipality through the 2023/24 financial year participated in a number of intergovernmental forums. This ensures that the Municipality is kept up to date on key developments in strategic areas of its responsibilities.

Through active participation in these forums and the available platform created, the Municipality exchanges ideas and interact with other spheres of government to improve mutual relations between government institutions.

2.4.2 NATIONAL INTERGOVERNMENTAL STRUCTURES

The Municipality participate in the National South African Local Government Association Members Assembly which is held once annually. The municipalities converge annually at the assembly to discuss matters that affects the municipality and resolved how to tackle the challenges faced by the municipalities

2.4.3 PROVINCIAL INTERGOVERNMENTAL STRUCTURES

The Municipality is part of the Provincial Coordinating Forum which is used to facilitate intergovernmental relations between the province and local government in the province. The Municipality also participates in Provincial Forums which include Provincial IDP Forum, Provincial Energy Forum, Provincial AIDS Forum as well as South African Local Government Association (SALGA).

2.4.4 DISTRICT INTERGOVERNMENTAL STRUCTURES

Meetings are been held once in a quarter, whereby the District Municipality is responsible for ensuring the co-ordination of intergovernmental relations within the district municipality with local municipalities in the district. District Coordinating Forum consists of the Executive Mayor of the District and three other local municipalities' Mayors who are primary members of this structure.

2.4.5 TECHNICAL SUPPORT COMMITTEE

This Committee consists of the District Municipal Manager and other three Local Municipal Manager who are primary members of the structure. The Committee must meet at least once per quarter with other stakeholders to process issues in preparation of the political District Forum.

2.5 PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The municipality improved on the responsibilities mentioned as indicated in the 2023/24 IDP by:

- Providing feedback to different communities on issues people raised during the first round of public engagements.
- Providing progress report on funded projects implemented in the different Wards.
- Providing opportunity for communities to make input to the 2023/24 IDP process.
- Providing Ward Committees an opportunity to prioritise inputs received from the different wards.
- Encouraging Ward Councillors and Ward Committees to do further consultation about communities service delivery priorities.
- Encouraging communities, Stakeholders and individual members of society to make use of the opportunity to do submission regarding the IDP review and budget of the municipality.

The staff is allocated wards to work with and report on their activities. There are also members of ward committees responsible for different sections in their wards. These measures have helped as members of community reports issues related of service delivery at their earliest occurrence.

2.6 PUBLIC MEETINGS

KEY PURPOSES OF WARD COMMITTEES

- Create formal unbiased communication channels and co-operative partnerships between the Municipality and the community within a ward.
- Ensure contact between the Municipality and the community through the relevant feedback mechanisms.
- Act as an advisory body on council policies and matters affecting communities in the ward as requested.
- Make recommendations on matters affecting the ward to the ward councillor.
- Serve as a constructive mobilizing agent for positive community action.

COMMUNICATION, PARTICIPATION AND FORUMS

The municipality uses loud hailing, print media, posters, as well as physical delivery of invitation such as IDP/budget which are on semester interval. These meetings are inclusive of representative from Safety, Business and CBO's.

Table 17: Public Meetings

Public Meetings							Comments
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community	
IDP, Budget Consultation meeting at Oppermansg ronde	12 April 2024	1	4	122			
IDP and Budget Consultation at Petrusburg	11 April 2024	7	8	25			
IDP and Budget Consultation at Koffiefontein (Ward 5)	10 April 2024	6	6	148			
IDP and Budget Consultation at Luckhoff	05 April 2024	3	2	96			
IDP and Budget Consultation at Jacobsdal	08 April 2024	5	8	96			
IDP and Budget Consultation at Phambili	April 2024	0	0	0			

COMMENT ON THE EFFECTIVENESS OF PUBLIC MEETINGS HELD

The community Public consultation meetings for 2023/24 financial year, were effectively coordinated and concluded.

2.7 IDP PARTICIPATION AND ALIGNMENT

Table 18: IDP Participation and Alignment Criteria

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 directly 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
*Section 26 Municipal Systems Act 2000	

2.8 CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

The municipality endeavours to comply with the regulatory frameworks and best practices regarding corporate governance. This includes the establishment of a risk management function, internal audit unit and independent audit committee and the implementation of fraud and anti-corruption policies and measures.

In addition, Letsemeng Municipality follows a comprehensive system of rules and processes that are designed to sustain and enhance optimal end to effective organizational management.

2.9 RISK MANAGEMENT

Risk Management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows the municipality to measure and prioritise them and take the appropriate actions to reduce possible losses.

The Municipality implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management will assist the municipality to achieve its service delivery outcomes and enhance organisational performance. The risks are managed formally and periodically by means of a factual and realistic approach. This promotes the achievement of objectives and further avoids these risks from impacting negatively on the organizational efficiency.

The average risks in developing the Internal Audit Coverage Plan was extracted from the risk assessment report, considering the impact and likelihood of critical issues/risks within each of the identified activities.

2.10 ANTI-CORRUPTION AND FRAUD

The actions that constitute corruption can be classified as follows:

- Any dishonest, fraudulent or corrupt act,
- Theft of funds, supplies and other assets,
- Maladministration or financial misconduct in handling or reporting of money,
- Making profit from insider knowledge,
- Disclosing confidential information to outside parties,
- Deliberately refusing or omitting to report or act upon reports of irregular or dishonest conduct

The strategies in place to prevent corruption, fraud and theft are the application of policies approved by council such as the supply chain management policy and the segregation of duties to approval of transactions within the municipality.

Key risk areas susceptible to corruption and fraud are the procurement, cash collection and payments as well as unauthorized distribution of information from the institution. Policies were approved by council. The code of conduct in terms of the Municipal Systems Act was communicated to all employees to highlight the importance of proper employee behaviour and conduct.

A previous challenge that is now overcome was the lack of important structures to effectively deal with the occurrence of corruption and fraud within the municipality. A lack of capacity at the Internal Audit and Supply Chain and the ineffective functioning of the Audit Committee were some of the challenges the municipality faced to effectively eliminate the occurrence of fraud and corruption. These challenges have now been resolved and a functional internal audit, supply chain management. The Municipality established an Audit Committee that serve only the Letsemeng Local Municipality

2.11 SUPPLY CHAIN MANAGEMENT

Supply Chain Management is centralised and attached to Budget and Treasury Office which is mainly responsible for the administration and procurement of goods and services. The municipality is currently utilizing *Sage Evolution*. All the procurements are transacted through sage evolution system to avoid irregular and fruitless expenditure. Supply Chain processes are regulated by supply chain policy which is in line with relevant regulations.

2.12 BY-LAWS LITIGATION

Table 19: By-laws introduced

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
None	-	-	-	-	-
*Note: See MSA section 13.					

COMMENT ON BY-LAWS

For the financial year under review the municipality did not have any new By-Laws to be promulgated.

2.13 WEBSITE

A municipal website <http://www.letsemeng.fs.gov.za> is a key communication mechanism in terms of service offering, information sharing and public participation and should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the IDP, the annual budget, adjustments budgets, budget related documents and policies.

Below is a website checklist to indicate the compliance to Section 75 of the MFMA:

Table 20: Municipal Website: Content and Currency of Material

Municipal Website: Content and Currency of Material	
Documents published on the Municipality's Website	Yes / No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual report (2021/22) Draft	Yes
The annual report (2022/23) to be published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2021/22) and resulting scorecards	Yes
All service delivery agreements (2023/24)	No
All long-term borrowing contracts (2023/24)	No
All supply chain management contracts above a prescribed value R100 000 for 2023/24	Yes
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No
Contracts agreed in 2023/24 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in 2023/24	No
All quarterly reports tabled in the council in terms of section 52 (d) during 2023/24	Yes
<i>T 2.10.1</i>	

COMPONENT C: CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

3.1 INTRODUCTION

The municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The Technical Department is responsible for operation and maintenance of infrastructure which include electricity, water services, roads and storm water. The Technical Department also provides support services such as the mechanical workshop.

The Technical Department plays a pivotal role in terms of facilitation and coordination of services provided by Provincial and National Departments. The municipality has adopted a five-year IDP Plan which is a strategic document aiding in the developments within the municipality. Sector plans are also included which gives effect to the strategies and objectives in the IDP. The IDP is further informed by both the National and Provincial development strategies.

The purpose of the report is to provide information in respect of the core responsibilities, objectives, achievements as well as challenges faced by the Technical Department during the 2023/24 financial year.

3.2 BASIC SERVICES - WATER

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services. The municipality accepted that the number of households within the municipal area is 40 044 as provided by Statistics South Africa for 2016.

INTRODUCTION TO BASIC SERVICES

Technical Services Department is responsible for the following services:

- Provision of new infrastructure in terms of planning and implementation.
- Operating, maintenance and refurbishing/rehabilitation of existing infrastructure.
- Provision of basic services such as water, sanitation, electricity and roads.

This is done as a basic service delivery aspect in the following areas:

A. Water and waste water services

- Water purification
- Sewerage treatment
- Storage dams
- Water reservoirs
- Water and sewage reticulation networks

B. Roads, storm water, railways and public works

- Roads design, construction and maintenance
- Storm water drainage system
- Bridges and culverts
- Landfill site management

C. Electricity

- Electricity Distribution
- Electricity network maintenance and upgrading
- Electricity Consumption Care
- Public lighting

Objectives and Achievements

Strategic objectives are set out in planning and budgeting tools such as IDP and SDBIP in order to properly plan and achieve targets. Priority areas regarding basic service delivery are as follows:

- Access to water,
- Water loss,
- Water quality,
- Access to sanitation,
- Access to electricity,
- Energy efficiency,
- Access to municipal surfaced roads

Departmental Challenges

- Institutional and organizational development:
 - Inadequate attraction and retention of skilled competent personnel,
 - Prolonged recruitment processes,
 - Inadequate training and development of staff
- Infrastructure maintenance and development:
 - Outdated technology and aged infrastructure,
 - Master plans are in place and have been approved by council, however are not fully implemented due to financial constraints,
 - Inadequate infrastructure capacity to meet supply demand,
 - Increasing theft and vandalism of infrastructure,

- Limited preventative maintenance,
- Decaying infrastructure,
- Heavy motor vehicular movement through and around CBD,
- High distribution losses (water and electricity)

- Machinery, equipment and fleet:
 - Shortage of machinery, equipment and fleet,
 - High average age of municipal fleet,
 - Most fleet out of useful lifespan,
 - Prolonged turnaround time in terms of repairs and continued breakages,
 - Limited maintenance equipment,
 - Delayed processing time of purchase request in terms of maintenance and repairs,
 - Shortage of vehicles and machinery causing low productivity and low morale of staff cascading into serious delays in service delivery.

- Financial Constraints:
 - Insufficient maintenance budget,
 - Insufficient capital budget appropriated (own funding),
 - Lack of consumables and sundry items,
 - Supplier / municipal relations dented,
 - Long processing period of purchase orders.

- Natural Hazards:
 - rainfall and flooding causes delay in project implementation and flooding of residential areas,
 - Drought, leading to inadequate raw water supply and thereby negatively affecting the Municipality's mandate of providing basic water service to its communities.
 - Extensive damage to infrastructure (decaying roads surfaces and potholes) and facilities / property.

- Compliance to Regulations:
 - Inadequate monitoring and measuring equipment and processes to facilitate compliance.

- Bulk Supply Services:
 - Inadequate bulk raw water supply in Petrusburg and Koffiefontein.
 - Rapidly deteriorating condition of roads network including main roads.

WATER PROVISION

Water needs are determined via the consumer base on the ground. Figures used to determine this includes provision for registered indigents according to the municipal policy. Supply and disruptions are monitored and future needs are based on results. Further inputs from the community and political offices are compared with departmentally identified issues and included in the IDP as needed. National government targets are also included in future planning.

For blue drop purposes the water quality is monitored continuously and uploaded on the IRIS site and water provision to the community is done in accordance with the Water Services Act 1997.

The top four priorities are:

1. Sufficient water supply for communities.
2. Connections to individual stands with provision for indigents.
3. Provision of water within legal requirements (Water within Blue drop and SANS 241 standards)
4. Monitoring of water supply through proper installation of water meters

The challenge in water supply remains the balance between the available raw water and demand from the community.

The blue drop status have decreased The poor performance is mainly due to poor technical management, absence of the process audit and network inspection reports and water safety plans. There was no flow data available due to no flow meters. The municipality was commended on the implementation of operational and compliance monitoring for all the supply systems. Water quality results are available on IRIS (Integrated Regulatory Information System), however uploading of results are often not on time and causes the municipality to receive non-compliance. The municipality is constantly requesting assistance and funding from the Department of Water and Sanitation, together with other sector departments to ensure improvement of blue drop score. Currently the municipality is funded by the Department of water and sanitation to implement a water project of the Upgrading of the Koffiefontein WTW and construction of a 4.5ML Reservoir, which will assist with improving water supply and quality.

All formal areas of Letsemeng available for occupation are provided with water networks with pre installed connections and consumers moving onto unconnected stands are connected on application. Areas such as Extension 7 in Bolokanang, Petrusburg are supplied with water using stand pipes and JoJo tanks.

Letsemeng Local Municipality (LLM) is a Water Service Provider (WSP) and a Water Service Authority (WSA), all this functions are currently operated by the Municipality. Letsemeng Local Municipality has through the Department of Cooperative Governance and Traditional Affairs (Cogta) prepared a Water and Sanitation Master Plan and Maintenance and Operations in 2019. These strategic documentation are used as roadmaps in terms of identifying challenges and applying for funds.

LLM is struggling to meet the water demand from four towns namely Luckhoff, Koffiefontein, Jacobsdal and Petrusburg. This is due to the low capacity of the Water treatment Works (WTW), old aged infrastructure e.g Canal in Jacobsdal and availability of surface water, the challenge of technical support for Jacobsdal water treatment works. The demand of water is higher than the available supply, this is

in some cases compromising the quality of water since the plants would be pushed to the maximum capacity or even be exeded resulting in turbidity increasing.

Unavailability of surface water poses a high risk to the community of Petrusburg because they rely on ground water, most of the boreholes have already started showing reduced capacity while there is no alternatice sources. LLM has completed two projects to improve water supply in Petrusburg and Bolokanang, the refurbishment and equipping of 12 boreholes and construction of a new pipeline from borehole 14 and 15 in Petrusburg to Bolokanang Reservoir. Improvement of water supply in Ratanang 202 sites has been completed with water reticulation and yard connections. LLM through MIG funding was able to install and refurbish Bulk and Domestic meters of Koffiefontein, Petrusburg, Jacobsdal and Luckhoff. The aforementioned project was implemented to assist with addressing the challenge of water losses and to improve revenue collection of the municipality.

Table 21: Water Service Delivery Levels

Water Service Delivery Levels					
Description	Re f			Households	
				2022/23 Actual No.	2023/24 Actual No.
<u>Water: (above min level)</u>					
Piped water inside dwelling				8 336	8 416
Piped water inside yard (but not in dwelling)				0	0
Using public tap (within 200m from dwelling)	2			693	693
Other water supply (within 200m)	4			1493	1493
<i>Minimum Service Level and Above sub-total</i>				10 522	10 602
<i>Minimum Service Level and Above Percentage</i>				100%	100%
<u>Water: (below min level)</u>					
Using public tap (more than 200m from dwelling)	3			0	0
Other water supply (more than 200m from dwelling)	4			0	0
No water supply				0	0
<i>Below Minimum Service Level sub- total</i>				0	0
<i>Below Minimum Service Level Percentage</i>				0%	0%
Total number of households*	5			10 522	602

Table 22: Households - Water Service Delivery Levels

Description		2022/23	2023/24
		Actual No.	Actual No.
Formal Settlements			
Total households		10 522	10 602
Households below minimum service level		0	0
Proportion of households below minimum service level		0%	0%
Informal Settlements			
Total households		233	233
Households below minimum service level		0	0
Proportion of households below minimum service level		0%	0%

3.3 ANNUAL PERFORMANCE REPORT 2023/2024 FINANCIAL YEAR

ACTUAL PERFORMANCE AGAINST THE PREDETERMINED OBJECTIVES AND TARGETS

MUNICIPAL MANAGER'S OFFICE

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment
TL1	Public participation and good governance	To promote and instil good governance practices within the municipality	Number of risk management committee meetings held by 30 June 2024	Number	Minutes of meeting and attendance register	2	4 Management Committee Meetings	1 Committee meeting was held	Not achieved	No handover report was submitted on the departure of the Risk Officer at the end of second quarter and the achievements for work performed for that period of review were not reported. Risk officer post is vacant to date.	Advertise and appoint Risk Officer	No human capital in the Risk unit which negatively impacts on the annual organisational performance scorecard and governance compliance matters.
TL2	Public participation and good governance	To promote and instil good governance practices within the municipality	Number of risk management quarterly reports submitted to Audit Committee by Senior Management quarterly	Number	Risk management committee report	2	4 Management quarterly reports	1 Quarterly management Report was submitted	Not achieved	No handover report was submitted on the departure of the Risk Officer at the end of second quarter and the achievements for work performed for that period of review were not reported. Risk officer post is vacant to date.	Advertise and appoint Risk Officer	No human capital in the Risk unit which negatively impacts the annual organisational performance scorecard and governance compliance matters.
TL3	Public participation and good governance	To promote and instil good governance practices within the municipality	Number of Risk Awareness workshops conducted on Risk Management and Anti-fraud	Number	Attendance registers/Distribution list for fraud awareness pamphlets	1	2 Risk Awareness Workshops Conducted	No Risk Awareness Workshops were conducted during the financial year under review	Not achieved	No handover report was submitted on the departure of the Risk Officer at the end of second quarter and the achievements for work performed for	Advertise and appoint Risk Officer	No human capital in the Risk unit which negatively impacts the annual organisational performance

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment
			and Anti-corruption for both Councillors and staff bi-annually							that period of review were not reported. Risk officer post is vacant to date.		scorecard and governance compliance matters.
TL4	Public participation and good governance	To promote and instil good governance practices within the municipality	Number of reviewed Risk Management policies by 30 June 2024 1. Risk Management Policy Anti-fraud and Corruption Policy	Number	Reviewed Policies and Council resolution	2	2 Risk Management Policies	No Policies were reviewed during the financial year	Not achieved	No handover report was submitted on the departure of the Risk Officer at the end of second quarter and the achievements for work performed for that period of review were not reported. Risk officer post is vacant to date.	Advertise and appoint Risk Officer	No human capital in the Risk unit which negatively impacts the annual organisational performance scorecard and governance compliance matters.
TL5	Public participation and good governance	Efficient administration and good governance	Number of Municipal Process plans approved by Council for 2023/24 financial year by 31 August 2023	Number	Approved Process plan and Council resolution	1	1 Approved Process Plan	The municipality's Process Plan was not approved in time as per legislation requires. (non-compliance)	Not achieved	Council referred back the Process plan during August 2023 for amendments and later on the 3 rd of November 2023 council adopted the plan outside the legislated timeframes.	The Process plan only got adopted on Friday, 03 November 2023	The Process Plan was adopted outside of the legislated timeframe.
TL6	Public participation and good governance	Efficient administration and good governance	Number of IDP steering committee meeting held by 30 November 2023	Number	Council resolution	1	1	Zero (0) IDP Steering committee meetings were held	Not achieved	IDP Steering committee is yet to be established.	Nominate members and establish an IDP steering committee in the municipality as soon as possible.	The IDP steering committee not established for the 2023/24 financial year.

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL7	Public participation and good governance	Efficient administration and good governance	Number of IDP Community representative forums held by 31 March 2024	Number	Attendance registers, Minutes/Reports of the IDP Community representative forum meeting	1	1	Forum yet to be established	Not achieved	The forum is non-functional	Establish the Forum	The Forum is non-functional at this current moment	
TL8	Public participation and good governance	Efficient administration and good governance	Number of Draft IDP for the financial year 2024/25 submitted to Council for adoption by 31 March 2024	Number	Draft IDP & Council resolution	1	1 Draft IDP submitted to Council	Draft IDP was taken to the Council during April 2024	Achieved	N/A	N/A	Information submitted	
TL9	Public participation and good governance	Efficient administration and good governance	Number of final IDP for the financial year 2024/25 submitted to Council for adoption by 31 May 2024	Number	Final IDP & Council resolution	1	1 Final IDP submitted to Council for 2024/25 fy	1 Approved IDP	Achieved	N/A	N/A	Information submitted	
TL10	Public participation and good governance	To promote and instil good governance practices within the municipality	Number of SDBIP's approved for the 2023/34 financial year by the Mayor and submitted to Cogta, PT and NT by 31 July 2023	Number	Signed SDBIP and Proof of submission	1	1 Approved SDBIP submitted	1 SDBIP was not approved by 31 July 2023	Not Achieved	The SDBIP was not tabled before council within the legislated timeframes henceforth was submitted to Cogta, PT and NT late.	Officials entrusted with governance and compliance matters must communicate effectively and plan ahead to ensure that compliance matters are adhered to.	The SDBIP was submitted late	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL11	Public participation and good governance	To promote and instil good governance practices within the municipality	Number of SDBIP 2023/24 financial year published on the website, notice boards within 14days after approval of the Mayor by August 2023	Number	Screen-dump of publication on website and Notice	1	1 SDBIP published	The SDBIP was only published after its approval by the Mayor	Not achieved	The SDBIP was not tabled before council within the legislated timeframes.	Officials to prioritise compliance issues	The SDBIP was not published in time as per legislative requirements	
TL12	Public participation and good governance	To promote and instil good governance practices within the municipality	Number of the Annual Performance Report for 2022/23 financial year submitted to AGSA by 31 August 2023	Number	Annual Performance report and proof submission	1	1 Annual Performance Report for 2022/23 financial year	1 Annual Performance Report submitted to AGSA by 31 August 2023	Achieved	N/A	N/A	Information submitted	
TL13	Public participation and good governance	To promote and instil good governance practices within the municipality	Number of Draft Annual Reports for 2022/23 financial year tabled in Council by 31 January 2024	Number	Council Resolution and proof of submission to Cogta, AGSA, NT and PT	1	1 Draft Annual Report for 2022/23	1 Draft Annual report was not tabled in council by 31 January 2024	Not achieved	The regulated audit by AGSA was concluded late	Prioritise compliance issues/matters in the new financial year	AGSA's Audit Report was submitted late (by the 27 March 2024)	
TL15	Public participation and good governance	To promote and instil good governance practices within the municipality	Number of approved Oversight Reports and financial Annual Report of the 2022/23 financial year	Number	Council Resolution, Oversight Report and proof of submission to NT, PT, CoGTA and	1	1 Approved Oversight report and Final Annual report of the 2022/23 financial year	None approved for the financial year under review	Not achieved	The regulated audit by AGSA was concluded late	Tabling and Approval of the Annual report	AGSA's Audit Report was submitted late (by the 27 March 2024)	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment
			submitted to Council by 31 March 2024 and to CoGTA, NT, PT and FS Legislature by 07 April 2024		FS Legislature							
TL16	Public participation and good governance	To promote and instil good governance practices within the municipality	Number of approved PMS Policies by 30 June 2024	Number	Approved PMS Policy & Council Resolution	3	1 Approved PMS Policy by 30 June 2024	Draft PMS policy	Not achieved (Not approved by council)	Reasons not provided by the manager responsible	Corrective measures not provided by the manager responsible	No comments provided by the unit.
TL17	Public participation and good governance	To promote and instil good governance practices within the municipality	Number of Performance Agreements entered into signed and submitted to COGTA	Number	Acknowledgment letter of receipt from COGTA	3	5 Performance Agreements entered into and signed	Zero Performance agreement were signed and entered into	Not Achieved	All current Sec56 managers are acting incumbents	Advertise & Appoint Sec56 managers	Performance agreements were not prepared to date as a result of vacant section 56 managers posts
TL18	Public participation and good governance	Efficient administration and good governance	Number of Municipal Audit assignments conducted by 30 June 2024	Number	Internal Audit reports	15	12 Audit assignments conducted by 30 June 2024	10 Audit assignments were conducted during the 2023/24 financial year	Not achieved	Reasons not provided by the manager responsible	Corrective measures not provided by the manager responsible	IA fell short of two (2) Audit assignments during the first and second quarter
TL19	Public participation and good governance	To promote a culture of participatory and good governance	Number of Municipal Audit committee meetings to be held by 30 June 2024	Number	Attendance registers and minutes	4	4 Municipal Audit committee meetings	3 Audit Committee Meetings were conducted	Not achieved	Due to the issue of formation of quorum for APC Meeting that was scheduled to sit on the 24 th May 2024, where one member of the committee passed away, no meeting could take place.	Appointment of the new APC Committee members will try and solve the issue as the current members contracts ending by 30 th June 2024	The Municipality to appoint new APC committee.
TL20	Public participation	To promote a culture of	Number of approved	Number	Approved risk based	4	4	2	Not achieved	The Strategic documents are	Appointment of the new	Documents are not yet approved

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment
	and good governance	participatory and good governance	Municipal Audit Strategic documents for the 2024/25 financial year		audit plan (RBAP) (MFMA Section 165(2)(a) Approved Internal Audit Charter		Approved Municipal Audit Strategic Documents	Approved Municipal Audit Documents during the financial year under review		approved by the APC Committee, the current members' contracts ending by 30 th June 2024. Municipality to appoint a new APC Committee	APC Committee members will try and solve the issue as the current members contracts ending by 30 th June 2024	due to unavailability of APC Members during the last two (2) quarters
TL21	Public participation and good governance	Efficient administration and good governance	Number of Three year strategic rolling and Internal Audit Plans developed and approved	Number	Three year strategic rolling and Internal Audit Plan	1	1 Three year strategic rolling and Internal Audit Plan developed and approved	Three year strategic rolling and Internal Audit Plan was not developed and approved during the financial year under review	Not achieved	The Strategic documents are approved by the APC Committee, the current members' contracts ending by 30 th June 2024. Municipality to appoint a new APC Committee	Appointment of the new APC Committee members will try and solve the issue as the current members contracts ending by 30 th June 2024	Documents are not yet approved due to unavailability of APC Members
TL22	Public participation and good governance	Efficient administration and good governance	Number of Internal Audit Performance reports submitted to Audit and Performance Committee	Number	Audit Committee minutes with internal audit reports	2	4 Internal Audit Performance reports	Only two (2) Reports were submitted to the APC committee	Not achieved	Due to the issue of formation of quorum for APC Meeting that was scheduled to sit on the 24 th May 2024, where one member of the committee passed away, no meeting could take place.	Appointment of the new APC Committee members will try and solve the issue as the current members contracts ending by 30 th June 2024	Documents could not be submitted to the Committee due to unavailability of APC Members during the last two (2) quarters
TL23	Public participation and good governance	Efficient administration and good governance	Monitoring the implementation of AGSA audit action plan quarterly	Number	Updated Audit Action Plan	0	2 AGSA Audit Action plan	No updated Audit Action Plan	Not achieved	No Audit Action plan developed yet, therefore monitoring could not take place.	The process has not started yet, IA will prioritise it once the process has unfolded	IA to prioritise and ensure good management practises

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment

FINANCIAL SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
TL24	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of expenditure management reports submitted to Municipal Manager for approval on a quarterly basis	Number	Approved expenditure reports	10	4 Expenditure reports	2 achieved in the last two (2) quarters of the financial year under review	Not achieved	Reasons not provided by the manager responsible	Corrective measures not provided by the manager responsible	Evidence submitted does not fully confirm to the KPI
TL25	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of income management reports submitted to Municipal Manager for approval on a quarterly basis	Number	Approved income reports	10	4 Income reports	3 Approved income reports for the financial year under review	Not achieved	Reasons not provided by the manager responsible	Corrective measures not provided by the manager responsible	Only three (3) Billing reports were attached and signed by the Chief Financial Officer during the financial year under review
TL26	Financial viability and management	To improve overall financial management in the	Number of GRAP compliant AFS compiled and submitted to	Number	Acknowledgment letter of receipt from AGSA	1	1 GRAP compliant AFS compiled and	GRAP compliant AFS was not compiled during the	Not Achieved	Reasons not provided by the manager responsible	Corrective measures not provided by the manager responsible	KPI not met as per Planned Target

Ref	KPA	Strategic Objective	KPI	Unit of Measure	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
		municipality by developing and implementing appropriate financial management policies, procedures and systems	AGSA on or before 31 August 2023				submitted to AGSA	financial year under review				
TL27	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of irregular expenditure reports submitted to council for approval on a quarterly basis	Number	Council resolution	0	4 Irregular expenditure reports	All four (4) Irregular expenditure reports not approved by council during the financial year under review	Not achieved	Reasons not provided by the manager responsible	Corrective measures not provided by the manager responsible	No Council resolutions were submitted to substantiate the fact that the reports does indeed presented before Council
TL28	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of deviation reports on the procurement process submitted to Municipal Manager for acknowledgement	Number	Deviation on procurement processes report	0	4 Deviation Reports	Only three (3) Report on Procurement process were submitted	Not achieved	Reasons not provided by the manager responsible	Corrective measures not provided by the manager responsible	The department to meet the target in the Second quarter
TL29	Financial Viability and Management	Efficient administration and good governance	Number of Budget related Policies Reviewed and adopted by	Number	Credit control policy Tariff's policy	0	2 Policies reviewed and adopted by 30 June 2024	Only managed to review one (1) Policy during the	Not achieved	Reasons not provided by the manager responsible	Corrective measures not provided by the manager responsible	KPI was not met in the third quarter as per planned target

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
			Council by 30 June 2024		Virement			financial year under review				
TL30	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of reports on unauthorised expenditure submitted to MPAC for investigation	Number	Unauthorised expenditure report	0	4 Unauthorised expenditure reports	All four (4) Unauthorised expenditure reports were not submitted to MPAC for investigation	Not achieved	MPAC not functional at this moment	Establish an effective and functional MPAC committee	Evidence not submitted to substantiate that reports were submitted to MPAC
TL31	Financial Viability and Management	Efficient administration and good governance	Number of reports on wasteful expenditure submitted to MPAC for investigation	Number	Wasteful expenditure report	0	4 Wasteful expenditure reports	Only one (1) fruitless expenditure report was submitted in the third quarter	Not achieved	MPAC not functional at this moment	Establish an effective and functional MPAC committee	Reports could not be submitted in the first, Second and fourth quarter
TL32	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of reports on fruitless expenditure submitted to MPAC for investigation	Number	Fruitless expenditure report	0	4 Fruitless expenditure report	Only one (1) fruitless expenditure report was submitted in the third quarter	Not achieved	MPAC not functional at this moment	Establish an effective and functional MPAC committee	Reports could not be submitted in the first, Second and fourth quarter

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
TL33	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Reports on awards above R100 000 submitted to Municipal Manager for approval	Number	Reports on awards above R100 000	0	4 Reports on awards above R100 000	1 Report was submitted to the MM for approval	Not achieved	There was no signature to substantiate approval of reports by MM	Ensure that MM approves reports for official documentation	The report was only submitted in the third quarter for approval by the MM
TL34	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of assets registers updated and submitted to AGSA on or before 31 August 2023	Number	Acknowledgment of receipt from AGSA	1	1 Assets Register	Assets register was not submitted to AGSA	Not achieved	Reasons not provided by the manager responsible	Corrective measures not provided by the manager responsible	Assets updated but was not submitted to AGSA by 31 August 2023
TL35	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of quarterly assets verification reports by 30 June 2024	Number	Verification reports	0	4 Quarterly Assets verification Reports	Only three (3) Assets verifications were done during the financial year under review	Not achieved	Report was not yet ready by the end of the quarter	Prioritise timeliness	Asset practitioner was in the process of completing the quarterly assets verification during the Second quarter.

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL36	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of quarterly assets verification reports by 30 June 2024	Number	Verification reports	0	4 Quarterly Assets verification Reports	Only three (3) Assets verifications were done during the financial year under review	Not achieved	Report was not yet ready by the end of the quarter	Prioritise timeliness	Asset practitioner was in the process of completing the quarterly assets verification during the Second quarter.	
TL37	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of Draft Budgets submitted to Council for adoption on or before 31 March 2024	Number	Council resolution for adoption of a draft budget	1	1 Draft Budget	1 Draft Budget submitted and approved	Achieved	N/A	N/A	Information submitted	
TL38	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of Final Budgets submitted to Council for adoption on or before 31 May 2024	Number	Council resolution for adoption of a final budget	1	1 Final Budget	1 Final Budget submitted and approved by Council	Achieved	N/A	N/A	Information submitted	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL39	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of indigent household registered and approved in all 7 wards by 30 June 2024	Number	Indigent application forms	0	3500	2630 Indigent application recorded Quarter one 1282 recorded Quarter two 1348 Quarter three 40 Quarter four 0	Not achieved	Reasons not provided by the manager responsible	The officials in charge of public participation should educate community members of the benefit on registering for indigents if unemployed	List of new indigent copies of applications should be submitted to validate work performed	
TL40	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of adjustment budgets submitted to Council for adoption on or before 28 February 2024	Number	Council resolution for adoption of adjustment budget	1	1 Adjustment Budget	1 Adjustment Budget submitted and adopted by Council during the financial year under review	Achieved	N/A	N/A	Information submitted	
TL41	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies,	Number of MFMA s71 reports submitted to Mayor, Provincial and National Treasury within 10 days after the end of the month	Number	MFMA s71 reports and proof of submission	0 New KPI	12 MFMA s71 submitted to Mayor, Provincial and National Treasury	9 MFMA s71 were submitted during the financial year under review	Not achieved	Three (3) of the MFMA s71 reports were not submitted during the first quarter	None provided	The KPI was not met in the first quarter as per planned target	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
		procedures and systems											
TL42	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of Budget related Policies Reviewed and adopted by Council by 30 June 2024	Number	Credit control policy Tariff's policy Virement	0	2 Policies reviewed and adopted by 30 June 2024	Only managed to review one (1) Policy during the financial year under review	Not achieved	None provided	None provided	KPI was not met in the third quarter as per planned target	
TL43	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of Section 72 reports submitted to the Mayor, PT & NT on or before the 25 th of January 2024 and to council by 31 January 2024	Number	Council resolution for Section 72 reports and proof of submission to the Mayor, PT & NT	0	1 Section 72 Report submitted to the Mayor, PT & NT	1 Section 72 Report submitted to the Mayor, PT & NT	Achieved	N/A	N/A	Information submitted	
TL44	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies,	Number of Section 52d reports submitted to Council within 30 days after the end of each quarter	Number	Section 52d reports and Council resolution	0	4 Section 52d reports submitted to Council	2 Section 52d Reports were submitted in the Second and Fourth quarter during the financial year under review	Not achieved	Two of the Section 52d reports were submitted in the absence of the council resolution	Ensure submissions to Council and provide council resolution on items presented before the Municipal Council	No Council resolution attached during the two quarters to substantiate submission to council	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
		procedures and systems										
TL45	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of Section 66 reports developed for the 2023/24 financial year by 30 June 2024	Number	Section 66 reports developed	0	12 Section 66 reports developed for the 2023/24 financial year	9 Section 66 Reports were developed during the 2023/24 financial year	Not achieved	No reports were developed or submitted to the PMS office in the Second quarter	Corrective measures not provided by the manager responsible	Quarter two (2) appears to be the only quarter whereby the target was not met

CORPORATE SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
TL46	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of employee workshops conducted 1. Wellness awareness workshops 2. Employee awareness on municipal policies	Number	Invitation and attendance registers	0	3 Employee Workshops conducted	Workshops not conducted for financial year under review.	Not achieved	Management did not provide	Reasons not provided by the manager responsible	Workshops were not conducted for period under review.

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL47	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of organisational structure reviewed by December 2023	Number	Invitation and attendance registers	0	1 Organizational Structure reviewed	Organizational structure was not reviewed during the financial year under review	Not achieved	Work not performed for period under review.	Review the Structure as soon as possible in the new financial year	The Organizational structure was not reviewed for period under review.	
TL48	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of Employees who received Training	Number	Proof of registration and attendance registers	0	120 Employees to receive training	Employees did not receive training as per planned target	Not achieved	Work not performed for period under review.	Reasons not provided by the manager responsible	Ensure employees receive the necessary training required	
TL49	Municipal Transformation and Institutional Development	Efficient administration and good governance	Number of OHS committee meetings held bi-annually	Number	Invitation, attendance registers and minutes of the meeting	0	2 OHS Committee meetings to be held	OHS Committee did not convene meetings as per planned target	Not achieved	Management did not provide reasons for non-achievement	Reasons not provided by the manager responsible	Work not done both the quarters as per planned target	
TL50	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of WSP developed, approved and submitted to LGSETA on or before 30 April 2024	Number	Acknowledgement of receipt from LGSETA	1	1 WSP developed, approved and submitted to LGSETA	1 WSP was developed, approved and submitted to LGSETA	Achieved	N/A	N/A	Acknowledgement not attached to substantiate the achievement	
TL51	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of reviewed HR policies by 30 June 2024	Number	Council resolution for approved policies	1	1 Reviewed HR Policy	HR Policy not reviewed during the financial year under review	Not achieved	Management did not provide reasons for non-achievement	Ensure that the HR Policy gets reviewed in the next financial year	KPI not met as per planned target	
TL53	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of ordinary council sitting as per year plan	Number	Attendance registers and council minutes	4	4 Ordinary Council sittings	1 Achieved during the financial year under review	Not achieved	Management did not provide reasons for non-achievement	Management did not provide reasons for non-achievement	The target was only met during the third quarter of the financial year	
TL54	Municipal Transformation and Institutional Development	An effective administration capable of sustainable	Number of progress reports on the Municipal Council	Number	Execution register and Council resolution	4	4 Progress reports	2 Progress reports were submitted during the	Not achieved	Management did not provide reasons for non-achievement	Management did not provide reasons for non-achievement	The Department only managed to achieve the target in the	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment
		service delivery	resolutions submitted to Council by 30 June 2024					financial year under review				Second and third quarter
TL55	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of EXCO or Mayoral Executive meetings held Quarterly	Number	Execution register and Committee minutes	4	4 Meetings to be held	KPI was not met as per planned target for the financial year under review	Not achieved	Poor records administration of meeting details	Improve Committee records Administration	Meeting could not be held as per scheduled plan
TL56	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of Number of progress reports on EXCO or Mayoral Committee meetings resolutions submitted to Council by 30 June 2024	Number	Execution register and EXCO resolution	4	4 Progress reports	1 Progress reports were submitted during the financial year under review	Not achieved	Management did not provide reasons for non-achievement	Management did not provide reasons for non-achievement	The Department only managed to achieve the target in the Second quarter
TL57	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of Council portfolio committee meetings quarterly	Number	Attendance register and Committee minutes	4	4 Portfolio committee meetings to be convened	KPI was not met as per planned target for the financial year under review	Not achieved	Poor records administration of meeting details	Improve Committee records Administration	Target not achieved Council portfolio committee meetings were not convened for period under review.
TL58	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of Ward committee meetings held	Number	Attendance registers and minutes	0	28 Ward committee meetings to be convened	KPI was not met as per planned target for the financial year under review	Not achieved	Poor records administration and management of meeting schedules	Improve Committee records Administration	Community meetings were not convened for period under review.

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
			Quarterly by 30 June 2024										
TL59	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of community meetings convened by Councillors to be held by 30 June 2024	Number	Notice of meetings, attendance register and minutes	0	28 Community meetings to be convened	KPI was not met as per planned target for the financial year under review	Not achieved	Poor records administration and management of meeting schedules	Improve Committee records Administration	Community meetings were not convened for period under review.	
TL60	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of MPAC meetings held by 30 June 2024	Number	Attendance register and minutes	4	4 MPAC meetings to be convened	2 MPAC meetings were convened	Not achieved	Management did not provide reasons for non-achievement	Management did not provide reasons for non-achievement	The target was only met in the First and Second quarter	
TL61	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of formal meetings between the Mayor, Speaker and MM to be held to deal with municipal matters	Number	Attendance registers and minutes	0	4 Formal meetings to be convened	Target not achieved for the financial year under review.	Not achieved	Poor records administration and management of meeting schedules	Improve records Administration and schedule management	KPI was not met as per planned target	
TL62	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of Management meetings to be held by 30 June 2024	Number	Attendance registers and minutes	0	12 Management meetings	Target not achieved for the financial year under review.	Not achieved	Poor records administration and management of meeting schedules	Improve records Administration and schedule management	KPI was not met as per planned target	
TL63	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Percentage of Councillors who have declared their financial interest by 30 June 2024	Percentage	Declaration forms	0	100%	Target not achieved for the financial year under review.	Not achieved	Management did not provide reasons for non-achievement	Reasons not provided by the manager responsible	Target was only met in the first quarter	
TL64	Municipal Transformation and Institutional Development	An effective administration capable of sustainable	Number of legal action assessed by 30 June 2024	Number	-	0 New KPI	12	Target not achieved for the financial year under review.	Not achieved	Management did not provide reasons for non-achievement	Reasons not provided by the manager responsible	KPI was not met as per planned target	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual Performance	Reason for non-achievement	Corrective measures	PMS Comment	
		service delivery											
TL65	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of Employment Equity Plan and Reports submitted by 30 June 2024	Number	Proof submission and the Plan	0 New KPI	1 EEP and Report	EEP and report submitted for the financial year under review	Achieved	N/A	N/A	Information submitted	
TL66	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Percentage of vacancies advertised and filled by 30 June 2024	Number	Adverts Employment contracts with Job description	0 New KPI	1 Advertised vacancy	Target not achieved for the financial year under review.	Not achieved	Management did not provide reasons for non-achievement	Reasons not provided by the manager responsible	KPI was not met as per planned target	

TECHNICAL SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-2023	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL67	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of households with access to basic water supply	Percentage	Quarterly Progress Report, Practical Completion Certificate and Closeout Report	37%	100%	82%	Not achieved	Currently 82% of households have access to water and at the moment the municipality does not have a water reticulation projects to give access water to new developments. Meaning this KPI is not achievable in this financial year.	It was recommended that this KPI be removed from the SDBIP.	SDBIP was not revised	
TL68	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper	Upgrading of 1,72 KM access paved road and storm water by 30 June 2024	Percentage	Quarterly Progress Report, Practical Completion Certificate and	99%	100%	100% Complete	Achieved	N/A	N/A	Information submitted	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-2023	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment
		operations and maintenance			Closeout Report							
TL69	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Frequency of sewer blockages per 100 kms of pipeline by June 2024	Percentage	Meeting minutes Quarterly Progress Report, Practical Completion Certificate and Closeout Report	0 New KPI	1	Target not achieved for the financial year under review.	0	The municipality does not have a pipeline of 100kms for sewer	it was recommended this KPI be removed from the SDBIP	SDBIP was not revised
TL70	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of household electricity connections on or before 30 June 2024	Number	Quarterly Progress report Practical completion certificate Close-out report	300	700	Target not achieved for the financial year under review.	Not achieved	Contractor turn-around time. Municipal financial constraints, unrest of the municipal workers.	Reasons not provided by the manager responsible	No information submitted
TL71	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of high mast lights constructed and installed on or before 30 June 2024 Luckoff	Number	Advert Appointment letter Quarterly Progress Report, Practical Completion Certificate and Closeout Report	0	3	Target was not achieved for the financial year under review	0	Project is under the procurement process Advertise	Municipality needs speed up the process of Appointing contractor as soon as possible so that the works can commence	No information submitted
TL72	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of high mast lights constructed and installed on or before 30 June 2024 Koffiefontein	Number	Advert Appointment letter Quarterly Progress Report, Practical Completion Certificate	0	4	Target was not achieved for the financial year under review Progress is at 40% to date	0	Project in progress	Reasons not provided by the manager responsible	Contractor to come back on site and finalise the project Progress to date is at 40%

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-2023	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment
					and Closeout Report							
TL73	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of high mast lights constructed and installed on or before 30 June 2024 Petrusburg	Number	Advert Appointment letter Quarterly Progress Report, Practical Completion Certificate and Closeout Report	0	4	Target was not achieved for the financial year under review Progress is at 40% to date	0	Project in progress and delayed by rain and supply of concrete.	Reasons not provided by the manager responsible	Contractor to come back on site and finalise the project Progress to date is at 40%
TL74	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of high mast lights constructed and installed on or before 30 June 2024 Jacobsdal	Number	Advert Appointment letter Quarterly Progress Report, Practical Completion Certificate and Closeout Report	0	4	Target was not achieved for the financial year under review Progress is at 40% to date	0	Project in progress and delayed by rain and supply of concrete.	Reasons not provided by the manager responsible	Contractor to come back on site and finalise the project Progress to date is at 40%
TL75	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of high mast lights constructed and installed on or before 30 June 2024 Oppersmansgronde	Number	Advert Appointment letter Quarterly Progress Report, Practical Completion Certificate and Closeout Report	0	3	Target was not achieved for the financial year under review 0% Progress to date	0	Project is under the procurement process evaluation and adjudication stage for the appointment of contractor.	Municipality to fast track the appointment of contractors.	Priorities the appointment of Contractors in the new financial year Progress to date is at 0%

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-2023	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment	
TL76	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of households provided with connections to mains electricity supply by the municipality	Number	Pre-engineering designs Appointment letter, Progress report, completion and close out reports	0	100%	100% achieved	Achieved	N/A	N/A	Information submitted (Pre-engineering designs and appointment letter was provided)	
TL77	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of households provided with connections to mains electricity supply by the municipality (electrification of 34 infills households connection in ward 4)	Number	Pre-engineering designs Appointment letter, Progress report, completion and close out reports	0	34	0%	Not Achieved	Municipality still yet to advertise for the contractor	Procurement processes has commenced.	No Information submitted Planning stage not yet started which likely means that the project will be delayed	
TL78	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of spending on DOE on or before 30 June 2024	Percentage	DOE expenditure report	0	100%	Target was not achieved for the financial year under review Progress to date IS AT 40%	Not achieved	The responsible directorate did not provide reasons for non-achievement	Reasons not provided by the manager responsible	Work not performed for the fourth quarter	
TL79	Basic Service delivery	Eradicate backlogs in order to improve access to services and	Percentage of spending on MIG on or before 30 June 2024	Percentage	MIG expenditure report	0 New KPI	100%	The target achieved was at 64%	Not achieved	For more than 2 months there was no senior management in Municipality as a	Appointment of senior management which can approve invoices and	Incomplete information The target achieved was at 64%	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-2023	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment
		ensure proper operations and maintenance								result there could be no expenditure	improve expenditure	
TL80	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of spending on EPWP on or before 30 June 2024	Percentage	EPWP expenditure report	0 New KPI	100%	Progress to date is at 92%	Not achieved	The responsible directorate did not provide reasons for non-achievement	Reasons not provided by the manager responsible	Target achieved in the first quarter, as the reported expenditure was 92% for July till September 2023 which falls under 23/24 FY
TL81	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of spending on WSIG on or before 30 June 2024	Percentage	WSIG expenditure report	0 New KPI	100%	Progress is at 54% to date	Not achieved	For more than 2 months there was no senior management in Municipality as a result there could be no expenditure	Appointment of senior management which can approve invoices and improve expenditure	Insufficient information submitted Target is at 54% to date
TL82	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of water losses reduced on or before 30 June 2024	Percentage	Water loss register per town	0 New KPI	100%	Progress is at 70% to date	Not achieved	Kindly note for the water losses to be lower the municipality must have a Water Conservation Water Demand Management (WCWDM) Strategy <i>(Due to the financial constraints of the municipality the department is unable to procure</i>	However, a business plan for WCWDM strategy has been submitted to DWS for funding, but it cannot be prioritised at the moment due to the implementation of the bulk water project	No information submitted The municipality currently has water losses of about 70% for the past FY

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-2023	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment
										<i>bulk, zonal and domestic meters)</i>	of WSIG for Koffiefontein. Technical Services as a department therefore recommends that this KPI be removed until such a time the municipality can have a WCWDM Strategy and all faulty/ non-operational water meters are replaced	
TL83	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of Electricity losses reduced on or before 30 June 2024	Percentage	Electricity loss register per town	0 New KPI	100%	Currently on 30% loss	Not achieved	The municipality currently is experiencing both technical and commercial losses, biggest contributor being commercial losses	Electrical Department has embarked on systematic field assessment looking for irregular, by-passed and old metering system. Operation Patala, a mayoral programme also played a critical role is assisting with an audit	Technical Services as a department therefore recommends that this KPI be removed until such a time the municipality fully implement the project of meter retrofitting to completion
TL84	Basic Service delivery	Eradicate backlogs in order to improve access to	Number of Service level agreement finalized with water boards	Number	Signed Service level agreement Council resolution	0 New KPI	2	Target was not achieved for the financial year under review	Not achieved	The responsible directorate did not provide reasons for non-achievement	Reasons not provided by the manager responsible	No information submitted

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-2023	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment
		services and ensure proper operations and maintenance										
TL85	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of approved by-laws by the end of June 2024 1. Water usage Electricity usage	Number	Approved by-laws and Council resolution	0 New KPI	2	Target was not achieved for the financial year under review	Not achieved	The responsible directorate did not provide reasons for non-achievement	Reasons not provided by the manager responsible	No information submitted

LOCAL ECONOMIC DEVELOPMENT

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment
TL86	Local Economic Development	Inclusive Economic growth and sustainable job creation	Number of LED strategies reviewed and approved by June 2024	Number	Council resolution and LED strategy document	0	1	LED strategy not approved	Not achieved	The target to be achieved in the third quarter as indicated in the KPI	Ensure that the relevant parties approve LED strategies	No information submitted
TL87	Local economic Development	Inclusive Economic growth and sustainable job creation	Number of Jobs created through municipality's local economic initiatives including national, provincial, district and	Number	Signed employment contracts	0 New KPI	500	Target not met for the financial year under review	Not achieved	Unable to measure as the projects do not reside in LED unit	The KPI should be moved to the relevant department	Work not performed for the period under review

			local capital projects										
TL88	Local economic Development	Inclusive Economic growth and sustainable job creation	Number of entrepreneurs and SMMEs compliance workshops held by June 2024	Number	Invitations and attendance registers	0	4	3 Workshops were conducted during the First, Second and Third Quarter	Not achieved	Commitment of session cancelled by the invited stakeholders at the last minute – CIDB, SARS and DESTEA in the Fourth and last quartet as per planned target	Ensure commitment to meeting schedules	LED only manage to convene three (3) workshops for the period under review	
TL89	Local economic Development	Inclusive Economic growth and sustainable job creation	Number of LED forums established on or before 30 September 2023	Number	Invitation and attendance registers	0 New KPI	5	LED forum was not established for the financial year under review	Not achieved	LED did not necessarily plan for the said KPI for the 2023/24 financial year	The target will be met in the next financial year	No information submitted LED office did not set this target in their plan but will consider it in the next financial year	
TL90	Local economic Development	Inclusive Economic growth and sustainable job creation	Number of approved by-laws by the end of June 2024 1. Outdoor Advertising 2. Roaming of animals	Number	Approved by-laws and Council resolution	0 New KPI	2	No By-laws were not approved for the financial year under review	Not achieved	The by-laws are ready but had not yet served before Sec 80 committee for final approval	The KPI will be moved to 2024/25	KPI not met as per planned target	
TL91	Local economic Development	Inclusive Economic growth and sustainable job creation	Number of Tourism Marketing Plan/Strategy development by June 2024	Number	Approved Strategy and Council Resolution	0 New KPI	1	Tourism Marketing Plan/Strategy not developed for the financial year under review	Not achieved	The responsible directorate did not provide reasons for non-achievement	Reasons not provided by the manager responsible	KPI not met as per planned target	

COMMUNITY SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2022-23	Annual Target	Actual Results	Actual performance	Reason for non-achievement	Corrective measures	PMS Comment
TL92	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of internal water reticulation repaired based on the complaints received on a quarterly basis	Percentage	Complains register and Job cards	0 New KPI	100%	0%	Not achieved	The Community service department does not have control over the KPI due to service rendered from the Technical department staff	Target must be moved to the Technical Department	No information submitted Community service Department Proposed that the KPI be moved to Technical department in the new financial year
TL93	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of households with access to basic water	Percentage	Households profile	0 New KPI	100%	0%	Not achieved	The Community service department does not have control over the KPI due to service rendered from the Technical department staff	Target must be moved to the Technical Department	No information submitted Community service Department Proposed that the KPI be moved to Technical department in the new financial year
TL94	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of households with access to refuse removal	Percentage	Households profile	0 New KPI	100%	0%	Not achieved	Target cannot be measured	Set measurable KPIs	No information submitted Requested for the removal of this KPI
TL95	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper	Number of refurbished Community Halls (MPCC, Johannes Mokopane, Bolokanang	Number	Appointment letter or Progress and Close-out Reports, Purchase order,	0	100%	Target not met for the financial year under review	Not achieved	The responsible directorate did not provide reasons for non-achievement	Management has to prioritise in terms of allocation of funds	No Information submitted

		operations and maintenance	Community hall and Jacobsdal Community Hall) by 30 June 2024		Completion Certificate								
TL96	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of municipal hall rented out as per application on quarterly basis	Percentage	Hall bookings register and direct income register	0 New KPI	100%	Target was met in the First, Second and Third Quarter	Not achieved	The responsible directorate did not provide reasons for non-achievement	Reasons not provided by the manager responsible	Target could not be met in the Fourth quarter due to lack of evidence to substantiate and achievement	
TL97	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of municipal buildings renovated Koffiefontein, Jacobsdal and Petrusburg by 30 June 2024	Number	Before and after pictures	3	100%	Target was not met for the financial year under review	Not achieved	Programme got interrupted	Process is still ongoing	Information submitted Renovations still in process at the Koffiefontein head offices and approximately 30 to 35% of the job is done to date	
TL98	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of municipal stadiums rented out as per application on quarterly basis	Percentage	Sport grounds bookings register and direct income register	0 New KPI	100%	0%	Not achieved	The stadiums are vandalised hence they are being booked for free	Renovating the stadiums so that they can be rented out to the community	No information submitted Priorities the Upgrading of Sports facilities in Letsemeng LM	
TL99	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of approved building plans as received per application on a quarterly basis	Percentage	Approved building Plans register	0 New KPI	100%	20%	Not achieved	Non-compliant with the national building regulation section 4 (1). Outstanding supporting documents along with the non-payment of building plan application fee.	One of the effective measures is informing the applicants with the rightful information one should have when submitting the application for approval.	Evidence submitted is not sufficient	

										Duplicates of drawing along with the incorrectness of the dimensions	Engaging with the rightful personnel on the publication of the guidelines be made accessible to everyone through web and etc.		
TL100	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage of Land distributed to the community per application received on a quarterly basis	Percentage	Permission to occupy	0 New KPI	100%	100%	Achieved	N/A	N/A	Information submitted	
TL101	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of external landfill sites audited by the end of June 2024	Number	Audit report	0 New KPI	5	2	Not achieved	The reason for not achieving this item is because our DFFE official's trip was not approved for this side as we get assistance from the district department.	The target will be met in the next financial year Quarter 1.	KPI not met as per planned target	
TL102	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of anti-littering campaigns conducted by the end of June 2024	Number	Notice of campaign and Quarterly reports	0 New KPI	5	2	Not achieved	The responsible directorate did not provide reasons for non-achievement	Reasons not provided by the manager responsible	KPI not met as per planned target	
TL103	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of Integrated Waste Management by-law adopted by Council by the end of June 2024	Number	Approved By-law and Council resolution	0 New KPI	1	No By-laws adopted for the financial year under review	Not achieved	Target will be achieved in the next financial year because it first have to go to section 80, EXCO then Council	Sitting of section 80 committee	No information submitted Priorities presenting reports to the committee and Council in the	

												next financial year	
TL104	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of municipal buildings lease agreements signed by June 2024	Number	Signed copies of Municipal buildings lease agreements and direct income	0 New KPI	24	2	Not achieved	All the units are occupied currently and no municipal lease agreements	Reasons not provided by the manager responsible	2 Lease agreements and all the units are occupied currently	
TL105	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of municipal commonage land lease agreements signed by June 2024	Number	Signed copies of Municipal commonage lease agreements and direct income	0 New KPI	30	0	Not achieved	The commonage management policy was only approved by council in June 2024	The KPI will be moved 2024/25 financial year	Work not done for the quarter	
TL106	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of maintenance plans developed and approved by Council for by June 2024	Number	Maintenance Plan and Council resolution	0 New KPI	1	Policy not developed and approved	Not achieved	Audit not yet done	None provided	Target not achieved for period under review.	
TL107	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of reviewed Integrated Waste Management Plan by June 2024	Number	Plan and Council resolution	0 New KPI	1	IWMP not reviewed	Not achieved	Target will be achieved in the next financial year because it first have to go to section 80, EXCO then Council	Sitting of section 80 committee	No information submitted Priorities presenting reports to the committee and Council in the next financial year	
TL108	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of Consumer Awareness Campaigns held by June 2024	Number	Invitation and Attendance register	0 New KPI	2	0	Not achieved	Audit not yet done	Target will be achieved in the third quarter	Target not achieved for period under review.	

TL109	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of Planning tribunal for assessment of land development application meeting	Number	Minutes & Attendance register	0 New KPI	1	0	Not achieved	There was no Director for the establishment of the new Municipal Planning Tribunal	Establishment of the new MPT	No information submitted	
TL110	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Audit on Municipal land and properties	Number	Business policy and Council resolution	0 New KPI	1	0 Audits	Not achieved	Audit not yet done	Target will be achieved in the second quarter	No Information submitted	
TL111	Community Safety and Environmental Management	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Reviewed Business policies by December 2023	Number	Business policy and Council resolution		1	0 Policy Reviewed	Not achieved	Awaiting for council approval	Target will be achieved in the second quarter	No Information submitted	

Table 23: Employees Water Service

Employees: Water Services					
Job Level	2022-23	2023/2024			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 – 3	0	0	0	0	0%
4 – 6	11	20	11	9	45%
7 – 9	2	0	2	0	0%
10 – 12	1	1	1	0	100%
Total	14	21	14	2	40%

Table 24: Financial Performance Water Service

Financial Performance : Water Services					
Details	2022-23	2023-2024			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	10055	25 532 000	25 532 000	11 520 807	14 011 193
Expenditure:					
Employees	3917	439 144	439 144	0	439 144
Repairs and Maintenance	0	1 900 000	2 420 000	1 403 270	1 016 730
Other	691	1 150 000	1 530 000	3 042 631	-1 512 631
Total Operational Expenditure	4608	3 489 144	4 389 144	4 445 901	-56 757
Net Operational Expenditure	-5447	22 042 856	21 142 856	12 220 850	8 922 006

Table 25: Capital Expenditure Water Service

Capital Expenditure 2023-24 Water Services					
R' 000					
Capital Projects	2023-24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All				0	
Koffiefontein WTW and Dithlake Bulk Water Storage (4.9 ML Reservoir).	R14,302,987.61		R 8 552 095.20	R 0.00	R 42 295 002,81
T 3.1.9					

COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The Department of Water & Sanitation has been the main source of funds for upgrading the WTW's, even though progress has been made by completing Jacobsdal WTW, it has not yet made an immediate impact to all communities, however, the following are Municipality Interventions: The upgrading of the Koffiefontein WTW and construction of 4.5ML Reservoir.

All the future projects will be based on upgrading and looking for alternative surface water from other available sources. This will be a long-term solution since Petrusburg does not have any alternative water source except the ground water. The Department of Water and Sanitation appointed a service provider that conducted a feasibility study for an alternative water source in Petrusburg.

3.4 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

LLM is a Water Service Authority (WSA) and a Water Service Provider, this means that LLM has a responsibility to authorise water & sanitation usage and also provide the services, it is the role of the Municipality to provide acceptable form of sanitation. Through programmes like Accelerated Community Infrastructure Programme (ACIP), Municipal Infrastructure Grant (MIG) and Water Service Infrastructure Grant (WSIG), LLM has been engaged in a number of projects upgrading and refurbishing the WWTW and the Sewer pump stations.

There are however prolonged challenges within the municipality that requires long term redress like the bucket toilets, VIP toilets, the vandalism & theft of pumps and cables in the pump stations. This problem persisted for more than 5 years without a proper redress, the LLM always replaced and fixed the stolen and damaged goods out of its own funds. In some cases, there would be spillages in to the river for months because of the above said challenge. The Koffiefontein and Jacobsdal WWTW has not been fully operational due to lack of maintenance and the stolen cables, pumps & motors.

One of the major challenges as outlined in the Sewer Master Plan is the location of the plant. It is indicated that the plant requires 80% of the sewer to be pumped upstream where the current plant is. A new conventional plant should be located at an area lower than the existing and the future planned settlements, which will eliminate all the current pump stations from the system.

Table 26: Sanitation Service Delivery

*Households				
Description			2022-23	2023/24
			Outcome No.	Actual No.
<u>Sanitation/sewerage: (above minimum level)</u>				
Flush toilet (connected to sewerage)			8 021	8 021
Flush toilet (with septic tank)			250	250
Chemical toilet			0	0
Pit toilet (ventilated)			741	741
Other toilet provisions (above min. service level)				
Minimum Service Level and Above sub-total			9 012	9 012
Minimum Service Level and Above Percentage			90.6%	90.6%
<u>Sanitation/sewerage: (below minimum level)</u>				
Bucket toilet			452	452
Other toilet provisions (below min. service level)			0	0
No toilet provisions			1 000	1 000
Below Minimum Service Level sub-total			1452	1452
Below Minimum Service Level Percentage			9.4%	13.9%
Total households			10 464	10 464
*Total number of households including informal settlements				T 3.2.3

Table 27: Sanitation Service Delivery Levels below the minimum

Households				
Description			2022-23	2023-24
			Actual No.	Actual No.
Formal Settlements				
Total households			9 012	9 012
Households below minimum service level			1 452	1 452
Proportion of households below minimum service level			13.9%	13.9%
Informal Settlements				
Total households			238	238
Households below minimum service level			238	238
Proportion of households below minimum service level			100%	100%
T 3.2.4				

Table 28: Employees: Sanitation Service

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	0	0	0	0	0%
4 – 6	1	1	1	0	0%
7 – 9	0	0	0	0	0%
10 - 12	16	16	16	0	0%
Total	17	17	17	0	0%
					T 3.2.7

Table 30: Capital Expenditure 2023/24: Sanitation Service

Capital Expenditure 2023/24: Sanitation Services					
R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Upgrading of Outfall line and sewer pump station in Jacobsdal	R 6,597,012.39	0	R2,552,331.27		R 6,597,012,39
					<i>T 3.2.9</i>

COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

LLM has not been compliant with the required legislative Water Acts for various reasons, including continuous spillages into the river, non-compliant final effluent from plants and many other areas. Ensuring Security availability at all the WWTW will guarantee continued reliable sanitation to the LLM constituencies and ensure compliance with the required laws and acts. The municipality has refurbished four sewer pump stations in Koffiefontein however only one is operational with others being vandalised. The pump stations are monitored and maintained by the water and sanitation teams. The Koffiefontein and Jacobsdal WWTW are the only WWTW that are discharging effluent into the river. The Luckhoff, Oppermansgronde and Petrusburg WWTW consists of oxidation ponds system, which do not discharge effluent. These pond systems, sewage is processed in shallow earth dams and go through the biological process of treating domestic wastewater and some industrial effluents, guided by the general authorization limits from the Department of Water and Sanitation and By-Laws.

Inadequate operation and maintenance budget also impact the poor service experience, resulting in pump stations not having attendants at all times, shortage of process controllers at WWTW. If this aspect can be addressed or prioritized, the municipality can experience a positive change in attitude by the consumers regarding revenue collection and other positive outcomes. LLM is implementing the refurbishment of Petrusburg WWTW through funding from MIG, which will improve the infrastructure and the overall Green Drop status. LLM's Green Drop Score is currently 33% according to the Green Drop Assessment conducted in 2021 due to the aforementioned challenges. The municipality was able to implement and complete the Refurbishment of waste water treatment works which included the repairs and redirecting of sewer from the Petrusburg town to the waste water works. To address the challenges of sewer spillages and construct a sewer pump station in order to eradicate the sewer sump that is used for the 202 stands, the municipality is implementing the Upgrading of Outfall line and sewer pump station in Jacobsdal project.

3.5 ELECTRICITY

LLM is licenced for electrical distribution and shares the supply of electricity with Eskom within the municipality; there is about 50% for LLM and 50% for Eskom; LLM has secured and improved the technical capacity. LLM has strategic documents like the Electrical Master Plan, Operations and Maintenance plan that was submitted to Council and was approved and endorsed.

One most significant challenge in the LLM supply area is the ageing and dilapidated infrastructure, requiring maintenance on a regular basis. LLM through the funding from the Department of Mineral Resources and Energy upgraded and refurbished the main switching station and bulk feeder lines. LLM has completed the projects and is fully operational. DMRE also made funds available for LLM for electrification of households in Jacobsdal, Petrusburg and Koffiefontein. Even though LLM is struggling with ageing and unreliable infrastructure, it always makes sure that there is electricity available at all times. Some shutdowns were experienced during this year. However, they were attended to immediately. LLM is determined to supply safe, reliable and quality power supply to the communities.

Challenges are experienced with meters tampered with; however, the municipality has embarked on a systematic field assessment looking for irregular connections, damaged consumption meters and unmetered consumers, with STS, TID Roll-over greatly assisting. The shortage of vehicles (Electrically equipped) is also a challenge in this regard. The frequent theft and vandalism of equipment and cables also negatively impacted the financial and operational effectiveness of the section because materials and equipment stolen must be replaced as soon as possible.

Municipality also implemented Energy Efficiency and Demand Side Management projects, in terms of retrofitting Public Lighting (High Mast Lights & Street Lights) to save energy and environment preservation by reducing green-house gases.

Besides, the network's damage extends much further than only the piece of cable or equipment that was damaged and, in some cases, requires specialised repairs or specific material. Vandalism and cable theft also pose a danger to the community and the culprits stealing the equipment due to exposed live conductor and consequent dangerous situations.

The constraints mentioned above all negatively impacted service delivery due to an additional workload. Unproductive standing time, the long waiting period for spares and equipment, limited preventative maintenance, and unnecessary and avoidable damage to the infrastructure.

Table 31: Electricity Service Delivery Levels

Electricity Service Delivery Levels					
Description				Households	
				2022/23 Actual No.	2023/24 Actual No.
Energy: (above minimum level)					
Electricity (at least min.service level)				8369	8669
Electricity - prepaid (min.service level)				8369	8669
<i>Minimum Service Level and Above sub-total</i>				100.0%	100.0%
<i>Minimum Service Level and Above Percentage</i>					
Energy: (below minimum level)					
Electricity (< min.service level)				—	
Electricity - prepaid (< min. service level)					
Other energy sources					
<i>Below Minimum Service Level sub-total</i>				—	
<i>Below Minimum Service Level Percentage</i>				0.0%	0.0%
Total number of households				8369	8669

Table 32: Households - Electricity Service Delivery Levels below the minimum

Households - Electricity Service Delivery Levels below the minimum				
Description			2022/23	Households
			Actual	2023/24
			No.	Actual No.
Formal Settlements				
Total households			8369	8669
Households below minimum service level			0	0
Proportion of households below minimum service level			0%	0%
Informal Settlements				
Total households			0	52
Households below minimum service level			0	0
Proportion of households below minimum service level			0%	0
				T 3.3.4

Table 33: Employees: Electricity Services

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	5	6	5	1	16.67%
4 - 6	0	0	0	0	0%
7 - 9	3	3	3	0	0%
10 - 12	0	0	0	0	0%
Total	8	9	8	1	11.11%
					T 3.3.6

Table 34: Capital Expenditure: Electricity Services

Capital Expenditure 2023/24					
R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Project A: Electrification of 1000 Households Bolokanang Ext 7/Petrusburg	R 18 500 000.00	N/A	R 18 500 000.00	N/A	R18 500 000.00
Project B: Retrofitting of Public and Municipal buildings	4 000 000.00	-	R4 000 000.00	R0	R4 000 000.00
					T 3.3.8

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL

LLM has successfully completed the Upgrading of Koffiefontein Substation and bulk feeder lines projects, Electrification of 1346 households' connections was completed throughout Letsemeng Vicinity. Letsemeng has improved reliability, safety and quality of power supply, thus enhancing social economic activities. Long term plans will be included in the next IDP for the implementation of these projects. LLM has prioritized the following projects to address backlogs and infrastructure challenges for the current financial year 2023/24:

- ❖ Electrification of 1000 sites in Bolokanang Extension 7/Petrusburg
- ❖ Retrofitting of Public lighting throughout Letsemeng Municipality to reduce power consumption
- ❖ Enhance power supply and increase capacity
- ❖ Replacement of existing meters with split meters revenue enhancement and reduction of of technical and commercial losses

3.6 WASTE MANAGEMENT

INTRODUCTION TO WASTE MANAGEMENT

This unit is responsible to keep the Letsemeng Local Municipality area waste free by removing illegal dumping sites, providing refuse collection and disposal services for all residents. The type of solid waste that is being collected is domestic and does not include medical waste because the medical facilities dispose of their own waste. In addition, refuse collection caters for both residential and businesses which is done once a week at each town as indicated in the schedule below:

Days	Town
Monday	Petrusburg and Bolokanang
Tuesdays	Jacobsdal and Ratanang
Wednesdays	Luckhoff, Relebohile and Oppermansgronde
Thursdays	Koffiefontein
Fridays	Ditlhake and Khayelitsha

The Integrated Waste Management Plan

The Integrated Waste Management Plan (IWMP) of Letsemeng Local Municipality was adopted in 2015 and has expired on 17 December 2022 of which its internal review process has already started at the beginning of 2023 and still awaiting approval by Council. This is a document that looks broadly at waste management practices and proposes further steps that the responsible authority might consider taking to achieve a comprehensive integrated waste management service. The purpose of the IWMP is to provide a guideline as well as goals for the Municipality to deal with its waste and reduce the amount that is reaching the landfill sites. The set goals for Letsemeng Local Municipality includes promotion of recycling and recovery of waste, ensuring the effective and efficient delivery of waste services, ensuring that legislative tools are developed to deliver on the National Environmental Management Waste Act (NEMWA) and any other applicable legislation, and ensuring safe and proper disposal of waste. All the Municipalities are obliged to develop an IWMP and review it every five years as one of the legislative requirements of the Act.

Recycling:

There are privately owned SMMEs for recyclable materials in the Municipality as a whole which helps to minimize the amount of waste that is being disposed at the landfill sites.

Landfill site:

The landfill sites are five in total with each town consisting of one, however, only one that is located in Petrusburg is licensed for operation, the Luckhoff landfill site is licensed for closure and the remaining three of which are in Jacobsdal, Oppermansgronde and Koffiefontein are not. There are informal waste pickers at the landfill sites which are recycling waste for local waste NPOs which are located around the community. The below pictures outlines the five landfill sites and their status:

Koffiefontein landfill site



Item (from Minimum requirements (DWAF, 1998))	Waste disposal facility particulars
Position of site	29°23'44.80"S 24°58'54.49"E
License to operate	Unlicensed
Type of operation	Trenches
Recycling	Yes, not formalized
Fencing	None
Weigh bridge	None

Oppermansgronde Landfill site



ITEM (FROM MINIMUM REQUIREMENTS (DWAF, 1998))	WASTE DISPOSAL FACILITY PARTICULARS
Position of site	29°25'9.13"S 24°44'19.53"E
License to operate	Unlicensed
Recycling	None
Fencing	None
Weigh bridge	None

Luckhoff landfill site



ITEM (FROM MINIMUM REQUIREMENTS (DAAF, 1998))	WASTE DISPOSAL FACILITY PARTICULARS
Position of site	29°45'2.54"S 24°46'54.96"E
License to operate	Licensed for closure
Recycling	Yes. informal
Fencing	Yes
Weigh bridge	None

Jacobsdal Landfill site



ITEM (FROM MINIMUM REQUIREMENTS (DWAF, 1998))	WASTE DISPOSAL FACILITY PARTICULARS
Position of site	29° 7'47.49"S 24°45'38.57"E
License to operate	None
Year issued	14/09/1992
Recycling	Yes, informal
Fencing	None
Weigh bridge	None

Petrusburg landfill site



ITEM (FROM MINIMUM REQUIREMENTS (DWAF, 1998))	WASTE DISPOSAL FACILITY PARTICULARS
Position of site	29° 6'31.45"S 25°24'4.91"E
License to operate	License number: B33/2/210/32/P117
Year issued	28/03/1994
Recycling	Yes, informal
Fencing	Yes
Weigh bridge	None

Compliance:

For disposal facilities (landfill sites) to be operated in compliant with the relevant legislation, all landfill sites must be licensed according to the conditions outlined in the license. Internal auditing forms part of these requirements, Audits were conducted in both the second and third quarters of the last financial year by Environmental official from the DFFE and Environmental Management Inspectors (green scorpions) from DESTEA at Petrusburg and Luckhoff. The following findings were outlined:

Items	Findings
1. Burning of waste	Burning is taking place at both landfill sites, as a result, methane and other harmful gases emitted during the combustion of waste is detrimental to the quality of air, nearby communities and the atmosphere.
2. Access Control	There is no proper fencing to manage control and prevent wind-blown litter
3. Signage	There is no signage both at the entrances and inside the landfill site
4. Disposal method	Trench method is not implemented, waste is rather disposed randomly throughout the two landfill sites.
5. Buffer Zone	The Jacobsdal landfill site does not have a 500m buffer zone which means that no other activities/sites/dwellings should exist within 500 metres from the landfill sites.
6. Landfill liner	There is no evidence indicating the construction of a liner for both landfill sites
7. Management of Run-off water	None of the landfill sites have furrows that block run-off water from entering nor running off the landfill site
8. Landfill personnel	None of the landfill sites have personnel that registers vehicles/waste quantities that enters and leaves that landfill site as prescribed by the Waste Information System Regulations
9. Waste separation	None of the landfill sites have facilities that promote separation of waste for recycling purposes
10. Cover material	Cover material must be available for the daily covering and compaction of waste. This helps in preventing nuisances and improves management of the landfill site. The availability of cover material in most landfill sites is evident, however, the municipality is not following the procedure of waste being covered and compacted on daily/weekly basis.
11. Leachate	A leached pond is where all the collected water from the working face is collected and treated and disposed. None of the landfill sites have a leachate pond on site.
12. Wrongly situated landfill sites	The Jacobsdal landfill site is recommended for closure and rehabilitation. The Municipality needs to consider the development of a new landfill site is Jacobsdal.

Tree Planting

The Municipality celebrated the National Arbor Week on the 04th of September 2024 at Bolokanang. National Arbor Week is an event that is celebrated in South Africa annually in the beginning of September month and the Department of Fisheries, Forestry and the Environment (DFFE) is the custodian of this campaign. As a result, Letsemeng Local Municipality has partnered with DFFE and the Xhariep District Municipality to promote tree planting and greening of open spaces and educate school learners about the importance of environmental conservation.

The purpose of the day was to raise awareness with regards to the Environment and was incorporated with tree planting at Ipetleng Secondary School, Bolokanang of which 15 trees were donated and planting with the assistance of CWP workers and 25 trees were planted at the new crèche in White City, Bolokanang.

Provincial Environmental Management Forum:

Letsemeng Local Municipality Waste Management Unit is part of the Provincial Environmental Management Forum which has quarterly meetings and comprises of officials from DFFE, DESTA and Municipalities in the province. The purpose of the forum is to address Environmental issues within the Province and includes support to local Municipalities from experts from different Departments which form part of the forum.

SERVICE STATISTICS FOR ENVIRONMENTAL PROTECTION

Environmental master plan to be designed with the assistance of the Department of Economic, Small Business Development, Tourism and Environmental Affairs.

Table 35: Solid Waste Service Delivery Levels

Solid Waste Service Delivery Levels				Households
Description			2022/23	2023/24
			Actual No.	Actual No.
<u>Solid Waste Removal: (Minimum level)</u>				
Removed at least once a week			8369	8369
<i>Minimum Service Level and Above sub-total</i>			8369	
<i>Minimum Service Level and Above percentage</i>			100.0%	100%
<u>Solid Waste Removal: (Below minimum level)</u>				
Removed less frequently than once a week			0	0
Using communal refuse dump			0	0
Using own refuse dump			0	0
Other rubbish disposal			0	0
No rubbish disposal			0	0
<i>Below Minimum Service Level sub-total</i>			0	0
<i>Below Minimum Service Level percentage</i>		0.0%	0.0%	0%
Total number of households		9 319	8369	8369
T 3.4.2				

Table 36: Households - Solid Waste Service Delivery Levels

Households - Solid Waste Service Delivery Levels below the minimum				Households
Description			2022/23	2023/24
			Actual No.	Actual No.
Formal Settlements				
Total households			8369	8369
Households below minimum service level			0	0
Proportion of households below minimum service level			0%	0%
Informal Settlements				
Total households			0	0
Households below minimum service level			0	0
Proportion of households below minimum service level			0%	0%
T 3.4.3				

Table 37: Employee: Waste Management Services

Employees: Waste Management Services					
Job Level	2022/23	2023/24			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
7 - 9	0				100%
10 - 12	6				%
13 - 15	5				0%
Total	11				15%
T 3.4.5					

Table 38: Employee: Waste Disposal and other services

Employees: Waste Management 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	0	1	1	1	100%
13 - 15	34	36	36	0	0%
Total	34	37	37	1	2.9%
T 3.4.5					

Table 39: Financial Performance 2023/24: Waste Management Services

Financial Performance 2023/24: Waste Management Services					
R'000					
Details	2022/23	2023/24			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	10175	0	0	0	0
Expenditure:					
Employees	370	0	0	0	0
Repairs and Maintenance	3376	0	0	0	0
Other	1321	20 000	40 000	22 110	17 890
Total Operational Expenditure	5067	20 000	40 000	22 110	17 890
Net Operational Expenditure	5108	20 000	40 000	22 110	17 890
T 3.4.7					

Budget

Project description	Budget		
	2023/24	2024/25	2025/26
Koffiefontein: Upgrading of existing Waste Disposal Site (MIS:207907)	R 5,469,700	R5,469,700	R5,469,700
Luckhoff: Closure and Construction of a new solid waste landfill site Phase 2 - Implementation	R 5,677,492.61	R 5,677,492.61	R 5,677,492.61

However, this unit also encounters the following challenges:

1. Petrusburg landfill site is the only waste disposal site that is licensed for operation but the challenge is on control measures, vandalism, non-reporting of waste,
2. Luckhoff site was budgeted for in the financial year 2023/24 for its upgrading at the new site that was chosen.
3. Koffiefontein, Jacobsdal and Oppermansgronde landfill sites are not licensed for operation
4. There is one refuse removal truck and tipper truck that caters for all five towns
5. There is one TLB to cater for both Technical and Community Service Departments
6. The TLB is for illegal dumping and landfill sites maintenance
7. The greening of open spaces and tree planting is not as effective in areas that are not fenced because there are roaming animals within the community

3.7 HOUSING

INTRODUCTION TO HOUSING

Housing is a basic human need and right that is often regarded as one of the most efficient methods of eradicating poverty in any society. The Primary goal of the national development plan (NDP) is to eliminate poverty, unemployment, and inequality in any community while simultaneously constructing a capable, ethical, and developing state. However, numerous people are still living in influx conditions as a result of the country's accelerating poverty, housing backlogs, and the unemployment rate, in which are due to poor implementation of policies and legislation to enhance economic growth. The Letsemeng local municipality is not immune to this challenges. Therefore, the municipality bears a significant role in planning for integrated human settlements by ensuring that all its citizens resides in developable, formalised, safe and sustainable human communities. This is accomplished through national and provincial financing to ensure dignified living conditions.

Housing Provision

In terms of schedule 4: part A of the constitution of the Republic of South Africa, Housing is the concurrent function of the national and provincial departments. The housing unit is limited to a facilitation role to ensure that the state subsidised houses (RDP) are built through various housing programme as outlined in the National Housing Policy. Therefore, the mission of the Letsemeng Local Municipality within the Directorate Planning and Human Settlement is to facilitate the delivery of sustainable human settlements, adequately serviced land, security of tenure as well as identification of well-located land suitable for human settlements developments through;

- Partnership with the provincial department of human settlements
- Mobilisation of well-located land for low income and affordable housing with increased densities.
- Partnership with Housing Development agency in purchasing a well located land suitable for human settlements development.
- Ensuring a higher built densities, appropriate housing form with a variety of tenure types, and the densification of existing residential area.

Challenges

- Shortage of well-located land for human settlements.
- Blocked housing projects
- Unfinished housing projects
- Un-serviced housing
- The proliferation of informal settlements and urban sprawl.
- Inadequate capacity of existing bulk infrastructure;

LETSEMENG MUNICIPALITY ON INFORMAL SETTLEMENTS

The Upgrading of informal settlements is invariably a phased process, the ultimate objective of which is to provide everyone with acceptable housing opportunity. Therefore, the responsibility for the upgrading of informal settlements is initiated and led by the municipality with the aid from the Free State Human Settlement (FSHS) under Informal Settlement Upgrade Partnership Grant (ISUPG).

To deal with informal settlements, the Letsemeng municipality has embarked on informal settlements upgrading programme and the identified and assessed informal settlements by the municipality are as follow;

LETSEMENG INFORMAL SETTLEMENTS – 2023/2024 Financial Year			
Name of Informal Settlement	Description	Ownership	Status
Phambili Informal Settlement	Township Establishment (250 Erven)	Municipality	In Progress
Bolokanang (New Site)	Township formalisation and Infrastructure Planning (1004 Erven)	Municipality	In Progress

DATA OF SITES ALLOCATED DURING THE 2022/23 FINANCIAL YEAR, NO NEW ALLOCATION FOR THE FINANCIAL YEAR UNDER REVIEW

TOWN	STATUS
Ditlhake	0 Crèches PTO letters issued
	17 Residential PTO letters issued
	2 Business PTO letters issued
	30 Church
	7 RDPs houses were planned for the first phase and 1 are pending completion due to constructors challenges
Diamandhoogte	7 Residential PTO letters issued
Bolokanang	0 Crèche
	10 Residential PTO letters issued
	2 business PTO letter issued
	0 Church
	4 out of 24 RDPs houses built are outstanding for completion (due to Constructors challenges and beneficiary selling their sites)
Ratanang	1 Crèche
	1 Church
	2 out of the 32 RDPs houses built are outstanding for completion (due to Constructors challenges)
	10 Residential PTO letters issued
Relebohile	1 Crèche PTO letter issued
	5 Residential PTO letters issued
	2 Business erf
	8 Other public spaces
Oppermansgronde	1 Crèche
	99 Residential Erf
	0 Church

Table 41: Households - Access to basic housing

Percentage of households with access to basic housing			
Year end	Total households (including formal and informal settlements)	Households informal settlements	Percentage of HHs in formal settlements
2023/24	13 969	11,35%	66,42%
<i>T 3.5.2</i>			

Table 42: Employees: Housing

Employees: Housing					
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	100%
4 – 6	1	1	1	0	0%
7 – 9	1	1	1	0	0%
10 – 12	0	0	0	0	0%
Total	2	2	0	0	0%
<i>T 3.5.4</i>					

Table 43: Capital Expenditure: Housing

Capital Expenditure 2023/24: Housing					
R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No capital projects for the financial year.					

3.8 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT FINANCE DEPARTMENT

Section 97(1)(c) of the Municipal Systems Act requires municipalities to formulate an Indigent Policy that is consistent with Council's rate and tariff policies and meets the requirements of S152 of the Constitution. The policy on indigent support means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt. Adequate provision must be made in the budget for provision of bad debts based on assumptions on collection rates. The municipality has an indigent register for 2023/2024 financial year. The municipality provides indigent households with free 6kl of water per month, free sanitation and refuse removal per month, 50 kwh of electricity per indigent household per month and exemption on Property Rates for properties valued at R75 000.

Table 44: Free Basic Services

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than 5000 per month								
			Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
		Total	Access	%	Access	%	Access	%	Access	%
2022/23	10 940	2 439	2 439	22%	2 439	22%	1 537	14%	2 439	22%
2023/24	10 940	2 439	2 439	22%	2 439	22%	1 537	14%	2 439	22%
										T 3.6.3

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality allocates free basic water to all households including indigents households only in terms of the national norms and Council approved indigent policy.

The objective of Indigent Support is to ensure the following:

- The provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the Council.
- To provide procedures and guidelines for the subsidisation of rates and basic service charges to its indigent households, using the Council's budgetary provisions received from National Government, according to prescribed policy guidelines.
- That Council recognises that many of the residents can simply not afford the cost of full provision and for this reason Council will endeavour to ensure affordability through:
- To set rates and tariffs in terms of the Council's Rates and Tariff Policy, which will balance the economic viability of continued service delivery; and
- To determine appropriate service levels.

3.9 ROAD AND TRANSPORT**INTRODUCTION TO ROADS**

Letsemeng Local Municipality has about 189km of roads or streets in five (5) towns. The table below shows the length of the existing roads per Town. Out of the 58km paved roads, 70% of them are in a poor condition if not very poor. This is as a result of poor or no maintenance at all. The condition is deteriorating in a fast pace since the existing potholes and cracks are not being attended as soon as they surfaces.

TOWN	PAVED ROADS (KM'S)	GRAVEL ROADS (KM'S)
Jacobsdal	9.539	22.6
Luckhoff	5.736	18.4
Petrusburg	9.222	45.529
Oppermans	4.306	16.2
Koffiefontein	24.365	24.1
TOTALS	53.168	126.829

3.10 ROADS

Table 45: Gravel Road Infrastructure

Gravel Road Infrastructure				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to pave	Kilometres Gravel roads graded/maintained
2022/23	126.829	0	1.72	0
T 3.7.3				

Table 46: Paved Road Infrastructure

Paved Road Infrastructure					
	Total paved roads	New paved roads	Existing paved roads re-paved	Existing pave roads re-sheeted	Kilometres Pave roads maintained
2022/23	53.168	1.72	0	0	0
T 3.7.3					

Table 47: Employees: Road Services

Employees: Road Services					
Job Level	2022/23	2023/24			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	0	1	0	1	100%
13 - 15	0	5	0	5	100%
Total	0	6	0	6	100%

Table 48: Capital Expenditure: Road Services

Capital Expenditure 2023/24: Road Services					
R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Project A: Petrusburg/Bolokanang: Upgrading of 1.72km access paved road and storm water (MIS:412513)	11,845,267.94	0	1,547,022.82	10,298,245.12	11,845,267.94
T 3.7.9					

COMMENT ON THE PERFORMANCE OF ROADS OVERALL

LLM does not have any dedicated roads maintenance teams in place, a new organogram clearly indicates that there must be a maintenance team, no additional employees were appointed to address this matter. LLM has little road maintenance equipment available, this will assist the new team to **Start and Go**; the only obstacle will be their Vehicle, PPE and minor tools. The upgrading of 1.3km access paved road and storm water project will be implemented to improve the condition of the roads and storm water in Koffifontein in the coming financial year.

3.11 TRANSPORT

The municipality does not perform this function.

3.12 WASTE WATER (STORMWATER DRAINAGE)

INTRODUCTION TO STORMWATER DRAINAGE

The storm water of LLM is also one of the infrastructure that is neglected. This is due to the unavailability of staff, the above team mentioned in Roads section will also be tasked with maintaining the storm water drainage and unblocking them. Currently most of the storm water V-drains and canals are filled with debris if not blocked, this is a challenge during heavy rains because people housed get flooded where as they are not supposed to.

LLM is faced with a paramount challenge of controlling storm water in the entire municiplaity, areas like Petrusburg, Jacobsdal and Koffifontein get flooded by occasional floods which affects the streets in Bolokanang. There is also historical records of floods in these areas, and the matter has been neglected for years. A Storm Water Master plan, O&M manuals and plans have been the highest priority in this case. As LLM is likely a flat area, a full study must be made to control this storm water, all the aforesaid flags require budget which can be able to address them one at a time for a period of 5 years. The storm water of LLM is also one of the infrastructure that is neglected. This is due to the unavailability of staff, the above team mentioned in Roads section will also be tasked with maintaining the storm water drainage and unblocking

them. Currently most of the storm water V-drains and canals are filled with debris if not blocked, this is a challenge during heavy rains because people housed get flooded where as they are not supposed to.

LLM is faced with a paramount challenge of controlling storm water in the entire municipality, areas like Petrusburg, Jacobsdal and Koffiefontein get flooded by occasional floods which affects the streets in Bolokanang. There is also historical records of floods in these areas, and the matter has been neglected for years. A Storm Water Master plan, O&M manuals and plans have been the highest priority in this case. As LLM is likely a flat area, a full study must be made to control this storm water, all the aforesaid flags require budget which can be able to address them one at a time for a period of 5 years.

Table 49: Storm water Infrastructure

Storm water Infrastructure				
	Total Storm water measures	New storm water measures	Storm water measures upgraded	Kilometres Storm water measures maintained
2022/23	0			
T 3.9.2				

Table 50: Employees: Storm water Services

Employees: Road Services					
Job Level	2022/23	2023/24			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	7	7	7	0	0%
13 - 15	3	6	3	3	50%
Total	10	13	10	3	23%
T3.7.7					

Table 51: Financial Performance: Storm water Services

Financial Performance 2021/22: Storm water Services					
R'000					
Details	2021/22				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	Included in roads table above				
Expenditure:					
Employees					
Repairs and Maintenance					
Other					
Total Operational Expenditure					
Net Operational Expenditure					
T 3.9.7					

COMMENT ON PERFORMANCE OF STORMWATER DRAINAGE OVERALL

LLM currently has developed a Roads and Storm Water Master Plan through assistance from the Department of Cooperative Governance and Traditional Affairs, and DBSA which was approved by the Council of the Municipality. The priorities of Storm water projects are as the list below:

- ❖ Petrusburg Bolokanang – the entire Bolokanang require an urgent attention with regards to storm water flooding from the N8 National Road to the Bolokanang area, the road is collecting water from downstream (Bloemfontein), acting as a barrier, it channels water to the Bolokanang houses and streets.
- ❖ Jacobsdal – Occasional floods has been recorded, this Storm water does not have any channelling, internal streets get flooded as and when it rains heavy.
- ❖ Koffiefontein – no proper Storm water channels, the elevation of Koffiefontein is close to a flat surface, some of the houses in Khayelitsha get flooded as and when it heavily rains.

3.13 PLANNING AND DEVELOPMENT

Spatial Planning and land Use Management

Spatial planning is crucial for delivering economic, social, and environmental advantages because it fosters stable investment and development conditions, ensures community benefits, and promotes responsible land and natural resource use. Effective spatial design fosters long-term growth and improves quality of life. Letsemeng Local Municipality's Land Use and Built Environment functions have two basic goals: correcting previous spatial imbalances to reduce long-term dangers connected with spatial development patterns, and encouraging rational and predictable land development. However, the Letsemeng Municipal area faces significant spatial and ecological expansion constraints that, if surpassed, will jeopardize its survival and success. Letsemeng aims to pursue cautious expansion by finding a balance between its people, their needs, and the environment.

Since the implementation of the Special Planning and Land Use Management Act of 2013 ("SPLUMA"), the municipality has completely implemented the act's provisions through the directorate of planning and human settlements, spatial planning and land use management division. To date, the Municipality has revised and replaced the Spatial Development Framework model with the Letsemeng Spatial Development Framework 2018, the Land Use Scheme Regulation 2022, and the Municipal Land Use Planning by-Laws 2015 which governs the spatial planning and development of the municipality.

Letsemeng Site Allocation

The Letsemeng Local Municipality within the directorate planning and housing development department whose main function is to plan for future housing, collaborated on a call to formulate a mixed development to aid in curbing the social and economic factors which hinders the livelihood every individual within the community and the achievement of the Letsemeng integrated development plan.

(a) The remainder of portion 1 of the Rorich's shop 191 and portion 27 of Rochi's shop 191,

Established that there are ± 1450 erfs on the remainder of portion 1 of the Rorich's shop 191 and portion 27 of Rochi's shop 191, Dithlake, Koffiefontein, Free State, which belongs to the municipality of Letsemeng comprising of residential, business, crèche and other uses. The erf are currently unoccupied and unallocated in terms of the records of the municipality. Furthermore the erfs lack basic utilities such as electricity,

sanitation and storm water management infrastructure. However, these services are not far from the erfs meaning the connection of the new sites can be interconnected from the existing sites which is $\pm 50\text{m}$.

(b) De Dorpsgronden 577 and the remainder of De Dorpsgronden of luckhoff 577,

The Department has established that there are 538 erfs in Relebohile Extension 1, Luckhoff situated on the proposed consolidation of portion 1 of De Dorpsgronden 577 and the remainder of De Dorpsgronden of luckhoff 577, Free State, which belongs to the municipality of Letsemeng comprising of residential, business, crèche and other uses. The erf are currently unoccupied and unallocated in terms of the records of the municipality. Furthermore the erfs lack basic utilities such as electricity, sanitation and storm water management infrastructure. However, these services are not far from the erfs meaning the connection of the new sites can be interconnected from the existing sites which is $\pm 50\text{m}$.



(c) Oppermnsgronde

The Department of the Community Services has established that there are ± 99 erfs at Oppermnsgronde that belongs to the municipality of Letsemeng. The erf are currently unoccupied and unallocated in terms of the records of the municipality.



Furthermore the erfs lack basic utilities such as electricity, sanitation and storm water management infrastructure. However such services are not far from the erfs meaning the connection of the new sites can be interconnected from the existing sites which is $\pm 50\text{m}$.

Site Establishment for mixed use typology to aid with the housing backlog and enhancing of economic growth;

Letsemeng Development programme Pipeline 2023/2024 Financial Year					
Location	Description	Erven	Business	Residential	Status
Koffiefontein	Mixed use typologies	1473	4	1450	On hold
Luckhoff	Mixed use typologies	526	2	516	On hold
Oppermnsgronde	Residential use	99	1	97	On hold

Title Deeds

The issue of title deeds has always been a problem in the Letsemeng local municipality, caused by the delay in handover from the deeds office. As a result, the municipality has established an effective technique for dealing with the title deeds. The introduction of the Permission to Occupy certificate has aided in certifying the ownership of the property in the region.

The total 380 title deeds were handed over in 2023/2024 financial year

Letsemeng Local Municipality Title Deeds Handover 2023/2024 Financial Year	
Location	Number
Petrusburg	163
Diamanthoogte	51
Sanderhoogte	56
Luckhoff	110

Phambili informal Settlement

Phambili is an informal settlement in Jacobsdal that has existed more than 20 years. The establishment is situated on portion 236 of the farm Riet River 387 ± 12km west of the town of Jacobsdal along the R 705 towards modderiver on the border between the Free State and Northern Cape provinces with the extend of 43.74 ha with the agricultural holding zone. The vision is to formalize and develop Phambili as liveable, accessible, sustainable and serviced settlement with secure tenure right. As a result, the area is in a process of being formalized, currently the Gap Infrastructure Corporation (GIC) was appointed by the Free State's Provinces' Department of Human Settlement (DHS) as the developer, their services will entail township establishment, design installations infrastructure and any related town planning issues.

Description

- 278 residential site, inclusive of business sites and social facilities.
- Currently the project is on the 3rd phase of the project life cycle, where the development planning, environmental assessment and social compact were conducted to ensure that the proposed development does align with the end users' needs. The application for subdivision and township establishment was submitted to the **Municipality** and the **COGTA** for perusal and approval. The application has been checked for completeness and returned to the applicants for amendments to ensure that it align with the Letsemeng Municipal planning By-laws. The application needs to be signed by the Municipal Planning Tribunal (MPT), since it falls under **category 1**.

Table 52: Applications for Land Use Development

Applications for Land Use Development					
Detail	Township Establishment	Rezoning	Consolidation	Subdivision	Built Environment
	2023/2024	2023/2024	2023/2024	2024/2024	2023/2024
Planning application received	1	2	3	2	12
Application approved	0	0	1	0	1
Application rejected	0	1	0	0	3
Application returned to applicant for amendments	1	1	2	2	1
Applications outstanding at year end	1	1	2	2	8

Table 53: Employees: Urban Planning & Property Management

Employees: Urban Planning & Property Management					
Job Level	2022/23	2023/2024			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
Total	0	0	0	0	0
T 3.10.4					

Table 54: Capital Expenditure 2023/24: Urban Planning & Property Management

Capital Expenditure 2023/24 Urban Planning					
R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No projects for the financial year					

Challenges

- Building Plans approval backlog
- Delays in Land use application
- Illegal building and construction
- Planning in silos
- Slow progress on formalisation of informal settlements
- Land invasion
- Aging infrastructure

3.14 LOCAL ECONOMIC DEVELOPMENT

INTRODUCTION TO ECONOMIC DEVELOPMENT

The growth of our local economy remains key priority to unlocking the employment opportunities for our people, thereby fighting head-on the socio-economic challenges facing our communities. The municipality is duty bound to create an environment that promotes the development of the local economy and create jobs. In this regard, the municipality continue to strive to maximise our natural resources with the aim of attracting investors to unlock employment opportunities for our community and thereby helping to tackle the socio-economic challenges faced by our communities.

The municipality remain positive and hopeful that due to our stable political environment and our rich natural resources we will attract positive investment which will benefit our community in the long term.

The development of local SMME's also remains our responsibility to ensure that they are developed and assisted to grow into self-sustainable businesses that will continue to invest and contribute to the local economic growth.

Expanded Public Works Programme and Community Works Programme have contributed positively in keeping our towns clean and also created jobs.

COMMENT ON LOCAL JOB OPPORTUNITIES:

Creation of long-term sustainable jobs remains a key challenge, majority of jobs created are short term and only in the main alleviate key challenges such as unemployment for a short period. There is a much broader need to identify and source funding for bigger projects with the aim of creating long term sustainable employment opportunities for our people.

The majority of our youth are unemployed due to shortage of skills in order to qualify for some of the identified opportunities that end up being sourced elsewhere. To curb this, the municipality has partnered with the key local stakeholders such as Motheo and Petra Mine to ensure that some of the youth are given opportunities to be skilled in order to access better employment opportunities as they become available.

Table 55: Jobs Created during 2023/24 by LED Initiatives

Jobs Created during 2023/24 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created/lost
Total (all initiatives)				
Top initiatives				
Contractor Development through subcontracting In projects implemented	Planned Job creation -30	0	20	MIG non-financial report.

Table 56: Jobs Created through EPWP projects

Job creation through EPWP* projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
2020/21	3 Projects: Infrastructure Sector-50(Roads) Environmental Sector-50(Cleaning) Social Sector-10(Securities)	110
2021/22	3 Projects:	Target set for FY21/22 – 196
	Infrastructure Sector-91(Roads)	33
	Environmental Sector-95(Cleaning)	31
	Social Sector-10(Securities)	10

* - Extended Public Works Programme

Table 57: Employees: LED Services

Employees: Local Economic Development 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	1	1	1	0	0%
Total	1	1	1	0	0%
T 3.11.8					

Table 59: Capital Expenditure 23/24 LED Services

Capital Expenditure 2021/21 Economic Development Services R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No capital projects					
					<i>T 3.11.10</i>

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

The ever increasing poverty and unemployment rate in all our 5 towns remains a huge impediment to the growth of the local economy. The municipality is still seized with the difficult task of making the environment to be conducive for local development that will result in job creation and poverty eradication.

Petra Diamonds Mine ceased operations in Koffiefontein at the end of March 2023 and this resulted in an increased unemployment figures. This closure also affected other businesses in the area which relied on the buying power of those employed by Petra and or its contractors.

Petra has committed to a responsible exit and to complete all projects that have been agreed to with the community and the municipality. Other closure projects will be pursued to ensure that there is some economic activity that will continue even with the closure of Petra Diamonds.

During the same period multiple South African Revenue Services (SARS) compliance workshop on business were conducted in Petrusburg, Koffiefontein and Jacobsdal. These workshops also targeted to assist our local SMMES on the Central Supplier Database, tendering and costing so as to assist them to become competitive when participating in the government procurement processes.

Lack of internal funds to can assist our local entrepreneurs remains a huge challenge as this impedes the ability of the municipality to can become effective in ensuring our SMMES are able to create the much needed jobs in their spaces.

The municipality is in the process of finalising the key policies which will assist with the direction the municipality should take in tackling the economic development challenges. These policies are;

- Commonage Management Policy
- Business Licence Policy

These policies are expected to be finalised during the coming financial year.

Some of the projects that were pursued and will be undertaken in the coming year

Sector	Description	Town
Agriculture	<ol style="list-style-type: none"> 1. Acquisition of the Jacobsdal Winery for possible revival and to explore the development of alternative job creation projects on the property 2. Acquisition of Kleingrasykop Farm from the Department of Rural Development for possible job creation project 3. Avail municipal land for high impact developmental job creation projects 4. Support for food security projects that can be used to create jobs through community gardens, the municipality will support the existing community gardens or develop ones where there is none 5. Support and Development of Agro Processing initiatives 6. Complete Value Chain Piggery Export Project 7. Exploration of possible cannabis projects 8. Xhariep Export Programme – a number of Public Private Partnership Projects 9. Agricultural Value Chain and Agro Processing 	<p>Jacobsdal</p> <p>Luckhoff</p> <p>All Towns</p>
Energy	<ol style="list-style-type: none"> 1. Make land available for alternative energy sources projects. 2. Letsemeng Community Solar Projects 3. Green Hydrogen production and ammonia project 	All Towns
Informal Economy	<ol style="list-style-type: none"> 1. Develop and Build dedicated spaces in our CBDs for informal sector entrepreneurs and hawkers 	All Towns
Manufacturing	<ol style="list-style-type: none"> 1. Brickmaking and Crusher Plant 	Koffiefontein
Mining	<ol style="list-style-type: none"> 1. Support for artisanal and Small Scale mining initiatives in our areas. 	All Towns
Smme Development Initiatives	<ol style="list-style-type: none"> 1. Annual SMME Compliance Workshops 2. Annual Technical Skills Workshops (Plumbing, Artisans, etc) 3. Letsemeng Pop Up Markets – To assist our local entrepreneurs to market and sell their products/services 	<p>All Towns</p> <p>All Towns</p> <p>All Towns</p>

	<ol style="list-style-type: none"> 4. Assist with availing business sites for youth to open small businesses such as Salons, Car Wash, Internet Café, Tyre Repair, Dry Clean Services 5. Avail business sites in all our areas for local business people that will create jobs 6. Establishment of a SMME Container Hub 7. Assisting our local SMMEs with Equipment and Tools to grow their businesses 8. Increase the number of local businesses that benefit from the municipal procurement 	<p>All Towns</p> <p>All Towns</p> <p>Koffiefontein</p> <p>All Towns</p>
Tourism	<ol style="list-style-type: none"> 1. Development of Emmaus, to be recognized officially as the center of South Africa to encourage Tourism activities around the area. 2. Support of local tourism events that are aimed at increasing economic activities on our areas. 3. Upgrading and development of Heritage Sites and Historical Monuments in our towns to be used as tourism attractions 	<p>Petrusburg</p> <p>All Towns</p>
Waste Management	<ol style="list-style-type: none"> 1. Assist to form cooperatives that will be involved in recycling as a means of generating income while enhancing the cleanliness of the environment 2. Development and Support of recycling initiatives that are aimed at creating new products from the waste material. 3. 	<p>All Towns</p>

3.15 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 libraries function has been transferred to the Provincial Government.

3.16 LIBRARIES, ARTS AND CULTURE

INTRODUCTION TO CIVIC THEATRE, ARTS AND CULTURE

The municipality does not perform this function.

3.17 PARKS AND CEMETERIES

INTRODUCTION TO PARKS AND CEMETERIES OVERVIEW

It is the responsibility of the Community services division to provide a healthy and a conducive environment to the public, to upgrade the current developed parks and to develop new parks for informal recreation. It is of paramount importance to maintain cemeteries and to provide graves for funerals.

CORE AREAS OF RESPONSIBILITY

- Public Parks and open spaces
- Cemeteries

LOCAL JOB OPPORTUNITIES

The municipality is making use of EPWP and CWP employees for the cleaning of the cemeteries.

Table 60: Employees: Parks and Cemeteries

Employees: Parks and Cemeteries					
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%
Total	0	0	0	0	0
					<i>T 3.13.4</i>

Table 61: Capital Expenditure: Parks and Cemeteries

Capital Expenditure 2023/24: Parks and Cemeteries					
R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	
No capital project for the Financial year					
					T 3.13.6

3.18 SPECIAL PROGRAMMES

INTRODUCTION TO SPECIAL PROGRAMMES

Special programmes are located in the Office of the Mayor and include the youth, women, disabled, aged, children and HIV/AIDS. The majority of the programmes and projects are implemented in partnership with other government departments, NGOs, CBO's and other external stakeholders.

COMMENT ON THE PERFORMANCE OF SPECIAL PROGRAMMES OVERALL

The majority of the programmes and projects are implemented in partnership with other government departments, NGOs, CBO's and other external stakeholders.

3.19 ENVIRONMENTAL PROTECTION

INTRODUCTION TO ENVIRONMENTAL PROTECTION

Top priority of the municipality is to formulate policies and procedures aimed at conserving the natural resources, preserving the current state of natural environment and where possible, reversing its degradation.

SERVICE STATISTICS FOR ENVIRONMENTAL PROTECTION

Environmental master plan to be designed with the assistance of the Department of Economic, Small Business Development, Tourism and Environmental Affairs.

3.20 OTHER (DISASTER MANAGEMENT & OTHER)

INTRODUCTION TO DISASTER MANAGEMENT

As per Section 53 (1) of the Disaster Management Act, 57 of 2005 each municipality must:

- prepare a disaster management plan for its area according to the circumstances prevailing in the area;
- co-ordinate and align the implementation of its plan with those of other organs of state and institutional role-players; and

- regularly review and update its plan; and through appropriate mechanisms, processes and procedures established in terms of Chapter 4 of the Local Government Systems Act, 2000 (Act No. 32 of 2000), consult the local community on the preparation or amendment of its plan.

Letsemeng Municipality has mostly partnered with the Xhariep District Municipality to develop a disaster management plan for its area of jurisdiction since. Disaster management function is not functional due lack of equipment. LLM has developed a Disaster Management Plan locally and it was approved by Council for the year under review.

3.21 SPORT AND RECREATION

INTRODUCTION TO SPORT AND RECREATION

The Municipality's core function is to maintain all sport and recreation facilities within its jurisdiction. The municipality also supports sports programmes such as the O.R Tambo regional games by assisting with transport through the office of Mayor.

Table 62: Employees: Sport and Recreation

Employees: Sport and Recreation					
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	
Total	0	0	0	0	
T 3.23.3					

Table 63: Financial Performance: Sport and Recreation

Financial Performance 2023/22: Sport and Recreation R'00/0					
Details	2022/23	2023/24			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	0	0	0	0	0
Repairs and Maintenance	0	0	0	0	0
Other	0	0	0	0	0
Total Operational Expenditure	0	0	0	0	0
Net Operational Expenditure	0	0	0	0	0

Table 64: Capital Expenditure: Sport and Recreation

Capital Expenditure 2023/24: Sport and Recreation					
					R' 000
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No project for sports and recreation	0	0	0	0%	0
					<i>T 3.23.5</i>

COMPONENT D: CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

4.1. INTRODUCTION TO THE OFFICE OF THE MUNICIPAL MANAGER

The Municipal Manager is the Accounting Officer of the Municipality. As Accounting Officer he/she may delegate certain duties to the Chief Financial Officer, who will be accountable to him. The Municipal Manager is therefore accountable for all transactions entered into by his designates.

The Office of the Municipal Manager consists of the following administrative units:

- Internal Audit and Risk Management
- Integrated Development Planning and Performance Management Systems
- ICT

The Municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The top three service delivery priorities are as follows:

- Provision of new infrastructure in terms of planning and implementation.
- Operating, maintenance and refurbishment/rehabilitation of existing infrastructure.
- Provision of basic services such as water, electricity and roads

SERVICE STATISTICS FOR THE OFFICE OF THE MUNICIPAL MANAGER

Table 65: Service Statistics: Office of the Municipal Manager

Service Activity	Service Results
Number of senior management meetings held:	6
Number of management meetings held:	5
Number of quarterly stakeholder meetings convened:	0

Table 67: Employees: Office of the Municipal Manager

Employees: Executive and Council					
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	0	1	0	1	100%
7 – 9	3	4	3	1	25%
10 - 12	2	2	2	0	0%
13-15	0	0	0	0	
Total	5	7	5	2	
<i>T 3.24.4</i>					

Table 68: Capital Expenditure: Office of the MM

Capital Expenditure 2023/24: Office of the MM					
					R' 000
Capital Projects	2023/2024				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No capital expenditure for the financial year					

4.2 FINANCIAL SERVICES

INTRODUCTION TO FINANCIAL SERVICES

Debt recovery has been a serious concern over the past years. The municipality struggles to collect 100% of what is billed on monthly basis. The arrears are not really serviced. Write-offs have been implemented on irrecoverable inactive accounts older than 3 years and cut offs were not performed regularly due to COVID. The municipality has put its focus on debt collection supporting Revenue Division under those circumstances.

There is a challenge of low revenue collection due to non-payment of accounts. . Cut-off processes are performed on regular basis to address revenue losses from electricity, water services and other services. Faulty meters both water and electrical are being replaced as much as the supply of manpower allows to improve the collection rate.

Table 69: Employees: Financial Services

Employees: Financial 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	15	19	15	4	21.05%
4 – 6	16	24	16	8	33.33%
7 – 9	4	6	4	2	33.33%
10 - 12	3	3	3	3	0%
13 - 15	0	0	0	0	0
Total	38	52	38	17	27%
					<i>T 3.25.4</i>

Table 70: Capital expenditure: Financial Services

Capital Expenditure 2023/24: Financial Services R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No capital expenditure for the financial year					

4.3 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

Human Resources is one of the supporting function in Corporate Services Department, its main functions are as follows: Leave Administration, Recruitment, Benefits and Terminations.

Priority: Institutional Performance Capacity and staff provision

To improve performance the Council approved Performance Management Policy and the Institutional Performance Management Framework that will provide guidance in measuring, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

The Municipality is currently standing with a total staff component of **220** employees as at end June 2024. The Municipality filled a total number of **01** positions, during the financial year 2023/24. A total of **06** terminations were recorded due to different types of terminations e.g. Death, retirement, ill health and resignations.

A total number of **02** training interventions were implemented with **128** employees being trained and **09** Work Integrated Learning (WIL) from Motheo TVET College.

Table 71: Employees: 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	8	10	8	2	20%
4 – 6	8	9	8	1	11.11%
7 – 9	1	5	1	4	80%
10 - 12	2	2	2	0	0%
Total	19	26	19	7	111.11%
					T3.26.4

Table 72: Capital Expenditure: Human Resource Services

Capital Expenditure 2023/24: Human Resource Services					
R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No projects for the financial year					

4.4 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

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

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Our 3 primary objectives in ICT are:

- To minimize IT downtime;
- To ensure that our financial system data is backed-up on a regular basis; and
- To ensure all IT queries are addressed within 48 hours depending on the nature of the query and availability of resources .

Table 73: Employees: 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 - 3	0	0	0	0	0%
7 - 9	1	2	1	1	50%
Total	1	2	1	1	50%
					<i>T3.27.4</i>

Table 74: Capital Expenditure: ICT Services

Capital Expenditure 2023/24: ICT Services					
R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	51283	51243	23103	28180	0
No capital project for this year					

4.5 LEGAL AND COUNCIL SUPPORT SERVICES

INTRODUCTION TO LEGAL AND COUNCIL SUPPORT SERVICES

The primary function of this division is to:

- Provide administrative support to Council.
- To attend to all legal related matters on behalf of the Municipality.
- To provide auxiliary services to the administration.
- To spearhead Batho Pele Principles and Back to Basics.
- To attend to all customer care related issues.

Table 75: Employees: Legal and Council Support Services

Employees: Legal and Council Support 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%
4 - 6	0	0	0	0	0%
10 - 12	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	0	0	0%
					<i>T 3.28.4</i>

Table 76 Financial Performance: Legal and Council Support Services

Financial Performance 2023/24: Legal and Council Support Services					
R'000					
Details	2023/24				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:					
Employees		0	0		
Repairs and Maintenance					
Other					
Total Operational Expenditure		0	0		
Net Operational Expenditure					
					<i>T 3.28.5</i>

Table 77: Capital Expenditure: Legal and Council Support Services

Capital Expenditure 2023/24: Legal and Council Support Services					
R' 000					
Capital Projects	2023/24				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	
No capital project for this year					
Polishers	0	0	0	0	
Space saving cabinets	0	0	0	0	
					<i>T 3.28.6</i>

COMMENT ON LEGAL AND COUNCIL SUPPORT SERVICE PERFORMANCE OVERALL

The Legal and Support Services Division perform exceptionally well for the period in review. It ensured that the Municipal Council sits as required by the Municipal Systems Act and the Standard Rules and Orders and make necessary preparations for community consultation. It further provided administrative support to the entire institution.

4.6 INTRODUCTION TO THE MUNICIPAL PERSONNEL

EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Table 78: Total Number of Employees

Employees					
Description	2022/23	2023/24			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water	09	20	11	9	45%
Waste Water (Sanitation)	16	19	19	0	100%
Electricity	07	15	07	8	53%
Waste Management	35	39	39	4	10%
Housing	02	08	02	6	75%
Waste Water (Storm water Drainage)	11	16	11	5	31%
Roads	-				
Transport	-				
Planning	01	01	01	0	0%
Planning (Strategic & Regulatory)	0				
Community & Social Services	0				
Environmental Protection	0				
Health	0				
Security and Safety	0				
Sport and Recreation	0				
Corporate Policy Offices and Other	0				
Totals	81	118	90	32	

T 4.1.1

Table 79: Vacancy Rate

Vacancy Rate: 2023/24			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	100%
CFO	1	0	100%
Other S57 Managers (excluding Finance Posts)	2	1	50%
Other S57 Managers (Finance posts)	0	0	0%
Police officers	0	0	0%
Fire fighters	0	0	0%
Senior management: Levels 13-15 (excluding Finance Posts)	2	2	100%
Senior management: Levels 13-15 (Finance posts)	3	0	100%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	4	3	25%
Highly skilled supervision: levels 9-12 (Finance posts)	2	2	100%
Total	15	8	
<i>T 4.1.2</i>			

A high turnover rate may be costly to a Municipality and might negatively affect productivity, service delivery and institutional memory/Organizational knowledge. Below is a table that shows the turnover rate within the Municipality.

The table below indicates the turn-over rate over the last two years:

Table 80: Turn-over rate

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
2022/23	0	0	
2023/24	0	0	
<i>T 4.1.3</i>			

COMMENT ON VACANCIES AND TURNOVER:

The Council last approved the organizational structure in January 2020. Some critical positions that needed to be filled have been filled and recruitment processes are underway to accommodate other critical positions. Turnover is mainly as a result of terminations e.g. death, resignation, retirements and ending of fixed term contracts.

4.7 MANAGING THE MUNICIPAL WORKFORCE**INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT**

The Municipality is constituted of five departments, Office of the Municipal Manager, Department of Corporate Services, Department of Finance, Department of Community Services and the Department of Technical Services of which each head of department is responsible for the management of the workforce in its department. Furthermore, each department is divided into divisions that are headed by managers who responsible for the discipline and work of employees in their divisions.

COMMENT ON WORKFORCE POLICY DEVELOPMENT:

The Human Resource Policies Manual was not reviewed for the period under review.

4.8 POLICIES

Table 81: HR Policies and Plans

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action		95.0%	Not available
2	Attraction and Retention	100%		Part of HR Policy Manual/ 29 August 2019
3	Code of Conduct for employees		100%	Collective Bargaining Council matter
4	Delegations, Authorisation & Responsibility	100%	100%	Adopted 22 May 2022
5	Disciplinary Code and Procedures	100%		Collective Bargaining Council
6	Essential Services		95.0%	Discussed at the level of the Local Labour Forum
7	Employee Assistance / Wellness	100%		Part of HR policy Manual/ 29 August 2019
8	Employment Equity		95.0%	Not available
9	Exit Management		100%	Part of HR Policy Manual/ 29 August 2019
10	Grievance Procedures		100.0%	Collective Bargaining Council matter
11	HIV/Aids		95.0%	Part of HR Policy Manual/ 29 August 2019
12	Human Resource and Development	100%		Part of HR Policy Manual/ 29 August 2019
13	Information Technology	100%		In the process of developing IT policies
14	Job Evaluation		0%	No job evaluation
15	Leave	100%	80%	Part of HR Policy manual/ 29 August 2019
16	Occupational Health and Safety	100%		Part of HR Policy Manual/ 29 August 2019
17	Official Housing	100%		Part of HR Policy Manual/ 29 August 2019
18	Official Journeys		95.0%	Available
19	Official transport to attend Funerals		95.0%	A draft has been developed, still to be tabled before the LLF.
20	Official Working Hours and Overtime	100%		Part of HR Policy Manual/29 August 2019
21	Organisational Rights	100%	95.0%	Collective Bargaining Council matter
22	Payroll Deductions		95.0%	Referred back to the section 80 Committee to further refinement.
23	Performance Management and Development		95%	Awaiting workshop to be conducted.
24	Recruitment, Selection and Appointments	100%		Part of HR Policy Manual/29 August 2019
25	Remuneration Scales and Allowances		95.0%	Available
26	Resettlement		95.0%	Available
27	Sexual Harassment	100%		Part of HR Policy Manual/29 August 2019
28	Skills Development	100%		Part of HR Policy Manual/ 29 August 2019

T 4.2.1

4.9 INJURIES, SICKNESS AND SUSPENSIONS

Table 82: Number and Cost of Injuries on Duty 2023-2024

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	16	2	0	0	0
Temporary total disablement	-				
Permanent disablement	-				
Fatal	-				
Total	0	0	0	0	0
T 4.3.1					

COMMENT ON INJURY AND SICK LEAVE:

The Municipality has put necessary precautions in place to mitigate the injuries from happening. The rate of employees who take sick leave is very minimal and it does not affect the smooth running of the operations.

Table 83: Number and Period of Suspensions

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
NONE				
T 4.3.5				

Table 84: Disciplinary Action Taken on Cases of Financial Misconduct

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

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

No employee was suspended for negligent of responsibilities under period in review and no cases of financial misconduct were reported or discovered.

4.10 PERFORMANCE REWARDS

Following Regulation 8 of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers 2006, R.805, a bonus may only be paid after the municipal council has adopted the Annual Report for the year under review.

Municipal Systems Act, 2000 – Local Public Administration and Human Resource (Chapter 7)

Additionally, most Managers (Directors) appointed under Section 56 of the MSA are on fixed-term performance contracts. However, the Individual Performance Management System has not yet been extended to the second reporting line of managers. At the moment, there is no performance bonus system or policy in place for non-section 57 employees. This system will be implemented once the organisation achieves the necessary performance management maturity level.

COMMENT ON PERFORMANCE REWARDS

There were no performances rewards issued to employees during the period under review.

4.11 ORGANISATIONAL PERFORMANCE SCORECARD

Performance Management is a process that measures the implementation of the organisation's strategy. It is also a management tool used to plan, monitor, measure, and review performance indicators to ensure the efficiency, effectiveness, and impact of service delivery by the municipality.

At the local government level, performance management is institutionalised through legislative requirements governing the performance management process for local government. Performance management serves as the mechanism to measure whether targets set by the organisation and its employees align with strategic goals.

The Constitution of South Africa (1996), Section 152, which deals with the objectives of local government, paves the way for performance management by requiring an "accountable government." The democratic values and principles outlined in Section 195(1) are also linked to the concept of performance management, referencing principles inter alia:

- the promotion of efficient, economic and effective use of resources,
- accountable public administration
- to be transparent by providing information,
- to be responsive to the needs of the community,
- and to facilitate a culture of public service and accountability amongst staff.

The Municipal Systems Act (MSA) of 2000 requires municipalities to establish a performance management system. Additionally, both the MSA and the Municipal Finance Management Act (MFMA) mandate that the Integrated Development Plan (IDP) aligns with the municipal budget. The performance of the budget against the IDP must be monitored through the Service Delivery and Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 stipulates that a municipality's Performance Management System must include a framework describing how the municipality will conduct, organise, and manage its cycle and processes of performance planning, monitoring, measurement, review, reporting, and improvement. This framework also determines the roles of the various stakeholders involved.

Section 57 stipulates that the employment of the Municipal Manager and the managers directly accountable to them is contingent upon an annual performance agreement concluded before the end of July each year. Section 67 underscores the significance of monitoring, measuring, and evaluating staff performance as a means to develop human resources and hold municipal staff accountable to serve the public efficiently and effectively. Consequently, performance management is relevant not only to the organisation as a whole but also to the individuals employed within the organisation, as well as external service providers and municipal entities.

4.12. CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient, and accountable manner. To achieve this, the human resource capacity of a municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 1999 (Act No. 28 of 1999).

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The local sphere of government falls under Local Government Sector Education and Training Authority and is required to conduct skill audit and thereafter develop Workplace Skill Plan (WSP) which is accompanied by Training Plan. This Training Plan outlines the trainings that would be undertaken in a particular financial year. The employees are being sent to different training courses based on the skills identified in the WSP.

4.13 SKILLS DEVELOPMENT AND TRAINING

Table 85: Skills Matrix

SKILLS MATRIX														
Management	Gender	Number of skilled employees required and actual as at June 2024												
			Learnerships			Skills Programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of 2022-23	Actual: End of 2022-23	Actual: End of 2022-23	Actual: End of 2022-23	Actual: End of 2022-23	Actual: End of 2022-23	Actual: End of 2022-23	Actual: End of 2022-23	Actual: End of 2022-23	Actual: End of 2022-23	Actual: End of 2022-23	Actual: End of 2022-23
MM and s57	Male	1	0	0	0	0	0	0	0	0	0	0	0	0
	Male	2	0	0	0	0	0	0	0	0	0	0	0	0
	Female	1	0	0	0	0	0	0	0	0	0	0	0	0
Councilors, senior officials and managers	Female	5	0	0	0	0	0	0	0	0	0	0	0	0
	Male	8	0	0	0	0	0	0	0	0	0	0	0	0
Technicians and associate professionals*	Female	34	4	0	0	0	0	0	0	0	0	4	4	4
	Male	76	11	0	0	0	0	0	0	0	0	11	11	11
Professionals	Female	3	0	0	0	0	0	0	0	0	0	0	0	0
	Male	10	0	0	0	0	0	0	0	0	0	0	0	0
Sub total	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		140	15	0	0	0	0	0	0	0	0	15	15	15
*Registered with professional Associate Body e.g. CA (SA)													T4.5.1	

Table 86: Financial Competency Development: Progress Report

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))	Consolidate d: Total of A and B	Consolidate d: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidate d: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidate d: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<i>Accounting officer</i>	1	0	1	1	1	1
<i>Chief financial officer</i>	1	0	1	1	1	1
<i>Senior managers</i>	2	0	2	2	2	2
<i>Any other financial officials</i>	15	0	15	12	0	12
Supply Chain Management Officials	2	0	2	2	0	2
<i>Heads of supply chain management units</i>	1	0	1	1	0	1
<i>Supply chain management senior managers</i>	0	0	0	0	0	0
TOTAL	22	0	22	19	4	19

4.14 MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

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

4.15 EMPLOYEE EXPENDITURE

The success or failure of a municipality depends on the quality of its political leadership, sound governance of its finances, the strength of its institutions and the caliber of staff working for the municipality.

Although sound financial governance is perceived to be most important, without proper personnel management, municipalities are likely to experience difficulty. This has become increasingly evident in a number of large municipalities that have recently found themselves in precarious financial situations, and is certainly true of many smaller municipalities. An analysis of municipal finances suggests that personnel issues lie at the heart of many of the financial problems experienced by municipalities.

At an aggregate level, about 33 per cent of the total municipal operating budget gets spent on the remuneration of personnel.

Municipalities are required to carry out quality services in an effective, efficient and financially sound manner by supporting the principles of ensuring cost-effective and affordable service delivery. Accountability and transparency are, therefore, important when managing workforce expenditure. If the Municipality wants to be effective, it is important to ensure that the Municipality plan properly. To ensure that the Municipality adhere to legislation, only approved and budgeted posts on the structure are advertised. The training and development of internal staff are aimed at ensuring that they are able to perform their duties better.

As can be seen from the graph below the workforce expenditure is on an upward curve since 2011. Demands by Labour have led to a steady increase in workforce expenditure despite a very slow economy. If the trend below continues in the future further pressure will be placed on the municipality's limited resources and will necessitate increases in tariffs that will place a greater burden on the rate payers.

COMMENT ON WORKFORCE EXPENDITURE:

The Municipal workforce expenditure is on an upward curve since 2011. Demands by Labour have led to a steady increase in workforce expenditure despite a very slow economy. If the trend below continues in the future further pressure will be placed on the municipality's limited resources and will necessitate increases in tariffs that will place a greater burden on the rate payers.

Table 87: Number of Employees Who's Salaries Were Increased Due to Their Positions Being Upgraded

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
There were no salary increases due to upgrading of employee's position on the period under review.		
<i>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).</i>		

Table 88: Employees who's Salary Levels Exceed the Grade Determined by Job Evaluation

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None.				

Table 89: Employees appointed to posts not approved

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
No appointments were made to posts not approved on the structure.				

COMMENT ON WORKFORCE EXPENDITURE:

There was no upgrade of positions due to job evaluation for the financial year 2023/24. Some variances are legacy issues that occurred as a result of previous amalgamation.

COMPONENT E: CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

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

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

5.1. STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

The municipality's performance during the year under review has been unsatisfactory, due to financial constraints, municipality experienced decline in revenue.

With the GRAP 24 (Presentation of Budget Information in Financial Statements) now effective, detailed analysis and comments for comparatives of Actual against Budgeted Amounts are shown in the financial statement, which forms part of this report.

The following sections provide an overview of the financial results of the Municipality for the year under review per economic classification compared to the prior year audited results, the original and final adjustments budget.

Total recognised revenue was R 258 837 174 the budgeted figure of R 230 480 980

The highlights of income recognised are as follows:

- Actual service charges amounts to R 72 633 281 against a budget amount of R 85 184 775
- Total expenditure incurred amounted to R 254 921 150 and the budgeted expenditure was R 321 182 191

5.1.1 GRANTS

Table 90: Grant Performance

Grants Performance				
	2022/23	2023/24		
Description	Actual	Budget	Adjustment Budget	Actual
<u>Operational Transfers and Grants</u>	-			
Equitable Shares	65 028 000	84 906 000	84 906 000	84 906 000
Other Transfers	5 084 000	4 000 000	4 000 000	3 665 000
<u>Capital Grants and Transfers</u>				
MIG	8 678 977	19 688 000	19 688 000	11 743 718
INEP	16 348 583	528 000	528 000	528 000
WSIG	19 900 000	31 327 000	20 000 000	11 104 426

Grants received from sources other than Division of Revenue Act (DoRA)

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant 2022/23	Actual Grant 2023/24	Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
Parastatals – No grants received						
Foreign Governments/Development Aid Agencies – No grants received						
Private Sector / Organisations – No grants received						
T 5.2.3						

5.1.2 COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

The municipality did not receive any conditional grants from sources other than the DoRA.

5.2 COMMENT ON ASSET MANAGEMENT:

Majority of Assets are procured through Grants, the Municipality has an asset management unit, which deals with all asset management issues.

Table 91: Repairs and Maintenance Expenditure

Repair and Maintenance Expenditure: 2023/24				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	2 509 439	2 509 439	2 509 439	0
				<i>T 5.3.4</i>

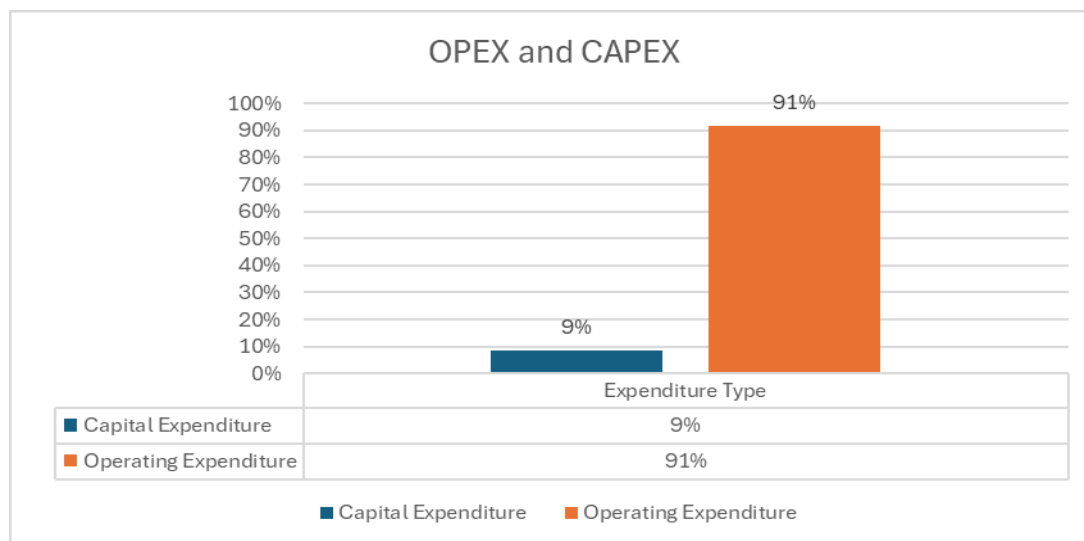
5.3 SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend.

CAPITAL EXPENDITURE AND OPERATING EXPENDITURE SPENDING

Figure: CAPEX vs OPEX



5.4 INDIGENTS HOUSEHOLDS

The municipality embarked on an indigent registration for the period under review. At the end of June 2024, the number was standing at 2720.

5.5 DEBTORS AGE ANALYSIS

The debtors of the municipality arise from the households, government, business and other. These debtors arise from the following services, water, electricity, sewerage and refuse removal.

DEBTORS PER SERVICE

The information below shows the total outstanding debtors of the municipality as at 30 June 2024.

Table: Debtors Age Analysis by Income Source (Exchange Transactions)

	2024 R	2023 R
5. Receivables from exchange transactions		
Gross balances		
Electricity	19,698,159	12,796,327
Water	78,677,617	67,364,924
Sewerage	62,034,401	56,324,351
Refuse	59,959,209	53,666,007
Other	1,071,169	995,387
Housing rental	1,347,119	1,330,678
Interest	143,318,982	107,722,910
	366,106,656	300,200,584

Table 92: Debtors Age Analysis by Income Source (Non- Exchange Transactions)

Assessment rates	87,486,524	76,726,033
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5.6 OPERATING EXPENDITURE

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R
	R	R	R	R	R
Expenditure					
Employee costs	(79,080,565)	-	(79,080,565)	(79,214,349)	(133,784)
Remuneration of councilors	(5,446,461)	-	(5,446,461)	(5,563,275)	(116,814)
Depreciation / amortisation and impairment loss	(51,145,457)	-	(51,145,457)	(37,020,496)	14,124,961
Finance costs	(9,449,144)	(550,856)	(10,000,000)	(22,770,445)	(12,770,445)
Debt Impairment	(27,588,600)	-	(27,588,600)	(88,092,972)	(60,504,372)
Contracted services	(32,235,000)	15,526,870	(16,708,130)	(9,298,589)	7,409,541
Bulk purchases	(38,000,000)	-	(38,000,000)	(49,344,554)	(11,344,554)
General expenses	(15,903,609)	(135,074)	(16,038,683)	(29,877,511)	(13,838,828)
Inventory consumed	(14,370,000)	3,456,746	(10,913,254)	-	10,913,254
Total expenditure	(273,218,836)	18,297,686	(254,921,150)	(321,182,191)	(66,261,041)
Operating deficit	(41,958,196)	17,518,026	(24,440,170)	(62,345,017)	(37,904,847)
Loss on disposal of assets	-	-	-	(4,567,599)	(4,567,599)
Fair value adjustments	-	-	-	(18,851,266)	(18,851,266)
Actuarial gains/losses	-	-	-	(632,000)	(632,000)
Inventories losses	-	-	-	2,513	2,513
Impairment loss	-	-	-	(10,043,588)	(10,043,588)
Transfers and subsidies	51,543,000	(5,000,000)	46,543,000	-	(46,543,000)
	51,543,000	(5,000,000)	46,543,000	(34,091,940)	(80,634,940)
Surplus / (Deficit)	9,584,804	12,518,026	22,102,830	(96,436,957)	(118,539,787)

5.7 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Table 93: Service Backlogs

Service Backlogs as at 30 June 2023				
	*Service level above minimum standard		Households (HHs)	
	No. HHs	% HHs	**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	10127	100%	0	0
Sanitation	9183	100%	0	0
Electricity	7828	100%	0	0
Waste management	9188	100%	0	0
Housing				
				T 5.8.2

COMMENT ON BACKLOGS:

As can be seen the basic services backlogs are a huge problem for Letsemeng Local Municipality, only few projects were implemented in the last financial year and these were fully funded by MIG and WSIG.

5.8 CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The proper management of cash resources is paramount in ensuring viability and sustainable growth and development. The municipality did not maintain significant investments due to pressing operational requirements and an effort to maintain creditors' payment within 30 days and addressing the long-term liabilities.

5.9 OTHER FINANCIAL MATTERS

5.9.1 SUPPLY CHAIN MANAGEMENT

COMMENTS ON SUPPLY CHAIN MANAGEMENT

Organogram for Supply Chain Management Unit has been amended to include an extra Demand Acquisition vacant position which will be filled.

5.9.2 GRAP COMPLIANCE

COMMENTS ON GRAP COMPLIANCE

Letsemeng Local Municipal compiles its Annual Financial Statements in line with General Recognised Accounting Practise.

COMPONENT F: CHAPTER 6 – AUDITOR GENERAL REPORT 2023/24 FINANCIAL

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Letsemeng Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Letsemeng Local Municipality as at 30 June 2024 and its financial performance and cash flows for the year ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. The municipality did not recognise land and building and infrastructure assets included in property, plant and equipment in note 10 to the financial statements in accordance with GRAP 17, *Property, plant and equipment*. This was due to the land and buildings being incorrectly accounted for as infrastructure assets included in property, plant and equipment in note 10 to the financial statements. Consequently, this resulted in infrastructure assets included in property plant and equipment being overstated by R10 762 650, and land and buildings included in property, plant and equipment were understated by R6 281 274 and R4 481 377 respectively. Additionally, there was an impact on the depreciation and amortisation, deficit for the year and accumulated surplus.
4. During 2023, the municipality did not impair property plant and equipment for assets whose conditions were assessed as poor and very poor in their fixed asset register in accordance with GRAP 26, *Impairment of cash-generating assets*. Consequently, property plant and equipment were overstated by R13 886 758, and impairment loss was understated by the

same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the property, plant and equipment for the current period.

5. In addition, during 2023, some water meters included as infrastructure assets could not be physically verified, while, in other instances, water meters were duplicated in the fixed asset register. Consequently, infrastructure assets included in property, plant and equipment in note 10 to the financial statements were understated by R4 997 604 and trade payables included in payables from exchange transactions in note 15 to the financial statements were overstated by the same amount. Furthermore, I was unable to physically verify the infrastructure assets included in note 10 to the financial statements due to the non-submission of information in support of these assets. I was unable to confirm the infrastructure assets included in property, plant and equipment by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to infrastructure assets included in property plant and equipment, stated at R607 382 099 in note 10 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the water meters included in infrastructure assets and infrastructure assets included in property, plant and equipment for the current period.
6. Furthermore, during 2023, I was also unable to obtain sufficient appropriate audit evidence for buildings, infrastructure, and other property, plant and equipment classes of assets included in property, plant and equipment in note 10 to the financial statements, due to the non-submission of information in support of these assets. I was unable to confirm the buildings, infrastructure, and other property, plant and equipment classes of assets by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to buildings, infrastructure, and other property, plant and equipment, stated at R691 441 595 in note 10 to the financial statements. In addition, property, plant and equipment were not correctly recognised due to the amount in the financial statement not reconciling with the amounts recorded in the fixed asset register and there was also an incorrect exclusion of value added tax (VAT) in capitalising assets purchased from suppliers that are not registered VAT vendors. Consequently, property, plant and equipment included in note 10 to the financial statements were understated by R5 378 306 and trade payables included in note 15 to the financial statements were overstated by R5 378 306. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the property, plant and equipment for the current period.

Payables from exchange transactions

7. The municipality did not recognise accrued leave pay included in payables from exchange transactions in note 15 to the financial statements in accordance with GRAP 104, *Financial instruments*. This was because the municipality calculated accrued leave pay for employees that did not have positive remaining leave balances at 30 June 2024. Consequently, this resulted in the accrued leave pay included in payables from exchange transactions in note 15 to the financial statements being overstated by R6 459 826, and employee related costs in note 29 to the financial statements being understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.
8. I was also unable to obtain sufficient appropriate audit evidence for trade payables and Eskom included in payables from exchange transactions in note 15 to the financial statements due to the status of accounting records. I was unable to confirm the trade payables and Eskom included in payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to the Eskom and trade payables included in payables from exchange transactions, stated at R253 884 683 (2023: R57 895 484) in note 15 to the financial statements.
9. During 2023, the municipality did not correctly account for payables from exchange transactions as the amount in the financial statements does not reconcile to the amount in the payables age analysis and the amounts recorded in the payables age analysis did not agree to creditors' statements. Consequently, the payables from exchange transactions included in note 15 to the financial statements were overstated by R24 182 290 and general expenditure was understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the payables from exchange transactions for the current period.
10. During 2023, the municipality also did not account for payables from exchange transactions in accordance with GRAP 1, *Presentation of financial statements* as the municipality recorded items that did not meet the definition of a payable. Consequently, trade payables included in note 15 to the financial statements were overstated by R11 922 236. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the payables from exchange transactions for the current period.

Investment property

11. I was unable to obtain sufficient appropriate audit evidence for investment property, due to the status of accounting records. I was unable to confirm investment property by alternative means. Consequently, I could not determine whether any adjustments were necessary to the investment property stated at R62 070 776 in note 9 to the financial statements.
12. During 2023, the municipality did not recognise investment property in accordance with GRAP 16, *Investment property* as the municipality recorded properties in their asset register that were not within their control. In addition, the municipality did not fair value its investment properties according to its accounting policy. Consequently, I was unable to determine the full extent of the misstatement to investment property stated as R78 507 117 in note 9 to the financial statements as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the investment property for the current period.

VAT receivables

13. I was unable to obtain sufficient appropriate audit evidence for VAT receivables due to the status of accounting records. I was unable to confirm the VAT receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to VAT receivables, stated at R25 196 333 in note 7 to the financial statements.

Receivables from exchange transactions

14. The municipality did not recognise receivables from exchange transactions in accordance with GRAP 104, *Financial instruments* as differences were identified for the consumer debtor balances between the general ledger and the debtors' statements. Consequently, this resulted in receivables from exchange transactions in note 5 to the financial statements being understated by R5 401 415, and revenue from exchange transactions in note 20 to the financial statements was understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.
15. During 2023, I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions, due to the status of accounting records. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I could not determine whether any further adjustments were necessary to the amounts stated as R58 314 059 in note 5 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the receivables from exchange transactions for the current period.

Receivables from non-exchange transactions

16. I was unable to obtain sufficient appropriate audit evidence for the availability charges and provision for impairment for availability charges included in receivables from non-exchange transactions in note 6 to the financial statement due to the status of the accounting records. I was unable to confirm the availability charges and provision for impairment for availability charges by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to availability charges stated at R19 784 104 and the provision for impairment for availability charges, stated at R15 798 483 in note 6 to the financial statements.
17. During 2023, the municipality did not recognise receivables from non-exchange transactions in accordance with GRAP 104, *Financial instruments*. This was because the consumer debtor balances in the financial statements did not reconcile to the debtor's age analysis and the debtors' statements. Consequently, the receivables from non-exchange included in note 6 to the financial statements were overstated by R4 367 939 and property rates included in note 25 to the financial statements were understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the receivables from non-exchange transactions for the current period.
18. During 2023, the municipality also did not recognise and classify assessment rates included in receivables from non-exchange transactions in note 6 to the financial statements in accordance with GRAP 108, *Statutory receivables* as the debtors could not be verified. In addition, debtors with credit balances and receivables from exchange transactions were incorrectly accounted for as receivables from non-exchange transactions. Consequently, the receivables from non-exchange transactions were overstated by R4 592 069 and receivables from exchange transactions were understated by the same amount. Additionally, there was an impact on the property rates, the deficit for the year and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the receivables from non-exchange transactions for the current period.

Unspent conditional grants

19. The municipality did not recognise unspent conditional grants in accordance with GRAP 1, *Presentation of financial statements*. This was due to differences identified in the grant's receipts recorded in the grants schedule provided. Consequently, this resulted in unspent conditional grants in note 18 to the financial statements being understated by R7 157 150, and government grants and subsidies in note 26 to the financial statements were overstated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Debt impairment

20. The municipality did not recognise debt impairment in accordance with GRAP 104, *Financial instruments* as the municipality did not accurately calculate the consumer debtor's impairment based on the debt impairment methodology. Consequently, this resulted in the debt impairment included in note 33 to the financial statements being overstated by R10 564 300, and receivables from exchange transactions in note 5 to the financial statements being overstated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Service charges

21. The municipality did not recognise refuse removal, sewerage and sanitation service charges included in note 20 to the financial statements in accordance with GRAP 9, *Revenue from exchange transactions*. This was because some consumers were not billed for refuse removal, sewerage and sanitation service charges during the current and prior years. Consequently, this resulted in the service charges for refuse removal, sewerage and sanitation included in note 20 to the financial statement being understated by R12 915 912 (2023: R10 779 800), and receivables from exchange transactions included in note 5 being understated by the same amounts. Additionally, there was an impact on the deficit for the year and accumulated surplus.
22. I was unable to obtain sufficient appropriate audit evidence for the sale of water and the sale of electricity included in service charges in note 20 to the financial statements due to the non-submission of information in support of these revenue streams. I was unable to confirm the sale of water and the sale of electricity included in service charges by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to the sale of water stated at R17 421 454 and the sale of electricity, stated at R35 053 952 included in service charges in note 20 to the financial statements.

Government grants and subsidies

23. The municipality did not recognise water services infrastructure grant included in government grants and subsidies in note 26 to the financial statements in accordance with GRAP 23, *Revenue from non-exchange transactions* as the municipality recognised invoices relating to the previous years in the current year. Consequently, this resulted in the water services infrastructure grant (WSIG) included in government grants and subsidies in note 26 to the financial statement being overstated by R6 250 144 (2023: R15 789 566), while the unspent conditional grants in note 18 to the financial statements were understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.
24. During 2023, the municipality did not recognise revenue in accordance with GRAP 23, *Revenue from non-exchange transactions*. This was because revenue from conditional grants was recognised even though the conditions relating to the grant were not met and revenue was also recorded in the incorrect period. In addition, differences were identified between the general

ledger and the amounts allocated. Consequently, this resulted in government grants and subsidies being overstated by R22 292 632 and unspent conditional grants being understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the receivables from non-exchange transactions for the current period.

Interest received – outstanding debtors

25. I was unable to obtain sufficient appropriate audit evidence for interest received on outstanding debtors due to the non-submission of information in support of the interest received. I was unable to confirm the interest received on outstanding debtors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to interest received on outstanding debtors, stated at R26 293 947 in note 22 to the financial statements.

Employee related costs

26. I was unable to obtain sufficient appropriate audit evidence for the overtime payments and other allowances included in employee related costs in note 29 to the financial statements, as inadequate processes were in place to ensure that the overtime claimed was actually worked. In addition, adequate supporting audit evidence was not provided to substantiate the overtime payments and other allowances made. I was unable to confirm the overtime payments and other allowances included in employee related costs by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the overtime payments and other allowances included in employee related costs, stated at R18 601 445 (2023: R7 386 000) in note 29 to the financial statements.

General expenses

27. I was unable to obtain sufficient appropriate audit evidence for the hire expenditure included in general expenses in note 37 to the financial statements, due to the non-submission of information in support of these expenditures. I was unable to confirm the hire expenditure included in general expenses by alternative means. Consequently, I could not determine whether any adjustments were necessary to the hire expenditure included in general expenses stated at R8 456 623 in note 37 to the financial statements.
28. I was unable to obtain sufficient appropriate audit evidence for the various general expenses, due to the status of accounting records. I was unable to confirm the various general expenses by alternative means. Consequently, I could not determine whether any adjustments were necessary to the general expenses stated at R11 114 632 (2023: R34 668 406) in note 37 to the financial statements.

Property rates

29. The municipality did not recognise property rates in accordance with GRAP 23, *Revenue from non-exchange transactions*. This was because the municipality used incorrect tariffs when billing properties. In addition, the municipality billed property rates on properties that could not be physically verified. Consequently, this resulted in property rates included in note 25 to the financial statement being overstated by R13 763 748, and receivables from non-exchange transactions included in note 6 were overstated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.
30. The municipality did not recognise property rates in accordance with GRAP 23, *Revenue from non-exchange transactions* as revenue foregone was not accounted for in the general ledger. Consequently, I was unable to determine the full extent of the misstatement to property rates stated at R26 333 530 (2023: R25 105 895) in note 25 to the financial statements as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and accumulated surplus
31. During 2023, the municipality also did not classify revenue from property rates in accordance with GRAP 23, *Revenue from non-exchange transactions* as availability charges were incorrectly classified as property rates and property rates were billed at incorrect tariff rates. Consequently, property rates in note 25 to the financial statements were overstated by R15 633 966 and receivables from non-exchange transactions in note 6 to the financial statements were understated by the same amount. Furthermore, properties on the valuation roll were incorrectly classified. I could not determine the full extent of the misclassification to property rates stated at R25 105 895 in note 25 to the financial statements as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the receivables from non-exchange transactions for the current period.

Total expenditure

32. Total expenditure was materially misstated by R1 333 434 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Insurance included in general expenses in note 37 to the financial statements stated at R2 763 661 was overstated by R1 268 813.
- Impairment loss stated at R10 043 588 was overstated by R549 708.
- Professional and consulting fees stated at R6 789 150 was overstated by R860 929.
- Bulk purchases stated at R49 344 554 was understated by R86 378.
- Finance cost stated at R22 770 445 was understated by R1 259 638.

Additionally, there was an impact on the deficit for the year and accumulated surplus.

33. In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm the total expenditure by alternative means:

- Loss on disposal of assets and liabilities of R4 567 599.
- Chemical expenditure of R2 485 420.
- Remuneration of councillors of R5 563 275.
- Repairs and maintenance of R2 509 439.

Consequently, I was unable to determine whether any further adjustment was necessary to the total expenditure.

34. Total expenditure for the corresponding figures was materially misstated by R6 950 063 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Debt impairment of assets stated at R100 936 463 was understated by R3 252 536.
- Finance cost stated at R16 417 216 was understated by R1 214 520.
- Losses on disposal stated at R1 653 435 was understated by R2 483 007.

Additionally, there was an impact on the surplus for the period and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the total expenditure for the current period.

Repairs and maintenance

35. During 2023, the municipality did not correctly classify repairs and maintenance in accordance with GRAP 1, *Presentation of financial statements* as bulk purchases were incorrectly classified as repairs and maintenance. Consequently, repairs and maintenance included in note 34 to the financial statement were overstated by R6 967 724, and bulk purchases were understated in note 35 to the financial statements by the same amount. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the repairs and maintenance for the current period.

Professional and consulting fees

36. During 2023, I was unable to obtain sufficient appropriate audit evidence for professional and consulting fees due to the status of accounting records. I was unable to confirm the professional and consulting fees by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the professional and consulting fees, stated at R10 549 815 in note 36 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the professional and consulting fees for the current period.

Prior period errors

37. I was unable to obtain sufficient appropriate audit evidence for the prior period errors relating to loss on disposal of assets and liabilities and receivables from exchange and non-exchange transactions disclosed in note 52 to the financial statement due to the status of accounting records. I was unable to confirm the loss on disposal for assets and liabilities and receivables from exchange and non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the loss on disposal of assets and liabilities and receivables from exchange and non-exchange transactions, stated at R7 814 517 as disclosed in note 52 to the financial statements.

Context for opinion

38. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
39. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to

my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Material uncertainty relating to going concern

41. I draw attention to the matters below. My opinion is not modified in respect of these matters.
42. Note 56 to the financial statements indicates that the municipality incurred a net loss of R96 436 957 during the year ended 30 June 2024 and, as of that date, the municipality's current liabilities exceeded its current assets by R219 187 582. In addition, the municipality owed Eskom R212 915 546 (2023: R157 696 884), and water boards R24 589 693 (2023: R19 374 948) as at 30 June 2024, which was long overdue. These events or conditions, along with other matters as set forth in note 56, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Unauthorised expenditure

44. As disclosed in note 49 to the financial statements, unauthorised expenditure of R127 262 723 (2023: R224 025 210) was incurred, due to overspending of the budget.

Fruitless and wasteful expenditure

45. As disclosed in note 48 to the financial statements, fruitless and wasteful expenditure of R24 346 762 (2023: R14 132 345) was incurred, due to interest charged on long outstanding payments to suppliers.

Irregular expenditure

46. As disclosed in note 47 to the financial statements, irregular expenditure of R12 602 903 (2023: R31 693 226) was incurred, due to non-compliance with supply chain management (SCM) requirements.

Material losses

47. As disclosed in note 50 to the financial statements, material electricity losses of R3 868 130 (2023: R7 497 164) was incurred, which represents 11,03% (2023: 25,93%) of total electricity

purchased. Technical losses were as a result of inherent resistance of conductors, transformers, other electrical equipment and non-technical losses was as a result of tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

48. As disclosed in note 50 to the financial statements, material water losses of R2 209 761 (2023: R1 802 843) was incurred, which represents 78% (2023: 73%) of total water purchased. Non- technical losses amounted to R 2 209 761 (2023: R 1 802 843) and were mainly due to tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

Material uncertainty relating to claims against the municipality

49. With reference to note 54 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

52. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
53. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

54. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the annual performance report

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

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

- Percentage of households with access to basic water supply
- Upgrading of 1,72 kilometres (km) access paved road and storm water by 30 June 2024
- Frequency of sewer blockages per 100 kilometres (km) of pipeline by June 2024
- Number of household electricity connections on or before 30 June 2024
- Number of high mast lights constructed and installed on or before 30 June 2024 (Luckhoff)
- Number of high mast lights constructed and installed on or before 30 June 2024 (Koffiefontein)
- Number of high mast lights constructed and installed on or before 30 June 2024 (Petrusburg)
- Number of high mast lights constructed and installed on or before 30 June 2024 (Jacobsdal)
- Number of high mast lights constructed and installed on or before 30 June 2024 (Oppermansgronde)
- Number of households provided with connections to mains electricity supply by the municipality

- Number of households provided with connections to mains electricity supply by the municipality (electrification of 34 infills households' connection in ward 4)
- Percentage spending on department of energy (DOE) on or 30 June 2024
- Percentage spending on municipal infrastructure grant (MIG) on or 30 June 2024
- Percentage spending on WSIG on 30 June 2024

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

59. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time-bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for measures taken to improve performance

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

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

- Number of high mast lights constructed and installed on or before 30 June 2024 (Luckhoff)
- Number of high mast lights constructed and installed on or before 30 June 2024 (Oppermansgronde)

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

Percentage of households with access to basic water supply

63. An achievement of 82% of households with access to basic water supply was reported against a target of 100% of households planned to receive access to basic water supply. I could not determine whether the reported achievement was correct, as the indicator was not well defined and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.
64. Lastly, measures taken to improve performance against underachieved target of 100% of households planned to receive access to basic water supply were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against target.

Upgrading of 1,72 km access paved road and storm water 31 March 2024

65. The indicator in the annual performance report differed from what was committed to in the approved initial planning documents. The reported indicator was upgrading of 1,72 km access paved road and storm water 31 March 2024, while the planned indicators were upgrading of 1km access paved road and storm water 31 March 2024 and upgrading of 0,72 km access paved road and storm water 30 June 2024. These changes were made without obtaining the required approval, which undermines transparency and accountability.

Frequency of sewer blockages per 100 kms of pipeline by June 2024

66. Neither the indicator nor its target of 1 sewer blockage planned per 100 km of pipeline was clearly defined during the planning process as the municipality was unsure of how they identified every 100 km of pipeline and it is not clear if the indicator measured the number of sewer blockages identified or the number of sewers unblocked. Consequently, the indicator and its target are not useful for measuring and reporting on progress against the municipality's planned objectives. Additionally, adequate processes had not been established to consistently measure and reliably report on the achievement of this indicator and its target of 1 sewer blockage planned per 100 km of pipeline. The process and systems that produce the indicator does not supporting the indicator. Consequently, the municipality would have found it difficult to determine the correct achievement

to be reported against the planned target.

67. Furthermore, the indicator measures the frequency of sewer blockages per 100 kms of pipeline by June 2024, which does not relate to the mandate of the municipality, rendering it irrelevant for planning and reporting on performance.
68. Lastly, measures taken to improve performance against underachieved target of 1 sewer blockage planned per 100 km of pipeline were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against targets.

Number of household electricity connections on or before 30 June 2024

69. The indicator was not clearly defined during the planning process. The indicator does not indicate which households/area of households that will be connected on or before 30 June 2024, consequently, the indicator is not useful for measuring and reporting on progress against planned objectives.
70. Furthermore, an achievement of 0 household electricity connected was reported against a target of 700 households planned to receive electricity connections. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially more than reported. Consequently, it is likely that the underachievement on the target was more than reported.
71. Lastly, measures taken to improve performance against underachieved target of 700 households planned to receive electricity connections were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against target.

Number of households provided with connections to mains electricity supply by the municipality

72. The approved planning documents included a commitment to provide a number of households with connections to mains electricity supply. However, an achievement of 100% households provided with connections to mains electricity supply was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.
73. Furthermore, the indicator was not clearly defined during the planning process. The indicator relates to the design phase of the projects and not the households provided with connection to the main electricity supply. Consequently, the indicator is not useful for measuring and reporting on progress against planned objectives. Additionally, an achievement of 100% households connected to the main electricity supply was reported against a target of 100% households

planned to be connected to mains electricity supply. However, the target had not been clearly defined during the planning process as it does not specify the households that will be provided with connections. Consequently, the target is not useful for measuring and reporting on progress against the municipality's planned objectives.

74. Lastly, an achievement of 100% was reported against the target of 100% which relates to this indicator. However, the audit evidence confirmed the actual achievement to be 0%, indicating that the achievement against the target was lower than reported.

Number of households provided with connections to mains electricity supply by the municipality (electrification of 34 infills household connection in ward 4)

75. Procurement processes has commenced was reported as a measure aimed at improving performance against the target of electrification of 34 infills household connection in ward 4. 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.

Percentage of spending on DoE on or 30 June 2024

76. Measures taken to improve performance against underachieved target of 100% were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against target.
77. Furthermore, an achievement of 40% was reported against a target of 100% but the audit evidence showed the actual achievement to be 75%. The achievement against the target was better than reported.

Various indicators

78. Measures taken to improve performance against underachieved targets were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against targets.

Indicators	Targets
Number of high mast lights constructed and installed on or before 30 June 2024 Koffiefontein	4
Number of high mast lights constructed and installed on or before 30 June 2024 Petrusburg	4

Number of high mast lights constructed and installed on or before 30 June 2024 Jacobsdal	4
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Various indicators

79. Based on the audit evidence, the actual achievement for 2 indicators did not agree to the achievements reported. Consequently, the targets were not achieved, the underachievements on the targets were more than reported and the achievements against the target were lower than reported

Indicators	Targets	Reported achievements	Actual achievements
Percentage on spending on MIG on or 30 June 2024	100%	64%	56%
Percentage spending on WSIG on or 30 June 2024	100%	54%	23%

Other matters

80. I draw attention to the matter below.

Achievement of planned targets

81. The annual performance report includes information on reported achievements against planned targets and provides explanations for measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.
82. The table that follows provides information on the achievement of planned targets and list the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages xx to xx.

Infrastructure development and basic service delivery

<i>Targets achieved: 5%</i> <i>Budget spent: 100%</i>		
Key service delivery indicators not achieved	Planned targets	Reported achievements
Percentage of households with access to basic water supply	100%	82%
Frequency of sewer blockages per 100 kms of pipeline by June 2024	1	0
Number of household electricity connections on or before 30 June 2024	700	0
Number of high mast lights constructed and installed on or before 30 June 2024 Luckhoff	3	0
Number of high mast lights constructed and installed on or before 30 June 2024 Koffiefontein	4	0
Number of high mast lights constructed and installed on or before 30 June 2024 Petrusburg	4	0
Number of high mast lights constructed and installed on or before 30 June 2024 Jacobsdal	4	0
Number of high mast lights constructed and installed on or before 30 June 2024 Oppermansgronde	3	0
Number of households provided with connections to mains electricity supply by the municipality (electrification of 34 infills households' connection in ward 4).	34	0
Percentage of spending on DOE on or before 30 June 2024	100%	40%
Percentage of spending on MIG on or before 30 June 2024	100%	64%
Percentage of spending on WSIG on or before 30 June 2024	100%	54%

Material misstatements

83. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Infrastructure development and basic service delivery. Management did not correct all the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

84. 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.
85. 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.
86. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
87. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual report

88. 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 non-current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
89. The 2022-23 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

Expenditure management

90. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
91. Reasonable steps were not taken to prevent irregular expenditure amounting to R12 602 903 as disclosed in note 47 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM requirements.
92. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R24 346 762 as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charged on long outstanding payments to suppliers.
93. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R127 262 723 as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by non-cash items that was not adequately budgeted for as well as unspent conditional grants which was not cash-backed.

Asset management

94. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
95. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
96. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services and considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by section 14(2)(a) and 14(2)(b) of the MFMA.

Revenue management

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

Strategic planning and performance management

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

Utilisation of conditional grants

100. The municipal infrastructure grant (MIG) was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
101. The WSIG was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
102. The integrated national electrification programme (INEP) grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
103. Performance in respect of programmes funded by the energy efficiency and demand side management (EEDSM) grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

Human resource management

104. I was unable to obtain sufficient appropriate audit evidence that the municipal manager submitted original/certified copies of academic and professional qualifications and proof of previous employment, as required by municipal performance regulations for municipal managers and managers directly accountable to municipal managers 4(4)(b).
105. I was unable to obtain sufficient appropriate audit evidence that financial interests were disclosed by the municipal manager within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
106. The municipal manager did not develop the staff establishment and did not submit it to the municipal council for approval as required by section 66(1)(a) of the MSA.
107. 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 and regulation 31 of municipal staff regulations.

Consequence management

- 108. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
- 109. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
- 110. Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
- 111. Losses resulting from fruitless and wasteful expenditure were written-off as irrecoverable without being certified by council as irrecoverable, in contravention of section 32(2)(b) of the MFMA.

Procurement and contract management

- 112. 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 SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
- 113. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as prescribed by the SCM policy, in contravention of SCM regulations 17(1)(a) and 17(1)(b).
- 114. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
- 115. Sufficient appropriate audit evidence could not be obtained that quotations were only accepted from bidders whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
- 116. Sufficient appropriate audit evidence could not be obtained that goods and services within the prescribed transaction value for competitive bids were procured by inviting competitive bids, as required by SCM regulations 19(a).
- 117. Sufficient appropriate audit evidence could not be obtained that contract were only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.

118. The preference point system was not applied for the procurement of goods and services as required by section 2(1)(a) of the preferential procurement policy framework act 5 of 2000 (PPPFA).

Other information in the annual report

119. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in key performance areas (KPA) presented in the annual performance report that have been specifically reported on in this auditor's report.
120. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
121. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and selected material indicators in the scoped-in KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
122. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

123. I considered internal control relevant to my audit of the financial statements, annual performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
124. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, and the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.
125. Leadership was not effective in ensuring that good governance was in place that set the tone of accountability to protect and enhance the interests of the municipality. Instability in the office of the municipal manager and chief financial officer hindered the creation of systems

and processes allowing the municipality to build stable capacity, enhance the skills of officials and create a culture of good financial and performance disciplines and compliance.

126. Leadership did not provide sufficient oversight over the implementation and monitoring of a sound control environment and the development of policies and procedures. Leadership did not act on audit recommendations made in the prior year and did not monitor the development and implementation of an effective action plan, resulting in many of the findings recurring.
127. Governance structures, i.e. the audit committee and the internal audit, were not effective in ensuring that good governance practices were in place by engaging management to prepare and monitor action plans to address the previous year's audit issues, as well as proper implementation thereof.
128. There was no consequence management at the municipality and officials were not held accountable for irregular, unauthorised and fruitless and wasteful expenditure incurred in the previous financial years.
129. Management did not appropriately review and monitor compliance with applicable laws and regulations, resulting in repeat non-compliance reported above.
130. Management did not implement the required financial disciplines such as proper record keeping, monthly reconciliations and the review of accounting records as well as ensuring financial statements adhere to the accounting framework. The material misstatements were exacerbated by management's lack of adequate review and failure to ensure that information was timeously gathered and filed appropriately to support financial reporting

Material irregularities

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

Status of previously reported material irregularities

Eskom not paid within 30 days

132. The accounting officer did not take all reasonable steps to ensure that amounts due to Eskom for the bulk purchase of electricity were paid within 30 days of receiving the relevant invoice or statement, as required by section 65(2)(e) of the MFMA. The late payment resulted in interest of R3 711 420 being incurred for the period 1 April 2019 to 31 March 2020. The interest incurred is likely to result in a material financial loss for the municipality due to the liability to pay Eskom.
133. The accounting officer was notified of the material irregularity on 25 February 2021. The accounting officer did not take appropriate action to resolve the material irregularity. I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 15 December 2024, with progress reports every 4 months:
- (a) Appropriate action should be taken to develop and commence with the implementation of the financial plan to address the financial problems of the municipality that are preventing it from paying Eskom within 30 days, as required by MFMA section 65(2)(e). The financial plan should include realistic timeframes and milestones to be achieved and include as a minimum strategy:
 - Increase revenue;
 - Increase the collection of revenue;
 - Efficiently manage the available resources of the municipality to optimise costs;
 - Reduce electricity distribution losses; and
 - Negotiate a reasonable payment arrangement with Eskom and properly budget for the amounts to be paid.
134. I will follow up on the implementation of the recommendations after the due date.

Other reports

135. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. The report noted do not form part of the opinion on the financial statements or findings on the reported performance information or compliance with legislation.
136. The Directorate for Priority Crime Investigations of the South African Police Services is investigating alleged fraud and corruption relating to suspected unlawful awarding of a tender to upgrade a bulk water reservoir, with a total value of R38 million, which was awarded in 2022-23. Tender documents have been seized as part of an in-depth investigation. The investigation is still in progress at the date of completion of this report.
137. The former technical director has been arrested by the Priority Crime Investigations of the South African Police Services on Monday 11 December 2023 and charged with alleged fraud, corruption and contravention of the Municipal Management Act, while the company and its director, have been charged with fraud, forgery, uttering and contravention of the Municipal Financial Act. The acting municipal manager and the director of the company were released on bail. The case was postponed to 25 March 2024 for further investigations. The investigation is still in progress at the date of completion of this report.

Auditor General

Bloemfontein

30 November 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

Compliance with legislation – selected legislative requirements

6. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), Sections 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), Sections 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), Sections 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), Sections 171(4)(b)
MFMA: Municipal budget and reporting regulations, 2009	Regulations 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), Regulations 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MSA: Municipal Staff Regulations	Regulations 7(1), 31
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), Regulations 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), Regulations 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), Regulations 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), Sections 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 54A(1)(a), 56(1)(a), Sections 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)

Legislation	Sections or regulations
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), Regulations 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Division of Revenue Act 5 of 2023	Sections 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), Regulations 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	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.
Activities	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> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution’s strategic goals and objectives set out in its plans. Outcomes are “what we wish to achieve”.

Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <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> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

APPENDIXES

APPENDIX 'A' – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
Cllr X Mthukwane	FT	Oversight role - Speaker	ANC – Ward Cllr	98	2
Cllr B Mocwaledi	F/T	EXCO- Mayor Add members: <ul style="list-style-type: none">Cllr II RamohlabiCllr TV Nthapo	ANC - PR Cllr ANC -Ward Cllr DA- PR Cllr	98	2
Cllr II Ramohlabi	P/T	Finance&Technical Committee(Section 80) Add members: <ul style="list-style-type: none">-Cllr A Lebaka-Cllr V Stuurman-Cllr M Terblanche-Cllr TS Moqhoishi	ANC – Ward Councillor	98	2
Cllr TV Nthapo	P/T	Corporate Services & Community (Section 80) Add members: <ul style="list-style-type: none">- Cllr K Molusi- Cllr S Lichaba- Cllr R Lehare	DA – PR Councillor	98	2
Cllr T Kumalo	P/T	Municipal Account Committee (MPAC) Add members: <ul style="list-style-type: none">- Cllr N November- Cllr D Van Staten Terblanche	ANC – Ward Councillor	98	2
Note: * Councillors appointed on a proportional basis do not have wards allocated to them					T A.1

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees		
Municipal Committees		Purpose of Committee
Municipal Public Accounts Committee		Playing an oversight Role over the finances and the administration of the Municipality
Audit Committee		Performing duties as stipulated in Section 166 of the MFMA
Finance Committee		Perform duties as outlined on the legislation and advice council on finance related matters
Technical Services Committee		Perform duties as outlined on the legislation and advice council on technical department related matters
Corporate Services		Perform duties as outlined on the legislation and advice council on Corporate services related matters
Community and LED services		Perform duties as outlined on the legislation and advice council on Community services and LED related matters

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Office of the Municipal Manager	Acting Municipal Manager – Me ST Maneli
Financial Services	Acting Chief Financial Officer – Mr SJ Too
Technical Services	Acting Director: Technical Services – Me P Morokolo
Corporate services	Director: Corporate Services – Vacant
Community Services	Acting Director: Community Services – Mr K Motlhale

APPENDIX D –FUNCTIONS OF MUNICIPALITY/ENTITY

Municipal Functions	
Municipal Functions	Function Applicable to Municipality (Yes / No)*
Constitution Schedule 4, Part B functions:	
Air pollution	No
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	No
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
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
Storm water management systems in built-up areas	Yes
Trading regulations	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	No
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes
T D	

APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor 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
1	Cllr I Ramohlabi	Yes	12	-	-
2	Cllr V Stuurman	Yes	12	-	-
3	Cllr MA Lebaka	Yes	12	-	-
4	Cllr XH Mthukwane	Yes	12	-	-
5	Cllr T Kumalo	Yes	12	-	-
6	Cllr K Molusi	Yes	12	-	-
7	Cllr S Lichaba	Yes	12	-	-

APPENDIX F – WARD INFORMATION

Top Two Service Delivery Priorities for Ward (Highest Priority First)		
Ward No.	Priority Name and Detail	Progress During '2023/24
6 (Petrusburg)	Project A: Electrification of 1000 Households Connections in Bolokanang Ext 7/Petrusburg	The project has reached practical completion, were currently on snag-list. Hoiusewholds connections.
4 & 5 (Koffiefontein)	Koffiefontein Bulk Water and Reservoir	The project is under Construction The project is stalled due to legal issues

Ward Title: Ward Name (Number)				
Capital Projects: Four Largest in '2023/24 (Full List at Appendix O)				
No.	Project Name and detail	Start Date	End Date	R' 000 Total Value
1	Koffiefontein Bulk Water and Reservoir	2022	2024	R44 799 759,59
2	Project A: Electrification of 1000 Households Connections in Bolokanang Ext 7/Petrusburg	2022	2023	R 18 500 000.00
3	Upgrading of Outfall line and sewer pump station in Jacobsdal	2024	2025	R 6,597,012,39
4	<i>Petrusburg/Bolokanang: Upgrading of 1.72km access paved road and storm water (MIS:478052)</i>	2023	2024	R14,388,639.39
5	<i>Koffiefontein/Dithlake: Construction of 4 High Mast Lights (MIS:460812)</i>	2023	2025	R 1,877,671.77
6	<i>Petrusburg/Bolokanang: Construction of 4 High Mast Lights (MIS:460843)</i>	2023	2025	R 1,877,671.77
7	<i>Luckhoff/Relebohile: Construction of 3 High Mast Lights (MIS:460844)</i>	2024	2024	R1,341,270.35
8	<i>Oppermansgronde: Construction of 3 High Mast Lights (MIS:460845)</i>	2024	2025	R1,341,270.35
9	<i>Jacobsdal/Ratanang: Construction of 4 High Mast Lights (MIS:460842)</i>	2023	2025	R 1,877,671.77

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	8916	8223	8040	8081	
Households without minimum service delivery		490	0	0	
Total Households*	8916	8713	8040	8081	
Houses completed in year					
Shortfall in Housing units					

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2023/24

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2023/24	Recommendations adopted (enter Yes) If not adopted (provide explanation)
2023/24 FY	None	None
T G		

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (Largest Contracts Entered into during 2023/24) R' 000					
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
NONE					
T H.1					

Public Private Partnerships Entered into during 2023/24 R' 000					
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	Value 2015/16
None entered into.					
NONE					
T H.2					

APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE

The municipality do not have a municipal entity.

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of 2024 (Previous Financial Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
Mayor		
	Cllr Mocwaledi	Nil
Speaker		
	Cllr Mthukwane	Nil
Member of Exco		
	Cllr Ramohlabi	Nil
	Cllr Nthapo	Nil
Councillors		
	Cllr Lebaka	Nil
	Cllr AN November	Nil
	Cllr Dichaba	Nil
	Cllr Stuurman	Nil
	Cllr Potgieter	Nil
	Cllr Terblanche	Nil
	Cllr Lehare	Nil
	Cllr Molusi	Nil
	Cllr Kumalo	Nil

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R	R	R	R	R
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Sale of goods	153,763	7,400	161,163	-	(161,163)
Service charges	85,875,602	(690,827)	85,184,775	72,633,281	(12,551,494)
Rental of facility/equipment	455,261	68,289	523,550	975,684	452,134
Interest on debtors	6,485,578	-	6,485,578	26,293,947	19,808,369
Licences and permits	5,672	-	5,672	-	(5,672)
Other income	153,845	(79,590)	74,255	582,450	508,195
Dividends received	11,983	-	11,983	11,037	(946)
Interest-external investment	322,383	(90,267)	232,116	428,534	196,418
Revenue from exchange transactions	93,464,087	(784,995)	92,679,092	100,924,933	8,245,841
Revenue from non-exchange transactions					
Taxation revenue					
Property rates and availability charges	27,412,079	-	27,412,079	30,367,840	2,955,761
Interest on debtors	-	-	-	10,152,292	10,152,292
Transfer revenue					
Transfer and subsidies	95,791,000	-	95,791,000	111,947,144	16,156,144
Levies	14,574,422	-	14,574,422	-	(14,574,422)
Donations received	-	-	-	5,429,165	5,429,165
Fines and licences	19,052	5,335	24,387	15,800	(8,587)
Total revenue from non-exchange transactions	137,796,553	5,335	137,801,888	157,912,241	20,110,353
Total revenue	231,260,640	(779,660)	230,480,980	258,837,174	28,356,194

APPENDIX L: CONDITIONAL GRANTS RECEIVED/SPENT

Grants Performance				
Description	2022/23	2023/24		
	Actual	Budget	Adjustment Budget	Actual
<u>Operational Transfers and Grants</u>				
Equitable Shares	65 028 000	84 906 000	84 906 000	84 906 000
Other Transfers	5 084 000	4 000 000	4 000 000	3 665 000
<u>Capital Grants and Transfers</u>				
MIG	8 678 977	19 688 000	19 688 000	11 743 718
INEP	16 348 583	528 000	528 000	528 000
WSIG	19 900 000	31 327 000	20 000 000	11 104 426

APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
Description	2022/23	2023/24			Planned Capital expenditure		
	Actual	Original Budget	Adjusted Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class							
Infrastructure - Total	–			–	–	–	–
Infrastructure: Road transport - Total	–				–	–	–
<i>Roads, Pavements & Bridges</i>							
<i>Storm water</i>							
Infrastructure: Electricity - Total	–				–	–	–
<i>Generation</i>							
<i>Transmission & Reticulation</i>							
<i>Street Lighting</i>							
Infrastructure: Water - Total	–				–	–	–
<i>Dams & Reservoirs</i>							
<i>Water purification</i>							
<i>Reticulation</i>							
Infrastructure: Sanitation - Total	–				–	–	–
<i>Reticulation</i>							
<i>Sewerage purification</i>							
Infrastructure: Other - Total	–			–	–	–	–
<i>Waste Management</i>							
<i>Transportation</i>							
<i>Gas</i>							
Community - Total	–			–	–	–	–
Parks & gardens							
Sports fields & stadia							
Swimming pools							
Community halls							
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other							
Table continued next page							
Table continued from previous page							
Capital Expenditure - New Assets Programme*							

R '000							
Description	2022/23	2023/24			Planned Capital expenditure		
	Actual	Original Budget	Adjusted Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<u>Capital expenditure by Asset Class</u>							
<u>Heritage assets - Total</u>	–			–	–	–	–
Buildings							
Other							
<u>Investment properties - Total</u>	–			–	–	–	–
Housing development							
Other							
<u>Other assets</u>	–				–	–	–
General vehicles							
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other							
<u>Agricultural assets</u>	–				–	–	–
List sub-class							
<u>Biological assets</u>	–				–	–	–
List sub-class							
<u>Intangibles</u>	–				–	–	–
Computers - software & programming							
Other (list sub-class)							
Total Capital Expenditure on new assets	–				–	–	–

APPENDIX N – CAPITAL PROGRAMME BY PROJECT 2023/24

NONE

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2023/24

Capital Programme by Project by Ward: 2023/24 R' 000		
Capital Project	Ward (s) affected	Work s completed (Yes/ No)
Water and Sanitation		
Koffiefontein WTW and Dithlake Bulk Water Storage (4.9 ML Reservoir).	4 & 5	No
Upgrading of Outfall line and sewer pump station in Jacobsdal	7	No
Road and Storm Water		
Project A: Petrusburg/Bolokanang: Upgrading of 1.72km access paved road and storm water (MIS:412513)	3	No
Electricity		
Project A: Electrification of 1000 Households Connections in Bolokanang Ext 7/Petrusburg	6	No
Project B: Retrofitting of Public Lighting (Municipal Buildings & Street lights)	1-7	No
<i>Koffiefontein/Dithlake: Construction of 4 High Mast Lights (MIS:460812)</i>	4&6	NO
<i>Petrusburg/Bolokanang: Construction of 4 High Mast Lights (MIS:460843)</i>	6	NO
<i>Luckhoff/Relebohile: Construction of 3 High Mast Lights (MIS:460844)</i>	1	NO
<i>Oppermansgronde: Construction of 3 High Mast Lights (MIS:460845)</i>	2	NO
<i>Jacobsdal/Ratanang: Construction of 4 High Mast Lights (MIS:460842)</i>	3	NO
ICT and Other		
	-	-
	1	No
	5	No
T O		

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Service Backlogs: Schools and Clinics
--

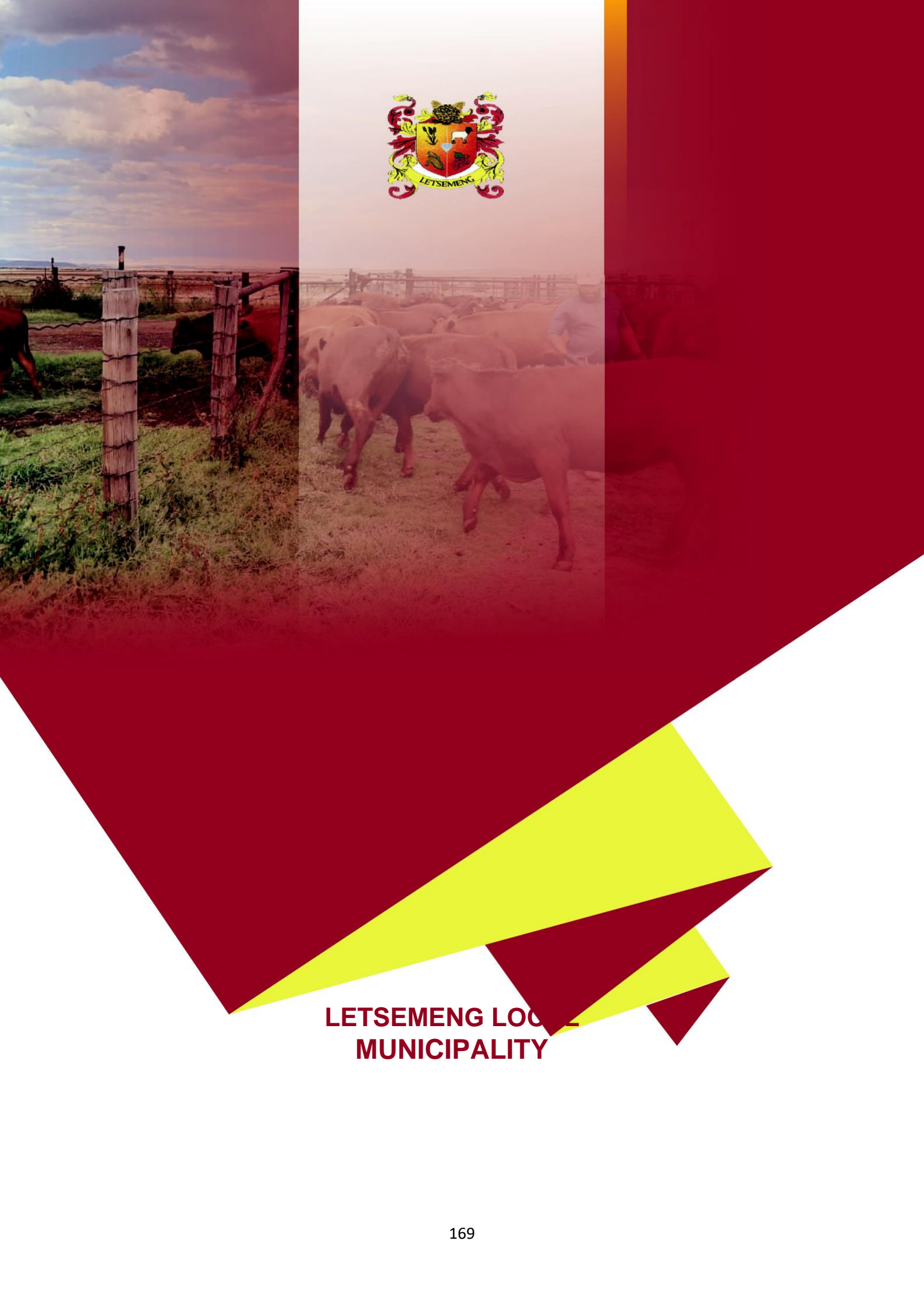
Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
Schools (NAMES, LOCATIONS)				
None that the municipality is aware of.				
Clinics (NAMES, LOCATIONS)				
None that the municipality is aware of.				
<i>T P</i>				

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

Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)		
Services and Locations	Scale of backlogs	Impact of backlogs
Clinics:	None that the municipality is aware of.	
Housing:		
Licensing and Testing Centre:		
Reservoirs		
Schools (Primary and High):		
Sports Fields:		
T Q		

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

Declaration of Loans and Grants made by the municipality: 2023/24				
All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value 2019/20 R' 000	Total Amount committed over previous and future years
No grants or loans were made.				
<i>* Loans/Grants - whether in cash or in kind</i>				
<i>T R</i>				



**LETSEMENG LOCAL
MUNICIPALITY**



Letsemeng Local Municipality

Annual Financial Statements
for the year ended 30 June 2024

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Legal form of entity	South African category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The Letsemeng Local Municipality is situated in the south-western Free State Province within the Xhariep District. The seat of local government is Koffiefontein.
Nature of business and principal activities	Letsemeng Local Municipality is performing functions as set out in the Constitution of South Africa (Act 105 of 1996).
Jurisdiction number	FS161
Mayor	RBI Mocwaledi (Mayor)
Councillors	AN November D Terblanche HX Mthukwane (Speaker) II Ramohlabi NJT Kumalo KD Molusi SD Lichaba M Lehare MA Lebaka MM Potgieter TV Nthapo V Stuurman
Grading of local authority	The Letsemeng Local Municipality is a grade 2 Local Municipality, in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
Chief Finance Officer (CFO)	Mr. SJ Tooï (acting)
Accounting Officers	Mr BC Mekomela Mr T Maine (01 February 2024 - 5 March 2024) Mr K Masekoane (01 July 2023 - 04 October 2023)
Registered office	Civic Centre 7 Grootrek Street Koffiefontein 9986
Business address	Civic Centre 7 Groot trek Street Koffiefontein 9986
Postal address	Private Bag X3 Koffiefontein 9986

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

Bankers

First National Bank
ABSA Bank

Auditors

Auditor-General of South Africa

Attorneys

Bokwa Attorneys
Peyper Attorneys

Preparer

The annual financial statements were independently compiled by:
EMS Solutions (Pty) Ltd

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Index

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

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Cash Flow Statement	10
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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 30 of these annual financial statements, are within the upper limits of the framework as envisages in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 4 - 91, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

Mr BC Mokomela
Accounting Officer

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The Letsemeng Local Municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Letsemeng municipal area.

Net Deficit of the municipality is R 96,436,957 (2023: Deficit R 86,995,860).

2. Going concern

The municipality experienced cash flow difficulties during the financial period. Management considered the following matters relating to the going concern:

- The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The analysis of the going concern is clearly depicted in note 56.

Taking the aforementioned into account, management has prepared the annual financial statements on the going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government will continue to fund the operations of the municipality through the provision of the equitable share, additionally the accounting officer will continue to tightly manage the cashflow of the municipality and where necessary procure funding for the ongoing operations for the municipality.

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstances arising since the end of the financial year.

4. Accounting officers' interest in contracts

The Accounting Officers had no interest in any contracts during the financial period.

5. Accounting policies

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

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

6. Non-current assets

There were no significant changes in the nature of the non-current assets of the municipality during the year.

7. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of submission are as follows:

Name	Nationality
Mr BC Mekomela	South African
Mr T Maine (01 February 2024 - 5 March 2024)	South African
Mr K Masekoane (01 July 2023 - 04 October 2023)	

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

8. Corporate governance

General

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

Management meetings

The Accounting Officer meets the section 56 managers at least on a monthly basis.

Internal audit

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

9. Bankers

The municipality's bankers did not change during the year.

10. Auditors

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

11. Non-compliance with applicable legislation

Significant non-compliance with various legislation have been properly disclosed in note 49 to the financial statements.

12. Retirement benefit obligation

Management performed an actuarial valuation of the council's liability arising from the post-retirement healthcare subsidy ("PHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.

ZAQ Actuarial (Pty) Ltd was appointed to prepare the GRAP 25 reports.

Mr BC Mekomela
Accounting Officer

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Position as at 30 June 2024

	Note(s)	2024 R	2023 Restated* R
Assets			
Current Assets			
Inventories	3	1,578,548	1,856,609
Other receivables from exchange transactions	4	1,739,968	1,788,509
Receivables from exchange transactions	5	31,664,678	58,314,059
Receivables from non-exchange transactions	6	52,977,588	28,346,068
VAT receivable	7	25,196,333	18,327,868
Cash and cash equivalents	8	197,843	343,335
		113,354,958	108,976,448
Non-Current Assets			
Investment property	9	62,070,776	78,507,117
Property, plant and equipment	10	657,307,261	691,862,804
Intangible assets	11	58,982	98,433
Heritage assets	12	15,000	15,000
Other financial assets	13	288,318	251,068
		719,740,337	770,734,422
Total Assets		833,095,295	879,710,870
Liabilities			
Current Liabilities			
Finance lease obligation	14	318,052	255,461
Payables from exchange transactions	15	302,630,547	248,910,166
Consumer deposits	16	1,131,382	1,079,452
Employee benefit obligation	17	1,360,000	408,000
Unspent conditional grants	18	27,102,559	31,364,704
		332,542,540	282,017,783
Non-Current Liabilities			
Finance lease obligation	14	300,264	74,644
Employee benefit obligation	17	8,382,000	7,967,000
Provisions	19	12,898,867	14,242,863
		21,581,131	22,284,507
Total Liabilities		354,123,671	304,302,290
Net Assets		478,971,624	575,408,580
Accumulated surplus		478,971,624	575,408,580

* See Note 52

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

	Note	2024 R	2023 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	20	72,633,281	52,366,005
Dividends received	21	11,037	9,713
Interest received - external investments	21	428,534	354,296
Interest received - outstanding debtors	22	26,293,947	21,711,407
Rental of facilities and equipment	23	975,684	559,192
Other income	24	582,450	326,915
Total revenue from exchange transactions		100,924,933	75,327,528
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	26,333,530	25,105,895
Availability charges	25	4,034,310	10,732,624
Interest earned - outstanding debtors	22	10,152,292	9,012,007
Transfer revenue			
Government grants and subsidies	26	111,947,144	129,718,936
Fines, penalties and forfeits	27	15,800	12,420
Donations	28	5,429,165	2,276,089
Total revenue from non-exchange transactions		157,912,241	176,857,971
Total revenue		258,837,174	252,185,499
Expenditure			
Employee related costs	29	(79,214,349)	(78,643,834)
Remuneration of councilors	30	(5,563,275)	(5,368,596)
Depreciation and amortisation	31	(37,020,496)	(40,003,558)
Finance costs	32	(22,770,445)	(16,417,216)
Debt impairment	33	(88,092,972)	(100,936,463)
Repairs and maintenance	34	(2,509,439)	(7,328,742)
Bulk purchases	35	(49,344,554)	(39,531,572)
Professional and consulting fees	36	(6,789,150)	(10,549,815)
General expenses	37	(29,877,511)	(34,668,406)
Total expenditure		(321,182,191)	(333,448,202)
Operating deficit		(62,345,017)	(81,262,703)
(Loss) gain on disposal of assets and liabilities	38	(4,567,599)	1,653,435
Impairment loss	39	(10,043,588)	(5,545,577)
Fair value adjustments	40	(18,851,266)	1,418,752
Actuarial gains/(loss)	17	(632,000)	(3,009,000)
Inventories gain/(loss)		2,513	(250,767)
		(34,091,940)	(5,733,157)
Deficit for the year		(96,436,957)	(86,995,860)

* See Note 52

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2022	662,404,440	662,404,440
Changes in net assets		
Surplus for the year	(86,995,860)	(86,995,860)
Total changes	(86,995,860)	(86,995,860)
Restated* Balance at 01 July 2023	575,408,581	575,408,581
Changes in net assets		
Surplus for the year	(96,436,957)	(96,436,957)
Total changes	(96,436,957)	(96,436,957)
Balance at 30 June 2024	478,971,624	478,971,624

* See Note 52

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

	2024	2023
	R	Restated* R
Cash flows from operating activities		
Receipts		
Sale of goods and services	49,998,342	38,291,193
Grants and subsidies received	107,684,999	137,644,705
Interest income	428,534	354,296
Dividends received	11,037	9,713
	<u>158,122,912</u>	<u>176,299,907</u>
Payments		
Employee costs	(77,506,265)	(87,757,951)
Supplier and other payments	(43,889,212)	(27,356,539)
Finance costs	(19,749,201)	(14,132,345)
	<u>(141,144,678)</u>	<u>(129,246,835)</u>
Net cash flows from operating activities	<u>16,978,234</u>	<u>47,053,072</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,411,937)	(47,433,424)
Net cash flows from investing activities	<u>(17,411,937)</u>	<u>(47,433,424)</u>
Cash flows from financing activities		
Finance lease payments	288,211	(436,588)
Net increase/(decrease) in cash and cash equivalents	<u>(145,492)</u>	<u>(816,940)</u>
Cash and cash equivalents at the beginning of the year	343,335	1,160,275
Cash and cash equivalents at the end of the year	<u>197,843</u>	<u>343,335</u>

* See Note 52

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R	R	R	R	R
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Sale of goods	153,763	7,400	161,163	-	(161,163)
Service charges	85,875,602	(690,827)	85,184,775	72,633,281	(12,551,494)
Rental of facility/equipment	455,261	68,289	523,550	975,684	452,134
Interest on debtors	6,485,578	-	6,485,578	26,293,947	19,808,369
Licences and permits	5,672	-	5,672	-	(5,672)
Other income	153,845	(79,590)	74,255	582,450	508,195
Dividends received	11,983	-	11,983	11,037	(946)
Interest-external investment	322,383	(90,267)	232,116	428,534	196,418
Revenue from exchange transactions	93,464,087	(784,995)	92,679,092	100,924,933	8,245,841
Revenue from non-exchange transactions					
Taxation revenue					
Property rates and availability charges	27,412,079	-	27,412,079	30,367,840	2,955,761
Interest on debtors	-	-	-	10,152,292	10,152,292
Transfer revenue					
Transfer and subsidies	95,791,000	-	95,791,000	111,947,144	16,156,144
Levies	14,574,422	-	14,574,422	-	(14,574,422)
Donations received	-	-	-	5,429,165	5,429,165
Fines and licences	19,052	5,335	24,387	15,800	(8,587)
Total revenue from non-exchange transactions	137,796,553	5,335	137,801,888	157,912,241	20,110,353
Total revenue	231,260,640	(779,660)	230,480,980	258,837,174	28,356,194
Expenditure					
Employee costs	(79,080,565)	-	(79,080,565)	(79,214,349)	(133,784)
Remuneration of councilors	(5,446,461)	-	(5,446,461)	(5,563,275)	(116,814)
Depreciation / amortisation and impairment loss	(51,145,457)	-	(51,145,457)	(37,020,496)	14,124,961
Finance costs	(9,449,144)	(550,856)	(10,000,000)	(22,770,445)	(12,770,445)
Debt Impairment	(27,588,600)	-	(27,588,600)	(88,092,972)	(60,504,372)
Contracted services	(32,235,000)	15,526,870	(16,708,130)	(9,298,589)	7,409,541
Bulk purchases	(38,000,000)	-	(38,000,000)	(49,344,554)	(11,344,554)
General expenses	(15,903,609)	(135,074)	(16,038,683)	(29,877,511)	(13,838,828)
Inventory consumed	(14,370,000)	3,456,746	(10,913,254)	-	10,913,254
Total expenditure	(273,218,836)	18,297,686	(254,921,150)	(321,182,191)	(66,261,041)
Operating deficit	(41,958,196)	17,518,026	(24,440,170)	(62,345,017)	(37,904,847)
Loss on disposal of assets	-	-	-	(4,567,599)	(4,567,599)
Fair value adjustments	-	-	-	(18,851,266)	(18,851,266)
Actuarial gains/losses	-	-	-	(632,000)	(632,000)
Inventories losses	-	-	-	2,513	2,513
Impairment loss	-	-	-	(10,043,588)	(10,043,588)
Transfers and subsidies	51,543,000	(5,000,000)	46,543,000	-	(46,543,000)
	51,543,000	(5,000,000)	46,543,000	(34,091,940)	(80,634,940)
Surplus / (Deficit)	9,584,804	12,518,026	22,102,830	(96,436,957)	(118,539,787)

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R	R	R	R	R
Statement of Financial Position					
Assets					
Current Assets					
Inventories	14,858,404	3,456,746	18,315,150	1,578,548	(16,736,602)
Other financial assets	463,039	-	463,039	-	(463,039)
Other receivables	4,544,081	-	4,544,081	1,739,968	(2,804,113)
Receivables: exchange	395,788,212	3,255,415	399,043,627	52,977,588	(346,066,039)
VAT receivable	24,272,920	(2,920,955)	21,351,965	25,196,333	3,844,368
Receivables: non-exchange	7,850	-	7,850	31,664,678	31,656,828
Cash and cash equivalents	(30,258,033)	60,380,562	30,122,529	197,843	(29,924,686)
	409,676,473	64,171,768	473,848,241	113,354,958	(360,493,283)
Non-Current Assets					
Investment property	77,119,300	-	77,119,300	62,070,776	(15,048,524)
Property, plant and equipment	2,432,595,576	(5,500,000)	2,427,095,576	657,307,261	(1,769,788,315)
Intangible assets	50,000	(40,000)	10,000	58,982	48,982
Heritage assets	15,000	-	15,000	15,000	-
Other financial assets	432,346	-	432,346	288,318	(144,028)
	2,510,212,222	(5,540,000)	2,504,672,222	719,740,337	(1,784,931,885)
Total Assets	2,919,888,695	58,631,768	2,978,520,463	833,095,295	(2,145,425,168)
Liabilities					
Current Liabilities					
Finance lease obligation	(436,587)	-	(436,587)	(318,052)	118,535
Payables from exchange transactions	(750,705,838)	(46,217,951)	(796,923,789)	(302,630,546)	494,293,243
VAT payable	(12,996,621)	104,208	(12,892,413)	-	12,892,413
Consumer deposits	(943,827)	-	(943,827)	(1,131,382)	(187,555)
Employee benefit obligation	-	-	-	(1,360,000)	(1,360,000)
Unspent conditional grants	-	-	-	(27,102,559)	(27,102,559)
Provisions	(4,000,000)	-	(4,000,000)	-	4,000,000
	(769,082,873)	(46,113,743)	(815,196,616)	(332,542,539)	482,654,077
Non-Current Liabilities					
Finance lease obligation	(4,335,000)	-	(4,335,000)	(300,264)	4,034,736
Employee benefit obligation	-	-	-	(8,382,000)	(8,382,000)
Provisions	(12,174,228)	-	(12,174,228)	(12,898,867)	(724,639)
	(16,509,228)	-	(16,509,228)	(21,581,131)	(5,071,903)
Total Liabilities	(785,592,101)	(46,113,743)	(831,705,844)	(354,123,670)	477,582,174
Net Assets	(2,134,296,594)	(12,518,025)	(2,146,814,619)	(474,569,453)	(477,582,174)
Net Assets					
Reserves					
Accumulated surplus	(2,134,296,594)	(12,518,025)	(2,146,814,619)	(474,569,453)	(477,582,174)

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	80,194,484	(4,023,794)	76,170,690	49,998,342	(26,172,348)
Grants	138,334,000	(5,000,000)	133,334,000	107,684,999	(25,649,001)
Other receipts	834,585	(25,223)	809,362	-	(809,362)
Dividends received	11,983	-	11,983	11,037	(946)
Interest income	10,852,383	(90,267)	10,762,116	428,534	(10,333,582)
	230,227,435	(9,139,284)	221,088,151	158,122,912	(62,965,239)

Payments

Supplier payments and employee costs	(198,827,723)	63,370,427	(135,457,296)	(121,395,477)	14,061,819
Finance charges	(9,449,144)	(550,856)	(10,000,000)	(19,749,201)	(9,749,201)
	(208,276,867)	62,819,571	(145,457,296)	(141,144,678)	4,312,618

Net cash flows from operating activities

	21,950,568	53,680,287	75,630,855	16,978,234	(58,652,621)
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Cash flows from investing activities

Purchase of property, plant and equipment	(52,208,601)	5,540,000	(46,668,601)	(17,411,937)	29,256,664
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Cash flows from financing activities

Finance lease payments	-	-	-	288,211	288,211
Net increase/(decrease) in cash and cash equivalents	(30,258,033)	59,220,287	28,962,254	(145,492)	(28,816,762)
Cash and cash equivalents at the beginning of the year	1,160,275	-	1,160,275	343,335	(816,940)
Cash and cash equivalents at the end of the year	(29,097,758)	59,220,287	30,122,529	197,843	(29,633,702)

All difference above the threshold of 15% between the budgeted amount and the actual amounts are disclosed under note 55.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

These annual financial statements comply with all the requirements of the Standards of Generally Recognised Accounting Practice.

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

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

These accounting policies are consistent with the previous period, unless specifically stated.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and have been rounded off to the nearest Rand.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Service and rates debtors

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

The impairment for trade receivables, 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.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance in the year in which it arose.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges for the property, plant and equipment as well as intangible assets. The municipality re-assess the useful lives and the residual values if material of the individual asset. This estimate is based on industry norms and future plans of the municipality communicated through its strategic planning processes.

If material, management will change the depreciation consideration of the condition and actual use charge where useful lives are more / less than previously estimated."

Post retirement benefits

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

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

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

Allowance for doubtful debts

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

GRAP 24: Presentation of budget information

The comparison of budget and actual amounts were presented separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis.

1.4 Investment property

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

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

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

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

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

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

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.4 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 municipality 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.

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	25 - 50 years
- Improvements	Straight line	25 - 50 years
Plant and machinery	Straight line	3 - 10 years
Furniture and fixtures	Straight line	3 - 10 years
Motor vehicles	Straight line	3 - 7 years
Heavy machinery and vehicles	Straight line	3 - 10 years
Office equipment	Straight line	2 - 7 years
Infrastructure	Straight line	
- Electricity	Straight line	7 - 50 years
- Roads	Straight line	8 - 50 years
- Sewerage and solid waste	Straight line	5 - 50 years
- Stormwater	Straight line	30 - 50 years
- Water	Straight line	5 - 50 years
Community assets	Straight line	
- Buildings	Straight line	20 - 50 years
- Recreational facilities	Straight line	7 - 50 years
- Security measures	Straight line	3 - 5 years
Other property, plant and equipment	Straight line	
- Other equipment	Straight line	2 - 10 years
- Fences and gates	Straight line	15 - 25 years
- Paving	Straight line	3 - 10 years
Other equipment	Straight line	3 - 10 years
Leased assets (computer equipment, copies and cell phones)	Straight line	2 - 3 years

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

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

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

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

Intangible assets are 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.

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1.6 Intangible assets (continued)

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

Item	Depreciation method	Average useful life
Computer software	Straight line	2 - 6 years

Intangible assets are derecognised:

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

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

1.7 Heritage assets

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

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

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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1.7 Heritage assets (continued)

Impairment

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

1.8 Financial instruments

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

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

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

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

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

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

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

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

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.

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1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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;
- combined instruments that are designated at fair value;

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Accounting Policies

1.8 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	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:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.

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Accounting Policies

1.8 Financial instruments (continued)

- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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Accounting Policies

1.8 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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Accounting Policies

1.8 Financial instruments (continued)

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

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

1.9 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.

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1.9 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - 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.

1.10 Inventories

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.10 (continued)

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.

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.12 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.

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

Useful life is either:

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

Identification

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

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

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.

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1.12 Impairment of non-cash-generating assets (continued)

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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1.13 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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1.13 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

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Accounting Policies

1.13 Employee benefits (continued)

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

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Accounting Policies

1.13 Employee benefits (continued)

- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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Accounting Policies

1.13 Employee benefits (continued)

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

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

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

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

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

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

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Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

1.15 Commitments

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

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

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

Measurement

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

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

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

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

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, in surplus or deficit, using the effective interest rate method.

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.

Letsemeng Local Municipality

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Accounting Policies

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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.

Letsemeng Local Municipality

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

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.

There are two types of fines and summonses. Municipalities will usually issue both types of fines. There is uncertainty regarding the probability regarding the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable.

In respect of summonses the public prosecutor can decide whether to waive the revenue amount collected from the spot fines and summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

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.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
- The amount of the revenue can be measured reliably. and;
- There has been compliance with the relevant legal requirement.

The municipality needs to assess the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transactions will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed program may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Division of Revenue Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

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

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Assessment rates

Revenue from rates, including collection charges and penalty interest, is recognised when:

- It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
- The amount of the revenue can be measured reliably. and;
- There has been compliance with the relevant legal requirement.

Changes to property values during a reporting period, which are referred to as "interims, are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 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.

1.20 Comparative figures

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

1.21 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.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.21 Unauthorised expenditure (continued)

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.

1.22 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.

1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Use in estimate

The preparation of financial statements in conformity with the Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in the relevant section of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.25 Value added tax

The municipality is registered with the South African Revenue Services for VAT on the payment basis, in accordance with section 15(2) of the Value Added Tax Act, 1991 (Act No. 89 of 1991).

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.26 Budget information (continued)

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.27 Related parties

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 provincial sphere of government are considered to be related parties.

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

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

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

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

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

1.29 Statutory receivables

Identification

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

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

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.29 Statutory receivables (continued)

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Derecognition

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

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

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

1.30 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).

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.30 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 a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

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

1.31 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• IGRAP 21 on The effect of past decisions on materiality	01 April 2023	Unlikely there will be a material impact
• IGRAP 7 (revised) Limit on defined benefit asset min fund requirement and interact	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (Revised) employee benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (Revised) financial instruments	01 April 2025	Unlikely there will be a material impact

3. Inventories

Consumables stores	1,561,673	1,838,919
Water	16,875	17,690
	1,578,548	1,856,609

Inventories recognised as an expense during the year (2,513) 250,767

Consumable Inventory held by the municipality decreased by R278 061 in the current year (2023 increased: R66 001). Water Inventory held by the municipality decreased R815 in the current year (2023 increased: R1 404).

The cost of water production for the year amounted to R0.65 (2023: R0.65) per kilolitre.

Inventory pledged as security

No inventories have been pledged as security for overdraft facilities of the municipality.

4. Other receivables from exchange transactions

Eskom security held	2,188,803	2,047,567
Sundry deposits	(511,307)	(339,862)
Trade payables from exchange transactions with debit balances	62,472	80,804
	1,739,968	1,788,509

Electricity deposits relate to the deposits held for the bulk Eskom accounts

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
5. Receivables from exchange transactions		
Gross balances		
Electricity	19,698,159	12,796,327
Water	78,677,617	67,364,924
Sewerage	62,034,401	56,324,351
Refuse	59,959,209	53,666,007
Other	1,071,169	995,387
Housing rental	1,347,119	1,330,678
Interest	143,318,982	107,722,910
	366,106,656	300,200,584
Less: Allowance for impairment		
Electricity	(15,306,619)	(9,463,531)
Water	(71,426,603)	(53,698,953)
Sewerage	(57,153,367)	(44,952,818)
Refuse	(55,076,190)	(42,835,754)
Other	(956,072)	(706,763)
Housing rental	(1,203,181)	(1,026,344)
Interest	(133,319,946)	(89,202,362)
	(334,441,978)	(241,886,525)
Net balance		
Electricity	4,391,540	3,332,796
Water	7,251,014	13,665,971
Sewerage	4,881,034	11,371,533
Refuse	4,883,019	10,830,253
Other	115,097	288,624
Housing rental	143,938	304,334
Interest	9,999,036	18,520,548
	31,664,678	58,314,059
Electricity		
Current	1,429,925	1,075,177
31 - 60 days	1,394,105	732,739
61 - 90 days	1,177,160	413,009
91 - 120 days	929,241	558,268
>120 days	14,767,728	10,017,134
Less" impairment	(15,306,619)	(9,463,531)
	4,391,540	3,332,796
Water		
Gross	721,413	1,300,326
Imapirment	1,674,084	1,182,803
61 - 90 days	1,761,143	394,595
91 - 120 days	1,553,439	1,210,836
121 - 150 days	72,967,538	63,276,364
> 150 days	(71,426,603)	(53,698,953)
	7,251,014	13,665,971

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
5. Receivables from exchange transactions (continued)		
Sewerage		
Gross	1,015,843	1,015,973
Impairment	1,065,744	955,199
61 - 90 days	1,065,357	927,480
91 - 120 days	1,032,263	963,957
121 - 150 days	57,855,194	52,461,742
> 150 days	(57,153,367)	(44,952,818)
	4,881,034	11,371,533
Refuse		
Gross	983,236	988,355
Impairment	1,023,229	935,705
61 - 90 days	1,030,517	908,126
91 - 120 days	1,002,409	946,126
121 - 150 days	55,919,818	49,887,695
> 150 days	(55,076,190)	(42,835,754)
	4,883,019	10,830,253
Other		
Gross	16,861	16,105
Impairment	15,118	11,661
61 - 90 days	15,548	11,661
91 - 120 days	11,160	11,661
121 - 150 days	1,012,482	944,299
> 365 days	(956,072)	(706,763)
	115,097	288,624
Housing rental		
Gross	17,326	23,437
Impairment	15,986	20,833
61 - 90 days	27,163	18,025
91 - 120 days	22,704	15,871
121 - 150 days	1,263,940	1,252,512
> 150 days	(1,203,181)	(1,026,344)
	143,938	304,334
Interest		
Gross	410,346	2,133,312
Impairment	2,775,660	2,032,525
61 - 90 days	3,526,896	(846,263)
91 - 120 days	3,451,235	1,823,811
121 - 150 days	164,459,226	102,579,525
> 150 days	(164,624,327)	(89,202,362)
	9,999,036	18,520,548
Reconciliation of allowance for impairment		
Balance at beginning of the year	241,886,525	185,885,837
Contributions to allowance	92,555,453	56,000,688
	334,441,978	241,886,525

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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5. Receivables from exchange transactions (continued)

Consumer debtors pledged as security

None of the receivable from exchange transaction debtors have been pledged as security for the municipality's financial liabilities.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R24 570 161 (2023: R16 501 197) were past due but not impaired.

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

1 month past due	7,963,927	6,733,184
2 months past due	8,603,783	3,425,678
3 months past due	8,002,451	6,342,335

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of receivables from exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the receivables from exchange transactions have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.

6. Receivables from non-exchange transactions

Assessment rates	87,486,524	76,726,033
Provision for impairment	(47,127,512)	(60,191,679)
Interest - non-exchange transactions	39,518,184	39,518,184
Interest - non-exchange provision for impairment	(31,304,382)	(31,304,382)
Other receivables (case under investigation)	455,153	455,153
Availability charges	19,748,104	15,713,794
Provision for impairment	(15,798,483)	(12,571,035)
	52,977,588	28,346,068

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions have been pledged as security for the municipality's financial liabilities.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
6. Receivables from non-exchange transactions (continued)		
Property rates		
Property rates	-	-
Current (0 - 30 Days)	1,978,540	1,877,452
31 - 60 days	1,398,154	1,587,641
61 - 90 days	1,733,275	4,223,432
91 - 120 days	1,619,436	1,451,105
121 - 150 days	80,217,120	67,586,403
Less: impairment	(47,127,512)	(60,191,679)
	39,819,013	16,534,354
Interest - non-exchange transactions	-	-
Current (0 - 30 Days)	835,064	835,064
31 - 60 days	861,719	861,719
61 - 90 days	846,869	846,869
91 - 120 days	811,453	811,453
121 - 150 days	36,163,072	36,163,072
Less: impairment	(31,304,382)	(31,304,382)
	8,213,795	8,213,795
Availability charges	-	-
Current (0 - 30 Days)	504,968	169,088
31 - 60 days	505,264	169,146
61 - 90 days	505,400	169,104
91 - 120 days	18,232,472	15,206,456
Less: impairment	(15,798,483)	(12,571,035)
	3,949,621	3,142,759
Receivables from non-exchange transactions past due but not impaired		
Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R26 514 178 (2023: R25 326 925) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	2,765,273	2,618,506
2 months past due	3,085,544	5,239,405
3 months past due	20,663,361	17,469,014
Receivables from non-exchange transactions impaired		
The amount of the provision was R9 836 719 (as of 30 June 2024 (2023: R 64 092 900).		
The ageing of these loans is as follows:		
Statutory receivables included in Receivables from exchange transactions above are as follows:		
Property rates	40,359,012	16,534,354
Interest	8,213,802	8,213,802
Availability charges	3,949,621	3,142,759

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
6. Receivables from non-exchange transactions (continued)		
Reconciliation of provision for impairment of receivables		
Opening balance	104,067,096	39,974,196
Provision for impairment	(9,836,719)	64,092,900
	94,230,377	104,067,096

The provision for impairment was calculated after grouping all the financial assets of similar nature, risk ratings and assessing the recoverability.

In determining the recoverability of the receivables from non-exchange transactions, the municipality considers any change in the credit quality of the assessment rate debtors from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the provision for impairment.

7. VAT receivable

VAT	25,196,333	18,327,868
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The municipality is registered on the cash basis for VAT purposes. Vat is only paid once vash is received or actual payments are made.

Startutory receivables included in VAT receivables above are as follows:

VAT	25,196,333	18,327,868
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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	143,764	324,306
Short-term deposits	54,079	19,029
	197,843	343,335

There is no cash on hand as at year end.

The management of the municipality is of the opinion that the carrying value of the current investments and bank balances recorded at amortised cost in the financial statements approximate amortised cost.

The municipal bank account was attached by Eskom during the financial period.

The municipality used the investment account to make payments towards salaries.

Xhariep Local Municipality made a payment towards salaries on behalf of Letsemeng Local Municipality on behalf of Letsemeng utilising Letsemeng's funds in 2023.

Cash and cash equivalents pledged as collateral

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities. No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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8. Cash and cash equivalents (continued)

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
First National Bank - Current account - 527115689918	139,071	324,241	488,959	139,071	324,241	488,959
First National Bank - Call account - 62711355132	66	66	66	66	66	66
ABSA Bank - Current account - 409262218	-	-	190,312	-	-	190,312
Nedbank - Money Market - 03/7881110481/000003	19,527	18,008	16,907	-	18,008	16,907
First National Bank - Money Market - 62847543528	136	136	136	136	136	136
ABSA Bank - Current account - 9358983129	34,415	884	463,895	884	884	463,895
Total	193,215	343,335	1,160,275	140,157	343,335	1,160,275

9. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	81,308,927	(19,238,151)	62,070,776	78,584,567	(77,450)	78,507,117

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustment	Disposals	Donations	Total
Investment property	78,507,117	(18,888,514)	(234,877)	2,687,050	62,070,776

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustment	Impairments	Total
Investment property	77,119,300	1,465,267	(77,450)	78,507,117

The fair value of the investment property was provided by First National Bank registered as a Professional Associated Valuers under subsection (2) of section 22 of (Act 47) of 2000 Property Valuers Profession Bill. Amounts recognised in surplus and deficit for the year. Rental revenue from investment property.

Amounts recognised in surplus and deficit for the year.- Rental revenue from investment property **R 975 684** (2023: **R 559 192**)

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024	2023
	R	R

9. Investment property (continued)

Adjustment to fair value

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

The investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality. Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP16.

The following criteria was used to determine whether a property should be classified as an investment property:

A building owned by the municipality and leased out to third parties under one or more operating leases.

Land held for a current undeterminable future use.

Property being constructed or developed for future use as investment property.

No restrictions exist unless the property is being leased out to third parties.

Under construction and Contractual commitments

No investment property was under construction or incurred towards contractual commitments during the financial year.

Repairs and maintenance

No repairs and maintenance was incurred in the running of these properties for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	16,498,479	-	16,498,479	16,498,479	-	16,498,479
Buildings	126,134,159	(73,298,296)	52,835,863	133,620,576	(74,323,238)	59,297,338
Other property, plant and equipment	18,442,499	(9,082,625)	9,359,874	17,329,399	(9,065,720)	8,263,679
Infrastructure	1,394,679,496	(816,611,307)	578,068,189	1,394,531,105	(787,149,006)	607,382,099
Leased assets	1,354,116	(809,260)	544,856	1,174,462	(753,253)	421,209
Total	1,557,108,749	(899,801,488)	657,307,261	1,563,154,021	(871,291,217)	691,862,804

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Donations	Disposals	Transfer through WIP	Transfers to completed	Landfill site change in estimate	Depreciation	Impairment loss	Total
Land	16,498,479	-	-	-	-	-	-	-	-	16,498,479
Buildings	59,297,338	-	-	(78,540)	-	-	-	(4,236,433)	(2,146,502)	52,835,863
Other property, plant and equipment	8,263,679	2,830,545	-	(560,831)	-	-	-	(868,230)	(305,289)	9,359,874
Infrastructure	607,382,099	14,034,505	2,742,115	(3,693,351)	12,520,106	(12,520,106)	(3,352,240)	(31,453,142)	(7,591,797)	578,068,189
Leased assets	421,209	546,887	-	-	-	-	-	(423,240)	-	544,856
	691,862,804	17,411,937	2,742,115	(4,332,722)	12,520,106	(12,520,106)	(3,352,240)	(36,981,045)	(10,043,588)	657,307,261

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transferred through WIP	Disposals	Transfer to completed	Depreciation	Impairment loss	Total
Land	16,498,621	-	-	-	-	-	(142)	16,498,479
Buildings	68,053,175	450,000	2,893,860	(1,677,911)	(2,893,860)	(4,919,515)	(2,608,411)	59,297,338
Other property, plant and equipment	5,371,525	4,147,678	-	(87,343)	-	(746,856)	(421,325)	8,263,679
Infrastructure	598,547,833	46,342,405	7,277,639	(1,100,575)	(7,277,639)	(33,891,723)	(2,515,841)	607,382,099
Leased assets	844,694	-	-	(17,364)	-	(406,121)	-	421,209
	689,315,848	50,940,083	10,171,499	(2,883,193)	(10,171,499)	(39,964,215)	(5,545,719)	691,862,804

Assets subject to finance lease (Net carrying amount)

Other equipment	618,316	421,208
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Other information

Expenditure incurred on repairs and maintenance of property, plant and equipment

Other property, plant and equipment	4,060,640	6,568,081
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Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
10. Property, plant and equipment (continued)		
Reconciliation of Work-in-Progress 2024		
	Included within infrastructure	Total
Opening balance	48,199,012	48,199,012
Additions/capital expenditure	14,034,505	14,034,505
Transferred to completed items	(12,520,106)	(12,520,106)
	49,713,411	49,713,411

Reconciliation of Work-in-Progress 2023

	Included within infrastructure	Included within buildings	Total
Opening balance	10,357,095	2,443,861	12,800,956
Additions/capital expenditure	45,997,641	450,000	46,447,641
Other movements [specify]	(878,085)	-	(878,085)
Transferred to completed items	(7,277,638)	(2,893,861)	(10,171,499)
	48,199,013	-	48,199,013

Other property, plant and equipment includes: computer equipment, furniture and office equipment, machinery and equipment and transport assets.

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

11. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,006,977	(947,995)	58,982	1,006,977	(908,544)	98,433

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	98,433	(39,451)	58,982

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	137,776	(39,343)	98,433

Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the municipality.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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12. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	15,000	-	15,000	15,000	-	15,000

Reconciliation of heritage assets - 2024

	Opening balance	Total
Mayoral chain	15,000	15,000

Reconciliation of heritage assets - 2023

	Opening balance	Total
Mayoral chain	15,000	15,000

13. Other financial assets

Designated at fair value

Unlisted shares	288,318	251,068
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The municipality holds the following non-controlling interests:

Senwes Limited: 3 600 (2023: 3 600) shares
 Senwesbel Limited: 4 990 (2023: 4 990) shares
 OVK: Operational Shares: 4 000 (2023: 4 000) shares
 OVK: Holding Shares: 4 000 (2023: 4 000) shares

Non-current assets

Designated at fair value	288,318	251,068
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Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
13. Other financial assets (continued)		
Financial assets at fair value		
Fair values of financial assets measured or disclosed at fair value		
Class 1: Senwes Limited These shares are valued as per the valuation obtained from the Senwes Limited Transfer Secretaries and represents the fair value as at 30 June.	68,400	54,000
Class 2: Senwesbel Limited These shares are valued as per the valuation obtained from the Senwesbel Limited Transfer Secretaries and represents the fair value as at 30 June.	40,918	40,669
Class 3: OVK Operational shares These shares are valued as per the valuation obtained from the OVK Transfer Secretaries and represents the fair value as at 30 June.	97,000	84,400
Class 4: OVK Holding shares These shares are valued as per the valuation obtained from the OVK Transfer Secretaries and represents the fair value as at 30 June.	82,000	72,000
	288,318	251,069
Fair value hierarchy of financial assets at fair value		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 2 applies inputs which are not based on observable market data.		
Level 3 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 1		
Class 1: Senwes Limited	68,400	54,000
Class 2: Senwesbel Limited	40,918	40,669
Class 3: OVK Operational shares	97,000	84,400
Class 4: OVK Holding shares	82,000	72,000
	288,318	251,069
14. Finance lease obligation		
Minimum lease payments due		
- within one year	318,052	255,462
- in second to fifth year inclusive	300,264	74,643
Present value of minimum lease payments	618,316	330,105
Present value of minimum lease payments due		
- within one year	318,052	255,462
- in second to fifth year inclusive	300,264	74,643
	618,316	330,105

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R
14. Finance lease obligation (continued)		
Non-current liabilities	300,264	74,644
Current liabilities	318,052	255,461
	618,316	330,105

It is municipality policy to lease certain other property, plant and equipment under finance leases.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

15. Payables from exchange transactions

Trade payables	40,969,137	57,895,484
Accrued bonus	1,535,596	1,545,866
Accrued leave pay	8,199,054	6,212,758
Retention monies	548,082	548,082
Employee related liabilities	7,197,621	1,624,288
Eskom	212,915,546	157,696,884
Oranje-Riet	1,072,453	876,351
Kalkfontein	24,589,693	18,498,597
Debtors with credit balances	5,603,365	4,011,856
	302,630,547	248,910,166

	>90 days R	60 days R	30 days R	Current R	Total R
Auditor-General South Africa	1,288,000	52,781	167,131	13,201	1,533,783
Eskom	199,726,515	3,005,779	3,958,584	6,224,686	212,915,546
Kalkfontein	23,747,444	356,761	221,972	263,515	24,589,693
Oranje-riet	542,199	105,775	148,437	276,041	1,072,453

16. Consumer deposits

Water and electricity	1,131,382	1,079,452
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Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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17. Employee benefit obligations

Defined benefit plan

Post-employment medical aid benefit liability

The municipality provides certain post-employment health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the Hosmed, LA Health and Key Health Medical Aid schemes.

The members of the Post-employment medical aid (health care) benefit plan are made up as follows:

- In-service members (employees): 70 (2023: 70)
- In-service non-members (employees): 0 (2023: 0)
- Continuation members (retirees, widowers and orphans): 6 (2023: 6)

Employees may choose from medical aids

Long service award liability

The municipality operates an unfunded defined benefit liability for all its employees. Under the plan, a long service award is every 5 years of continuous service, from 5 to 45 years of service, inclusive. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuation of the present value of the defined benefit obligation were carried out at 30 June 2024. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

The current service cost for the year ending 30 June 2024 is estimated to be R386 000, whereas the cost for ensuing year is estimated to be R404 000.

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
17. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the Post-employment medical aid benefit liability	(5,652,000)	(4,928,000)
Present value of the Long service award liability	(4,090,000)	(3,447,000)
	(9,742,000)	(8,375,000)
Non-current liabilities	(8,382,000)	(7,967,000)
Current liabilities	(1,360,000)	(408,000)
	(9,742,000)	(8,375,000)
The municipality made a contribution of R144 (2023: R216 000) and R69 900 (2023: R493 000) in the next financial year to the post-employment medical aid benefit and long service award liabilities, respectively.		
Changes in the present value of the post-employment medical aid benefit obligation are as follows:		
Opening balance	(4,927,000)	(1,711,000)
Net expense recognised in the statement of financial performance	710,000	(3,216,000)
	(4,217,000)	(4,927,000)
Net expense recognised in the statement of financial performance: Post-employment medical aid benefit liability		
Benefits paid	289,000	216,000
Interest cost	984,000	(186,000)
Actuarial (gains) losses	(563,000)	(3,246,000)
	710,000	(3,216,000)
Changes in the present value of the long service award liability are as follows:		
Opening balance	3,448,000	3,399,000
Net expense recognised in the statement of financial performance	642,000	49,000
	4,090,000	3,448,000
Changes in the fair value of plan assets are as follows:		
Current service cost	386,000	404,000
Interest cost	376,000	375,000
Actuarial gains (losses)	(189,000)	(237,000)
Benefits paid	69,000	(493,000)
	642,000	49,000

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate: Post-employment medical aid benefit liability	10.65 %	12.91 %
Discount rate: Long service award liability	12.28 %	11.07 %
Health care cost inflation rate	8.98 %	8.98 %
General salary inflation	6.50 %	7.35 %
Net discount rate: Post-employment medical aid benefit liability	3.90 %	3.61 %
Net discount rate: Long service award liability	3.82 %	3.47 %
Maximum subsidy inflation rate	5.50 %	6.35 %
Net discount rate: Maximum subsidy inflation rate	7.15 %	7.00 %

Other assumptions

The effect of a 1% movement in the assumed rate of post-employment health care benefit inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	1,064,000	148,000
Effect on the defined benefit obligation	6,059,000	1,251,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	140,000	140,000
Effect on the defined benefit obligation	1,104,000	1,195,000

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	826,000	816,000
Effect on the defined benefit obligation	3,871,000	3,668,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	928,000	714,000
Effect on the defined benefit obligation	4,330,000	3,247,000

Other assumptions

Amounts for the current and previous four years are as follows:

	2024 R	2023 R	2022 R	2021 R	2020 R
Post-employment medical aid benefit liability	5,652,000	4,928,000	1,711,000	2,056,000	1,933,000
Long service award liability	4,090,000	3,447,000	3,399,000	2,903,000	2,481,000

Actuarial gains

Post-employment medical aid benefit liability	563,000	2,772,000
Long service award liability	69,000	237,000
	632,000	3,009,000

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
18. Unspent conditional grants		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	7,944,281	9,280,023
Integrated National Electrification Programme (INEP)	-	2,933,417
Water Services Infrastructure Grant (WSIG)	18,158,278	19,063,705
Energy Efficiency and Demand Side Management Grant (EEDSM)	1,000,000	87,559
	27,102,559	31,364,704

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

Due to the adverse economic environment, a significant portion of amounts due to the municipality in respect of services rendered, property rates and taxes are tied up in receivables. This resulted in amounts earmarked for conditional projects being utilised to ensure smooth running of the municipality. Management is actively following up on outstanding receivables to ensure that projects are completed.

19. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Unwinding of interest	Change in estimate	Total
Environmental rehabilitation	14,242,863	2,008,244	(3,352,240)	12,898,867

Reconciliation of provisions - 2023

	Opening Balance	Additions	Unwinding of interest	Change in discount factor	Total
Environmental rehabilitation	12,174,228	-	1,723,871	344,764	14,242,863
Provision	4,000,000	(4,000,000)	-	-	-
	16,174,228	(4,000,000)	1,723,871	344,764	14,242,863

The provision was based on 100% of the landfill site areas effected as this area is used for dumping of waste. Dumping is limited to a certain portion of landfill sites. The current area effected will have to be rehabilitated, therefore the provision was based on 100% of the current effected areas of the landfill sites.

Jacobsdal	3,416,090	3,802,174
Koffiefontein	4,918,575	5,505,216
Luckhoff	1,762,523	1,956,405
Oppermansgronde	1,317,421	1,444,955
Petrusburg	1,484,257	1,534,113
	12,898,866	14,242,863

20. Service charges

Sale of electricity	35,053,952	27,499,888
Sale of water	17,421,454	5,842,499
Sewerage and sanitation charges	10,412,198	9,671,497
Refuse removal	9,745,677	9,352,121
	72,633,281	52,366,005

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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	2024 R	2023 R
21. Investment revenue		
Dividend revenue		
Other financial assets	11,037	9,713
Interest revenue		
Interest earned - external investments	428,534	354,296
	439,571	364,009
22. Interest earned on outstanding debtors		
Interest - non-exchange transactions	10,152,292	9,012,007
Interest - exchange transactions	26,293,947	21,711,407
	36,446,239	30,723,414
23. Rental of facilities and equipment		
Rental		
Premises	344,232	295,112
Venue hire	631,452	264,080
	975,684	559,192
24. Other income		
Administration fees	261,754	-
Building plan fees	4,092	10,017
Connection and re-connection fees	159,751	102,760
Grave sales	66,068	76,905
Photocopies	26,930	22,581
Tax certificates	54,215	58,029
Tender documents	9,640	56,623
	582,450	326,915
25. Property rates		
Rates received		
Property rates	26,333,530	25,105,895
Availability charges	4,034,310	10,732,624
	30,367,840	35,838,519
Valuations		
Residential	836,845,000	836,845,000
Commercial	179,540,000	179,540,000
State	93,390,000	93,390,000
Municipal	22,330,000	22,330,000
Small holdings and farms	2,258,975,000	2,258,975,000
Other	219,348,000	219,348,000
	3,610,428,000	3,610,428,000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
26. Government grants and subsidies		
Operating grants		
Equitable share	84,906,000	65,028,000
Financial Management Grant (FMG)	3,000,000	3,000,000
National Treasury	-	2,084,705
	87,906,000	70,112,705
Capital grants		
Water Services Infrastructure Grant (WSIG)	11,104,426	19,899,999
Municipal Infrastructure Grant (MIG)	11,743,718	17,372,208
Expanded Public Works Programme Grant (EPWP)	665,000	1,073,000
Integrated National Electrification Programme Grant (INEP)	528,000	16,348,583
Energy Efficiency and Demand Side Management Grant (EEDSM)	-	4,912,441
	24,041,144	59,606,231
	111,947,144	129,718,936

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
26. Government grants and subsidies (continued)		
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	27,041,144	62,606,231
Unconditional grants received	84,906,000	67,112,705
	111,947,144	129,718,936

Equitable Share

In terms of the Constitution, this grant is used to subsidise the nation.

National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	9,280,023	8,693,230
Current-year receipts	19,688,000	17,959,000
Conditions met - transferred to revenue	(19,688,000)	(17,372,207)
Repayment of funds (withheld from the Equitable share allocation)	(1,335,742)	-
	7,944,281	9,280,023

Conditions still to be met - remain liabilities (see note 18).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, and to provide for new, rehabilitation and upgrading of municipal infrastructure.

National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	2,933,417	782,000
Current-year receipts	528,000	18,500,000
Conditions met - transferred to revenue	(528,000)	(16,348,583)
Repayment of funds (withheld from the Equitable share allocation)	(2,933,417)	-
	-	2,933,417

Conditions still to be met - remain liabilities (see note 18).

The grant is allocated to municipalities to improve and upgrade the electricity infrastructure and enhance the electricity capacity within the municipality.

National: Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	19,063,705	13,963,705
Current-year receipts	10,198,999	25,000,000
Conditions met - transferred to revenue	(11,104,426)	(19,900,000)
	18,158,278	19,063,705

Conditions still to be met - remain liabilities (see note 18).

The grant is allocated and used to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
26. Government grants and subsidies (continued)		
National: Financial Management Grant (FMG)		
Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,000,000)	(3,000,000)
	-	-

The Financial Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). All conditions attached to the grant were met and no funds were withheld.

National: Expanded Public Works Programme (EPWP)

Current-year receipts	665,000	1,073,000
Conditions met - transferred to revenue	(665,000)	(1,073,000)
	-	-

The Expanded Public Works Programme (EPWP) Grant is allocated to incentives municipalities to expand work creation efforts through the use of labour incentive delivery methods in the identified focus areas in compliance with the EPWP guidelines. All conditions attached to the grant were met and no funds were withheld.

Energy Efficiency and Demand Side Management Grant (EEDSM)

Balance unspent at beginning of year	87,559	-
Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	-	(4,912,441)
	87,559	87,559

This grant was paid towards electrical infrastructure. All conditions attached to the grant were met and no funds were withheld.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Bill, 2018 (Bill No. 2 of 2018), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Fines, Penalties and Forfeits

Law enforcement fines	15,800	12,420
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28. Donations

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

Road	2,742,115	2,483,007
A road in Oppermansgronde was transferred to the municipality.		
Investment property	2,687,050	-
A farm was donated to the municipality.		

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R
29. Employee related costs		
Basic salaries and wages	40,826,946	47,882,282
Bonus	6,293,378	3,194,984
Overtime payments	7,782,459	7,386,000
Retirement Benefit Liabilities	-	60,089
Housing benefits and allowances	173,013	140,703
Other allowance	10,818,986	8,844,462
Telephone allowance	-	159,792
Pension funds - council contributions	5,725,589	5,979,238
Medical aid funds - council contributions	4,480,882	2,314,166
Long service awards	72,703	165,272
Industrial council	24,152	24,490
UIF	402,307	394,698
Skills Development Levy	602,852	589,811
Short term benefit	758,065	708,472
Employee benefit obligation	722,000	(693,000)
Pensioners allowance	353,004	329,910
Leave pay provision charge	178,013	1,162,465
	79,214,349	78,643,834

Remuneration of Chief Finance Officer - SJ Tooi

Annual remuneration	711,460	733,125
Car allowance	197,932	197,932
Bonus	122,945	60,564
Contributions to UIF, medical aid and pension funds	110,415	72,972
Other allowances	37,225	292,963
	1,179,977	1,357,556

Appointed for the period 01/07/2023 to 31/01/2024 and again 15/03/2024 until 30/06/2024.

Remuneration of Municipal Manager (acting) - BC Mokomela

Annual remuneration	336,435	-
Bonus	28,811	-
Contributions to UIF, medical aid and pension funds	4,714	-
Other allowances	76,954	-
	446,914	-

Appointed for the period 06/10/2023 until 31 January 2024 and 24/03/2024 - 30 June 2024.

Remuneration of Municipal Manager (acting) - T Maine

Annual remuneration	215,521	-
Car allowance	53,880	-
Contributions to UIF, medical aid and pension funds	48,667	-
Other allowances	10,776	-
	328,844	-

Appointed for the period 01/02/2024 until 05/03/2024.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
29. Employee related costs (continued)		
Remuneration of the Director: Community Services - Mr. NI Bonani (acting)		
Annual remuneration	118,507	111,823
Appointed for the period 01/07/2023 - 31/01/2024.		
Remuneration of the Director: Technical Services - Mrs. P Morokolo (acting)		
Acting allowance	249,920	-
Contributions to UIF, medical aid and pension funds	2,980	-
Other allowances	29,910	-
	282,810	-
15/03/2024 until 30 June 2024		
Remuneration of the Director: Technical Services - Mrs. DG Motlogeloa (acting)		
Annual remuneration	612,124	707,306
Car allowance	149,058	253,955
Bonus	-	58,431
Contributions to UIF, medical aid and pension funds	54,793	54,880
Other allowances	24,638	321,996
Acting allowance (Municipal Manager)	-	92,979
	840,613	1,489,547
Appointed for the period 01/07/2023 - 31/01/2024.		
Remuneration of the Director: Community Services - Mr. KJ Motlhale (acting)		
Annual remuneration	249,920	-
Contributions to UIF, medical aid and pension funds	2,980	-
Other allowances	29,910	-
	282,810	-
Appointed for the period 15/03/2024 until 30 June 2024.		
Remuneration of the Director: Corporate Services - Mr. SG Qwelane (acting)		
Acting allowance	105,994	290,991
Appointed for the period 01/07/2023 - 31/01/2024.		
30. Remuneration of councilors		
Mayor	874,593	852,431
Councillors	4,688,682	4,516,165
	5,563,275	5,368,596

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
30. Remuneration of councilors (continued)		
In-kind benefits		
The executive mayor is full-time. The mayor is provided with an office, secretarial support and a full time driver at the cost of the Council.		
The salaries, allowances and benefits were paid within the upper limits of the framework envisaged in Section 219 of the Constitution.		
31. Depreciation and amortisation		
Property, plant and equipment	36,981,046	39,964,215
Intangible assets	39,450	39,343
	37,020,496	40,003,558
32. Finance charges		
Employee benefit obligations	1,013,000	561,000
Trade and other payables	19,749,201	14,132,345
Rehabilitation of landfill site	2,008,244	1,723,871
	22,770,445	16,417,216
33. Debt impairment		
Contributions to debt impairment provision	88,092,972	100,936,463
34. Repairs and maintenance		
Repairs and maintenance	2,509,439	7,328,742
35. Bulk purchases		
Electricity	42,700,241	37,057,761
Water	6,644,313	2,473,811
	49,344,554	39,531,572
36. Professional and consulting fees		
Professional fees		
Business and Financial management	6,789,150	10,549,815

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
37. General expenses		
Accommodation	288,236	283,348
Advertising	148,241	339,221
Auditors remuneration	5,057,175	4,974,221
Bank charges	586,946	789,056
Chemicals	2,485,420	3,636,343
Discount allowed	1,671,023	2,473,681
Commission paid	1,214,321	965,798
Conferences and seminars	-	1,670
Entertainment	219,930	586,136
Fuel and oil	2,179,524	1,753,366
Funeral cost	20,156	53,910
Hire	8,456,623	10,358,077
Insurance	2,763,661	1,819,351
License fees	1,598,675	2,774,784
Other expenses	21,500	36,209
Security (Guarding of municipal property)	-	29,256
Software expenses	-	(33,450)
Subscriptions and membership fees	908,689	786,095
Telephone and fax	468,256	774,981
Training	171,228	167,700
Travel - local	255,136	453,673
Uniforms	28,500	418,318
Ward committee expense	705,793	538,475
Water tests	628,478	688,187
	29,877,511	34,668,406

The amounts disclosed above for other expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered.

38. (Loss) gain on disposal of assets and liabilities

(Loss) gain on disposal of assets and liabilities (R4 567 599) in the current financial year and (R1 653 435) in the prior financial year.

This was due to: during physical verification some of the assets could not be located in the fields due to repairs and maintenance or theft.

39. Impairment of assets

Impairments

Property, plant and equipment	(10,043,588)	(5,545,577)
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Property, plant and equipment have been impaired due to the condition assessments that indicated a decrease in value in use since the last assessment.

40. Fair value adjustments

Other financial assets (Fair value model)	(18,851,266)	1,418,752
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41. Auditors' remuneration

Fees	5,057,175	4,974,221
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Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
42. Cash generated from operations		
Deficit	(96,436,957)	(86,995,860)
Adjustments for:		
Depreciation and amortisation	37,020,496	40,003,558
Gain on sale of assets and liabilities	4,567,599	2,666,655
Fair value adjustments	18,851,266	(1,259,220)
Impairment loss	10,043,588	5,468,127
Debt impairment	88,092,972	-
Movements in retirement benefit assets and liabilities	1,367,000	3,265,000
Movements in provisions	(1,343,996)	(1,931,365)
Other non-cash items	(2,076,925)	(6,823,826)
Changes in working capital:		
Inventories	278,061	(67,405)
Receivables from exchange transactions	36,486,100	37,437,058
Receivables from non-exchange transactions	(122,561,211)	(2,423,443)
Other receivables from exchange transactions	48,541	555,763
Payables from exchange transactions	53,720,380	65,490,290
VAT receivables	(6,868,465)	(16,381,412)
Unspent conditional grants	(4,262,145)	7,925,769
Consumer deposits	51,930	123,383
	16,978,234	47,053,072

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	38,968,217	5,967,210
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Total capital commitments

Already contracted for but not provided for	38,968,217	5,967,210
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This committed expenditure relates to property, plant and equipment and will be financed from government grants.

44. Related parties

These include the total remuneration per councilor and key management, in aggregate for the entire financial year. For remuneration of key management refer to note 29, employee related costs.

Remuneration of councilors

AN November	322,730	311,773
HX Mthukwane	741,982	718,239
MA Lebaka	376,873	371,291
MM Potgieter	322,730	314,442
RBI Mocwaledi	893,498	886,014
TV Nthapo	409,548	396,292
II Ramohlabi	441,702	406,030
V Stuurman	329,047	318,165
M Lehare	342,352	308,867
SD Lichaba	322,730	309,175
NJT Kumalo	402,495	388,846
MM Terblanche	334,856	330,592
KD Molusi	322,732	308,870
	5,563,275	5,368,596

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
44. Related parties (continued)		
Related party transactions		
Compensation of councilors		
Basic remuneration	4,854,147	4,678,377
Telephone allowance	573,300	530,400
Car allowance	52,531	52,531
Medical aid	-	1,096
Travel and subsistence (re-imbursement)	105,192	106,192

No related party transactions were identified during the year.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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45. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	288,318	-	288,318
Other receivables from exchange transactions	-	1,739,968	1,739,968
Cash and cash equivalents	-	197,580	197,580
	288,318	1,937,548	2,225,866

Financial liabilities

	At amortised cost	Total
Finance lease liability	618,316	618,316
Payables from exchange transactions	302,630,546	302,630,546
Consumer deposits	1,131,382	1,131,382
Unspent conditional grants and receipts	27,102,559	27,102,559
	331,482,803	331,482,803

2023

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	251,068	-	251,068
Other receivables from exchange transactions	-	1,788,509	1,788,509
Cash and cash equivalents	-	343,335	343,335
	251,068	2,131,844	2,382,912

Financial liabilities

	At amortised cost	Total
Finance lease liability	330,105	330,105
Payables from exchange transactions	248,910,166	248,910,166
Consumer deposits	1,079,452	1,079,452
Unspent conditional grants and receipts	31,364,704	31,364,704
	281,684,427	281,684,427

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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46. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these annual financial statements.

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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46. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.

- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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46. Risk management (continued)

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on financial assets and financial liabilities are detailed in the Credit Risk Management section of this note.

Price risk

Although shares are held by the municipality, it is not exposed to equity price risks arising from equity investments as the municipality does not actively trade in these investments and the balance is immaterial to the municipality's operations.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

Letsemeng Local Municipality

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	2024 R	2023 R
47. Irregular expenditure		
Opening balance	615,474,233	583,781,007
Add: Current year irregular expenditure	12,602,903	31,693,226
	628,077,136	615,474,233

48. Fruitless and wasteful expenditure

Opening balance	44,280,957	30,148,612
Add: current year fruitless and wasteful expenditure	24,346,762	14,132,345
Less: amount written-off	(14,906,833)	-
	53,720,886	44,280,957

The fruitless and wasteful expenditure for the current year is represented by interest levied on overdue payables due to cash flow constraints experienced by the municipality.

49. Unauthorised expenditure

Opening balance	1,125,180,349	901,155,139
Add: Current year unauthorised capital and operating expenditure	127,262,723	224,025,210
	1,252,443,072	1,125,180,349

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	795,900	608,623
Current year subscription / fee	904,236	795,900
Amount paid - current year	-	(608,623)
	1,700,136	795,900

Distribution losses

Electricity	Lost units	Tariff	Value
Unaccounted Electricity Losses for 2024	4,346,214	0.89	3,868,130
Unaccounted Electricity Losses for 2023	8,423,780	0.89	7,497,164

Electricity losses occur due to inter alia, technical and non-technical losses. Technical losses include inherent resistance of conductors, transformers and other electrical equipment, whilst Non-technical losses include the tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

Volumes in kWh per year

System input volume	39,400,166	32,485,906
Billed consumption	(35,053,952)	(24,062,126)
	4,346,214	8,423,780

Percentage distribution loss (%)	11.03 %	25.93 %
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Water	Lost units	Tariff	Value
Unaccounted Water Losses for 2024	3,399,633	0.65	2,209,761
Unaccounted Water Losses for 2023	2,773,605	0.65	1,802,843

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Water losses occur due to inter alia, tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.		
Volumes in kWh per year		
System input volume	4,332,015	3,765,605
Billed consumption	(932,382)	(992,000)
	3,399,633	2,773,605
Percentage distribution loss (%)	78.00 %	73.00 %
Audit fees		
Opening balance	815,163	2,543,042
Current year subscription / fee	5,057,175	5,110,317
Amount paid - current year	(5,358,132)	(8,329,531)
Other adjustments	138,132	-
Value add tax	758,576	766,548
Credit notes - current year	-	500,673
Interest charges	122,869	224,114
	1,533,783	815,163
PAYE, UIF and SDL		
Opening balance	1,178,898	2,724,228
Current year subscription / fee	11,550,290	10,815,861
Amount paid - current year	(14,563,171)	(15,805,658)
Other (interest and penalties included)	1,335,812	3,444,467
	(498,171)	1,178,898
Pension and medical aid fund contributions		
Opening balance	8,061,119	2,323,009
Current year subscription / fee	16,174,460	9,310,203
Amount paid - current year	-	(3,572,093)
	24,235,579	8,061,119

The balance represents pension aid fund contributions owing to the pension funds, which have been deducted from employees' salaries, however not paid over to the pension funds.

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R
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50. 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 R	Outstanding more than 90 days R	Total R
AN November	3,717	33,261	36,978
HX Mthukwane	3,874	45,602	49,476
J Khumalo	4,942	63,274	68,216
KD Molusi	2,035	51,369	53,404
LE Ramohlabi	3,166	13,469	16,635
M Lehare	3,705	59,649	63,354
MA Lebaka	2,186	9,138	11,324
MM Potgieter	3,724	-	3,724
S Lichaba	3,735	24,283	28,018
TV Nthapo	681	29,888	30,569
V Stuurman	4,607	63,972	68,579
Erfdeel Trust MM (Cllr Terblanche)	6,394	49,849	56,243
	42,766	443,754	486,520

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
AN November	463	6,729	7,192
HX Mthukwane	(663)	44,241	43,578
J Khumalo	342	56,459	56,801
KD Molusi	1,957	44,603	46,560
LE Ramohlabi	-	8,423	8,423
MA Lebaka	1,027	5,392	6,419
MM Terblanche	-	36,566	36,566
V Stuurman	3,841	50,943	54,784
	6,967	253,356	260,323

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

The municipality maintains a detailed register at its offices.

Incident

Emergency procurement	1,670,043	2,190,475
Sole provider	120,348	210,585
Impractical	170,933	-
	1,961,324	2,401,060

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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51. Non-compliance with the MFMA

Chapter	Section	Description
8	62	Not all general financial management function requirements were adhered to during the year, as not all controls operated effective and efficiently.
8	64	Not all revenue management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Not all expenditure management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Due to financial constraints, not all invoices were paid within the legislative 30-days deadline.
14	166	The MFMA requirements for the audit committees were not complied with throughout the financial year.

52. Prior period errors

Statement of financial position

2023

	As previously reported	Correction of error	Restated
Receivables from exchange transactions	59,514,605	(1,200,546)	58,314,059
Receivables from non-exchange transactions	30,628,797	(2,282,729)	28,346,068
VAT receivable	17,844,738	483,130	18,327,868
Property plant and equipment	688,386,651	3,476,153	691,862,804
Payables from exchange transactions	(246,791,301)	(2,118,865)	(248,910,166)
Employee benefit obligation	(4,673,000)	(3,702,000)	(8,375,000)
Accumulated Surplus	(580,753,435)	5,344,857	(575,408,578)
	(35,842,945)	-	(35,842,945)

Statement of financial performance

2023

	As previously reported	Correction of error	Restated
Actuarial gains	5,187,452	(2,178,452)	3,009,000
Depreciation and amortisation	40,026,412	(22,854)	40,003,558
Debt impairment	98,492,306	2,444,157	100,936,463
Repairs and maintenance	6,568,081	760,661	7,328,742
General expenses	32,754,214	1,914,193	34,668,407
Impairment loss	4,667,634	800,493	5,468,127
Surplus for the year	187,696,099	3,718,198	191,414,297

During physical verification certain assets estimated useful lives was changed.

The correction of the error(s) results in adjustments as follows:

Letsemeng Local Municipality

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Notes to the Annual Financial Statements

	2024 R	2023 R
52. Prior period errors (continued)		
Statement of financial position		
Property, plant and equipment	3,476,153	3,476,153
Accumulated surplus	(3,476,153)	-
Statement of financial performance		
Depreciation and amortisation	-	(22,854)
Loss on disposal of assets	-	(4,331,242)
Impairment loss	-	877,943

Correction on Receivables from exchange and non-exchange due to debt impairment calculation. The prior year calculation was reversed, reperformed and accounted for.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Receivables from exchange transactions	(552,683)	(552,683)
Receivables from non-exchange transactions	(2,282,729)	(2,282,729)
Accumulated surplus	2,444,157	-
VAT receivables	-	391,255
Statement of financial performance		
Debt impairment	-	2,444,157

Correction on expenditure due to invoices that were not processed in the prior year which was accounted for now.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
VAT receivables	91,875	91,875
Payables from exchange transactions	(2,766,728)	(2,766,728)
Accumulated surplus	2,674,854	-
Statement of financial performance		
Rapairs and maintenance	-	760,661
General expenses	-	1,914,193

Correction on employee benefit obligations due to additional employees that needed to be accounted for.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Employee benefit obligations	(3,702,000)	(3,702,000)
Accumulated surplus	(3,702,000)	-
Statement of financial performance		
Actuarial Gains/(Loss)	-	3,702,000

Letsemeng Local Municipality

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	2024	2023
	R	R

53. Change in estimate

Property, plant and equipment

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

Other property, plant and equipment	567,968	33,084
Infrastructure assets	8,531,225	-
Land, buildings and community assets	429,318	-
	9,528,511	33,084

Provisions

A change in the estimates of landfill site per town:

Koffiefontein	(1,362,876)	-
Oppermansgronde	(331,273)	-
Petrusburg	(266,167)	-
Luckhoff	(469,734)	-
Jacobsdal	(922,190)	-
	(3,352,240)	-

Letsemeng Local Municipality

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	2024 R	2023 R
54. Contingencies		
Contingent liabilities		
The municipality had the following contingent liabilities at 30 June 2024:		
Syabonga Anele Trading: Cancellation of service level agreement and claim the amount of R7 960 323.	500,000	500,000
Ducharme Consulting (Pty) Ltd: The claimant was appointed by the municipality to prepare the 2017 annual financial statements. The amount billed exceeded the project amount and it is claimed that the additional costs incurred were due to requests from management. The matter is still pending with an amount of R208 568.39 and no resolution has been taken to date.	200,000	200,000
Omphi NoBuhle Trading: Claim in the amount of R662 892 based on loss of profits suffered due to cancellation of tender.	200,000	200,000
M Matswane: Retrospective re-instatement.	150,000	150,000
Werner Diedericks: Summons were issued against the municipality in the amount of R59 306.	80,000	80,000
Veldman Mphatshehla: Claim in the amount of R1 184 634 of a child who got electrocuted by an electric pole in Dithake (Koffiefontein)	500,000	500,000
Motlhom obo Motlhom: The child was electrocuted at one of the Farms in the area of Koffiefontein, the farm is serviced by Eskom in terms of electricity supply, the maintenance and overall management of electricity supply is done by Eskom, Letsemeng is a second responded on this case due to the fact that this incident happened in the area of jurisdiction of Municipality	200,000	200,000
Sebata Municipal Solutions: Sebata continued to provided services to the Municipality despite the fact that Municipality had appointed a service provide in line with Transversal Contract 25 of Municipal Standard Chart of Accounts, Sebata's argument is that the services were not cancelled and such we are liable to pay for services rendered in 2017 financial year.	500,000	500,000
Refilwe Civil & Plant Hire: Municipality appointed Sotika Pty Ltd to refurbish Stadium in Koffiefontein, Refilwe was a cessionary to this contract. Municipality paid all the monies due from this contract to Sotika Pty Ltd and in terms of the contract, Sotika was supposed to pay Refilwe Plant hire but failed to do so, Refilwe is requesting the payment from Municipality as the right of this contact were partly ceded to them.	100,000	100,000
	2,430,000	2,430,000

55. Budget differences

Material differences between budget and actual amounts

Material difference between the adjusted budget and actual amounts are deemed material if it differs with more than 15%. The following is reasons for the material differences identified:

Statement of financial performance:

Service charges: The municipality anticipated that more services would have been billed during the year due to tariff increases. The water consumption was materially less in the current year. They levied R5.6million less on water.

Rental of facilities and equipment: More contracts were entered and an increase in rental rate was applied.

Sale of goods: The municipality did budget for sales of goods. However the income did not materialise.

Licences and permits: The municipality did budget for licences and permits. However the income did not materialise.

Letsemeng Local Municipality

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	2024 R	2023 R
55. Budget differences (continued)		
Levies: The municipality did budget for levies However the income did not materialise.		
Other income: The actual income was less than budgeted for due to purchases during the year. There were less meters tampered with which resulted in less connection and re-connection fees; some of the tenders were available online at no costs which was a result in the decrease of other income.		
Interest on outstanding receivables: More interest was levied on consumer debtor accounts than what was budgeted for. This is a result of consumers not making regular payments on their accounts as anticipated.		
Dividends received: the actual amount received was less than management budgeted for. However the amount is immaterial. The anticipated that the price per share would have been higher at yearend		
Interest on external investments: the municipality did not expected the interest to be more on external investments than budgeted for. No new investments entered; due to higher interest rate the return on the investments were higher.		
Property Rates: due to availability charges that was allocated to revenue from non-exchange transactions, the actual amounts was more than budgeted for.		
Interest on outstanding receivables: More interest was levied on consumer debtor accounts than what was budgeted for. This is a result of consumers not making regular payments on their accounts as anticipated (budgeted amount is for exchange and non-exchange transactions).		
Property rates: Management did not expect that the municipality will levy this amount of availability charges. Management did not consider the tariff increases		
Transfer and subsidies: The municipality received more grants during the year which is stipulated on the DoRA.		
Donations: The municipality did not anticipate that the handover will be done in the current financial year.		
Fines and penalties: The municipality expected the fines and penalties to be more than the actual amount during the year and the amount is not material.		
Depreciation, amortisation and impairment loss: Management budgeted for more depreciation as they thought they would have more assets during the year. Assets were disposed during the year as well as impairment - this was only confirm on yearend when the physical verification was done. Management did expect that they will purchases new assets.		
Finance cost: Although the municipality did not have overdraft facilities whereby interest were charged, the budget was exceeded due to interest being charged on overdue accounts as well as the unwinding of the interest applicable to the provision for the rehabilitation of the landfill sites. Due to financial constraints the municipality is not able to pay suppliers within 30 days		
Debt impairment: The budget amount was a lot less than the actual amount. This amount is due to customers not being able to pay their accounts.		
Bulk purchases: Normal increases in bulk purchases occurred during the year. The budgeted amount lower than this. Management did not consider the tariff increases.		
Contracted services: The municipality anticipated that contracted services will be material. However, the actual amount was less than budgeted for due to assets being maintained and les vandilisem in the current financial year.		
General expenses: Management did not anticipate for general expenses to be this high during the year, which resulted in the budgeted amount being material lower than the actual expenses. Management did not anticipate that Hire cost will be this high during the year. Due to emergency expenses incurred as per the Deviation register.		
Loss on disposal of assets: this was due to physical verification that was done and found that the municipality due not have control on some of their Investment property as well as gains and losses on the municipality's assets was identified during physical verification.		
Inventory consumed: The municipality budgeted for this amount however it did not materialise.		

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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55. Budget differences (continued)

Fair value adjustments: This represents a "non-cash flow" movement, management did not provide / budget for it. The actual amount was a result due to Investment property that is illegally occupied.

Actuarial gains: This represents the loss in employee benefit obligations. As this represents a "non-cash flow" movement, management did not provide / budget for it.

Inventory losses / write-downs: This is due to lack of internal controls over maintenance materials and stationary. As these represent controls within the municipality, management did not provide / budget for it. The amount is clearly trivial.

Impairment loss: management did not expect assets to be impaired in the current year.

Statement of financial position:

Inventories: Management anticipated that more inventory would have been purchased throughout the year, which did not materialise.

Receivables from exchange/non-exchange transactions: Management did not anticipate for the material movement during the year, which resulted in a material difference between the budgeted and actual amounts. Management budgeted for exchange and non-exchange under exchange transactions.

Cash and cash equivalents: Management anticipated to have more money in the bank at year-end, but it did not materialise due to higher expenses during the year. In addition the municipality applied the unspent grants for operational expenses.

Intangible assets: Management anticipated that the amortisation will be higher. However this was not the case.

Other receivables: The municipality anticipated that the other receivables will be higher due to an increase in the specific debtors. However the amount did not increase in the current year because of the other receivables not being that material.

Investment property: The municipality budgeted for the cost price on Investment property. However they did not take into consideration the impairment/fair value adjustment on illegal occupants.

Property, plant and equipment: The municipality budgeted for the property, plant and equipment on the cost price and not on the carrying value. Therefore the budgeted amount is much higher than the actual amount.

VAT payable: The municipality anticipated that they will have a liability on VAT. However this was not the case due to a material amount on the debt impairment calculation.

Heritage assets: No balance was budgeted for, as it is immaterial to the municipality's operations.

Other financial assets: The assets are valued at fair value, which means the municipality should've provided/budgeted for the 2024 disclosed amount with a fair value adjustment, to account for the movement.

Finance lease obligations: management anticipated to enter into new contracts.

Payables from exchange transactions: Due to financial difficulties the actual amount is higher than budgeted for.

Consumer deposits: The actual amounts of deposits received was higher than budgeted for.

Employee benefit obligations: As the calculations are performed yearly. Management do not anticipate adjustments yearly. It is also a non-cash item.

Unspent conditional grants and receipts: The municipality anticipated that all grants received and paid will be utilised for the year, therefore no amount was budgeted for. In addition the conditional grants was used for operational expenditure, which was not the intended purposes of the conditional grant.

VAT receivable: The municipality did not budget for VAT receivable, although VAT materialised. It was not included in managements calculation when performing the budget.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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55. Budget differences (continued)

Provisions: Management anticipated that a material current portion would have incurred however it did not materialise. This should have been budgeted for under non-current as an accumulated amount and not split between current and non-current. In addition a R4 000 000 legal fees which was budgeted for Eskom in the current year due to the legal fees that incurred.

Cash Flow Statement:

Sales of goods and services: Goods and services were not as much as expected and budgeted for. This was due to not all customers being levied.

Grants: Management anticipated that they will receive more grants during the year. However due to unspent grants money with withheld.

Other receipts: Management budgeted more for other receipts. However this did not materialise.

Interest income: The municipality should have budgeted more for suppliers as the trade payables shows the municipality owes suppliers a material amount.

Finance lease payments: Although the municipality did not budget for finance lease payments, the expense incurred during the year.

Finance charges: The amount budgeted for is less than the actual amounts due to the municipality not making payments within 30 days.

Property, plant and equipment: The municipality anticipated that more projects will be awarded and spend on. However this was not the case due to cash flow constraints.

Net increase/(decrease) in cash and cash equivalents: The amount budgeted for is much higher than the actual amount as per the bank statement. Due to unspent grants that was used for different departments.

56. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 478,971,624 and that the municipality's total assets exceed its total liabilities by R 478,971,624.

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

Management considered the following matters relating to the going concern assumption, which indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern:

- The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.
- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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56. Going concern (continued)

- Surplus/Deficit of R96 436 957 (2023: R86 995 860) was realised, Government grants and subsidies contributed R111 947 144 (2023: R129 718 936).
- The municipality's unspent conditional grants for the current year amounted to R27 102 559 (2023: R31 364 704). This is an indication that monies received are not utilised for the specific projects under construction and should be paid back to the relevant parties.
- The municipality owed Eskom R212 915 546 (2023: R157 696 884) and the water boards R24 589 693 (2023: R19 374 948) as at 30 June 2024, which was long overdue.
- The creditors are not paid within 30 days as required by the MFMA due to cash constraints.
- Debt collection period has not improved during the current financial year.
- The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104). A provision for doubtful debt amounting to R88 092 972 (2023: R100 936 463) has been disclosed in the financial statements.
- As at 30 June 2024 the municipality's current liabilities amounted to R332 542 540 (2023: R282 017 783), whilst the current assets amounted to R113 354 958 (2023: R108 976 448).
- The current and acid test ratios are below the required ratio of 0.5:1 and 0.5:1, respectively.

Management have considered the risks, but based on their evaluation of the following mitigating factors have concluded that the going concern assumption is appropriate for the following 12 months:

- The Letsemeng Local Municipality is a municipality within the local government sphere. Currently, in the municipal environment, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2024 financial year, the allocated Equitable Share allocation amounts to R84 906 000 and the Financial Management Improvement Grant to R3 000 000.
- No intention by government has been identified that indicates the discontinuing of financial assistance through the provision of government grants. The DoRA and the Division of Revenue Bill, 2018 furthermore disclosed government's proposed allocation of the 2024 and 2025 financial years. This is evidence of government's continued financial support to be provided to the municipality for the following 36 months.
- The municipality has not been placed under administration for the 12 months ending 30 June 2024.

Letsemeng Local Municipality

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2024	2023
R	R

57. Segment information

General information

Identification of segments

Refer below for the segments identified by the municipality. 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.

Goods and/or services

Finance and administration: vote 2, 3 and 15
Community and social services: vote 9, 10, 11 and 14
Public safety and sports and recreation and environmental protection: vote 5, 6 and 13
Road transport and energy sources: vote 7 and 12
Executive and council: vote 1
Planning and development: vote 4
Waste management: vote 8

Reportable segments

Budget and Treasury Office
Community Services
Corporate Services
Technical Services
Mayor's Office
Municipal Manager
Project Management Unit

Geographical considerations:

The municipality's operations are in the Free State Province, its major geographical areas within the province are Koffiefontein, Jacobsdal, Luckhoff, Petrusburg and Oppermansgronde. Management has as per the GRAP standards decided to report on Letsemeng as a single geographical area.

Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, the geographical area, although five towns are demarcated as a single municipal area in the same province and district municipality and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

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57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
Revenue								
Services charges	72,633,281	-	-	-	-	-	-	72,633,281
Dividends	11,037	-	-	-	-	-	-	11,037
Interest received - outstanding debtors	36,038,917	407,321	-	-	-	-	-	36,446,238
Interest - external investments	428,534	-	-	-	-	-	-	428,534
Rental of facilities	943,045	32,639	-	-	-	-	-	975,684
Other income	572,810	-	9,640	-	-	-	-	582,450
Property rates	30,367,840	-	-	-	-	-	-	30,367,840
Government grants and subsidies	108,419,145	-	-	528,000	-	3,000,000	-	111,947,145
Fines and penalties	15,800	-	-	-	-	-	-	15,800
Inventory loss	-	-	-	2,513	-	-	-	2,513
Donations	5,429,165	-	-	-	-	-	-	5,429,165
Total segment revenue	254,859,574	439,960	9,640	530,513	-	3,000,000	-	258,839,687
Entity's revenue								258,839,687

Notes to the Annual Financial Statements

Figures in Rand

57. Segment information (continued)

Expenditure

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
Employee costs	(13,573,914)	(17,314,046)	(8,952,125)	(32,325,954)	(2,074,923)	(4,973,387)	-	(79,214,349)
Remuneration of councilors	-	-	-	-	(5,563,275)	-	-	(5,563,275)
Depreciation and amortisation	(37,020,496)	-	-	-	-	-	-	(37,020,496)
Impairment loss	-	(10,043,588)	-	-	-	-	-	(10,043,588)
Finance costs	(22,770,445)	-	-	-	-	-	-	(22,770,445)
Debt impairment	(88,092,972)	-	-	-	-	-	-	(88,092,972)
Repairs and maintenance	(406,772)	(278,768)	-	(1,814,949)	-	(8,950)	-	(2,509,439)
Bulk purchases	(7,373,964)	-	-	(41,970,590)	-	-	-	(49,344,554)
Professional fees	(3,322,698)	(149,940)	(2,636,617)	(624,832)	-	(55,064)	-	(6,789,151)
General expenses	(6,316,674)	(936,744)	(2,092,548)	(13,198,156)	(2,054,423)	(5,278,965)	-	(29,877,510)
Loss on disposal of assets	(4,567,599)	-	-	-	-	-	-	(4,567,599)
Fair value adjustments	(18,851,266)	-	-	-	-	-	-	(18,851,266)
Actuarial gains/losses	-	-	(632,000)	-	-	-	-	(632,000)
Total segment expenditure	(202,296,800)	(28,723,086)	(14,313,290)	(89,934,481)	(9,692,621)	(10,316,366)	-	(355,276,644)
Total segmental surplus/(deficit)	52,562,776	(28,283,126)	(14,303,650)	(89,403,968)	(9,692,621)	(7,316,366)	-	(96,436,955)

Assets

Inventories	1,578,548	-	-	-	-	-	-	1,578,548
Other receivables	1,739,969	-	-	-	-	-	-	1,739,969
Receivables	14,674,184	8,779	977,669	68,981,634	-	-	-	84,642,266
Cash and cash equivalents	210,059	-	(12,216)	-	-	-	-	197,843
Investment property	62,070,776	-	-	-	-	-	-	62,070,776
Property, plant and equipment	683,721,237	(13,176,254)	(31,527,162)	(157,255,389)	4,580,569	3,326,851	167,637,410	657,307,262
Intangible assets	1,006,977	-	-	-	-	(947,995)	-	58,982
Heritage assets	-	15,000	-	-	-	-	-	15,000
Other financial assets	288,318	-	-	-	-	-	-	288,318
VAT receivables	25,196,333	-	-	-	-	-	-	25,196,333
Total segment assets	790,486,401	(13,152,475)	(30,561,709)	(88,273,755)	4,580,569	2,378,856	167,637,410	833,095,297

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	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
57. Segment information (continued)								
Total assets as per Statement of financial Position								833,095,297
Liabilities								
Finance lease obligation	(618,317)	-	-	-	-	-	-	(618,317)
Payables from exchange transactions	(302,630,547)	-	-	-	-	-	-	(302,630,547)
Consumer deposits	(1,131,382)	-	-	-	-	-	-	(1,131,382)
Employee benefit obligations	(9,742,000)	-	-	-	-	-	-	(9,742,000)
Unspent grants	(27,015,000)	-	-	-	-	-	-	(27,015,000)
Provisions	(12,898,867)	-	(1,000,000)	912,441	-	-	-	(12,986,426)
Total segment liabilities	(354,036,113)	-	(1,000,000)	912,441	-	-	-	(354,123,672)
Total liabilities as per Statement of financial Position								(354,123,672)

Letsemeng Local Municipality

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57. Segment information (continued)

2023

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
Revenue								
Services charges	52,093,026	-	-	272,989	-	-	-	52,366,015
Dividends	9,713	-	-	-	-	-	-	9,713
Interest received - outstanding debtors	30,386,053	337,362	-	-	-	-	-	30,723,415
Interest - external investments	354,296	-	-	-	-	-	-	354,296
Rental of facilities	548,735	10,456	-	-	-	-	-	559,191
Other income	270,293	-	56,623	-	-	-	-	326,916
Property rates	35,838,518	-	-	-	-	-	-	35,838,518
Government grants and subsidies	105,457,912	-	-	21,261,024	-	3,000,000	-	129,718,936
Fines and penalties	12,420	-	-	-	-	-	-	12,420
Donations	2,276,089	-	-	-	-	-	-	2,276,089
Total segment revenue	227,247,055	347,818	56,623	21,534,013	-	3,000,000	-	252,185,509
Entity's revenue								252,185,509

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	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
57. Segment information (continued)								
Expenditure								
Employee costs	(12,688,089)	(17,993,190)	(6,484,131)	(32,388,945)	(5,210,123)	(3,879,356)	-	(78,643,834)
Remuneration of councilors	-	-	-	-	(5,368,597)	-	-	(5,368,597)
Depreciation and amortisation	(40,003,558)	-	-	-	-	-	-	(40,003,558)
Finance costs	(16,411,911)	-	-	-	-	(5,305)	-	(16,417,216)
Debt impairment	(100,936,463)	-	-	-	-	-	-	(100,936,463)
Repairs and maintenance	(3,400,876)	(131,557)	(12,322)	(3,658,883)	(83,979)	(5,397)	(35,728)	(7,328,742)
Bulk purchases	-	-	-	(39,531,572)	-	-	-	(39,531,572)
Professional fees	(7,195,899)	(188,600)	1,779,035	(3,297,012)	-	(1,647,339)	-	(10,549,815)
General expenses	(7,312,417)	(3,159,792)	(1,671,963)	(14,347,177)	(2,109,077)	(5,811,659)	(256,321)	(34,668,406)
Loss on disposal of assets	1,653,435	-	-	-	-	-	-	1,653,435
Fair value adjustments	1,418,752	-	-	-	-	-	-	1,418,752
Actuarial gains	-	-	(3,009,000)	-	-	-	-	(3,009,000)
Inventory loss	-	-	-	(250,767)	-	-	-	(250,767)
Impairment loss	-	(5,545,557)	-	-	-	-	-	(5,545,557)
Total segment expenditure	(184,877,026)	(27,018,696)	(9,398,381)	(93,474,356)	(12,771,776)	(11,349,056)	(292,049)	(339,181,340)
Total segmental surplus/(deficit)	42,370,029	(26,670,898)	(9,341,758)	(71,940,353)	(86,995,861)	(8,349,056)	(292,049)	(86,995,861)

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	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
57. Segment information (continued)								
Assets								
Inventories	1,856,609	-	-	-	-	-	-	1,856,609
Other receivables	1,788,509	-	-	-	-	-	-	1,788,509
Receivables	26,761,313	-	754,727	59,144,087	-	-	-	86,660,127
Cash and cash equivalents	343,335	-	-	-	-	-	-	343,335
Investment property	78,507,117	-	-	-	-	-	-	78,507,117
Property, plant and equipment	680,833,866	(17,583,052)	39,424	(132,852,546)	4,580,569	1,344,418	155,500,125	691,862,804
Intangible assets	1,006,977	-	-	-	-	(908,544)	-	98,433
Heritage assets	-	15,000	-	-	-	-	-	15,000
Other financial assets	251,068	-	-	-	-	-	-	251,068
VAT receivables	18,327,868	-	-	-	-	-	-	18,327,868
Total segment assets	809,676,662	(17,568,052)	794,151	(73,708,459)	4,580,569	435,874	155,500,125	879,710,870
Total assets as per Statement of financial Position								879,710,870
Liabilities								
Finance lease obligation	(330,105)	-	-	-	-	-	-	(330,105)
Payables from exchange transactions	(248,910,166)	-	-	-	-	-	-	(248,910,166)
Consumer deposits	(1,079,452)	-	-	-	-	-	-	(1,079,452)
Employee benefit obligations	(8,375,000)	-	-	-	-	-	-	(8,375,000)
Unspent grants	(31,364,704)	-	-	-	-	-	-	(31,364,704)
VAT payable	(14,242,863)	-	-	-	-	-	-	(14,242,863)
Total segment liabilities	(304,302,290)	-	-	-	-	-	-	(304,302,290)
Total liabilities as per Statement of financial Position								(304,302,290)

Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

	2024 R	2023 R
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57. Segment information (continued)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

58. Accounting by principals and agents

Resources (assets and liabilities) of the municipality that are under the custodianship of the agent:

Fee paid as commission to the agent - prepaid electricity vending	(1,015,464)	(938,907)
Prepaid electricity sales	17,815,729	14,787,303
	16,800,265	13,848,396

Description of the arrangement

The municipality has a contractual arrangement with Syntel in terms of which they act as an agent of the municipality by vending of prepaid electricity to municipal customers.

Significant terms and conditions

The agent uses its infrastructure and systems to process the transactions on behalf of the municipality and to then pay over the monies collected to the municipality.

Purpose, significant risks and benefits of arrangement

The arrangement enables municipal customers to have convenient access to the agent's outlets and to also buy prepaid electricity.

DRAFT Letsemeng LM - Audit Action Plan								
2023/2024 AUDIT - TO BE IMPLEMENTED IN 2024/2025 FINANCIAL YEAR								
Finding	Rating	Financial	Performance	Compliance	Internal control	Due Date	Proposed Action	Responsible Department
Cash flow statement								
(EV) Cashflow Statement - Differences Identified - (ISS.125)		✓					Review Cashflow statement before submission to AGSA	
Conditional grants								
(EV) Unspent Conditional Grants Insufficient cash available to fund future planned projects & conditional grants were used for operational purposes - (ISS.57)				✓			Ringfence conditional grants funds, and report quarterly to Council on available funds from unspent grants as part of MFMA section 52 report	
(EV) Unspent conditional grants - Amount disclosed not accurate - (ISS.119)		✓					Quarterly update grant register	
Consequence management								
(EV) The Municipality does not have a disciplinary committee in place. - (ISS.128)				✓			Disciplinary Committee to be appointed by Council	
(EV) Consequence management - non-compliance - (ISS.215)				✓			Consequence Management to be implemented	
Employee costs								
(EV) Remuneration of councillors issue, no logbook and proof of ownership of vehicle submitted by Councillors to claim S&T - (ISS.221)		✓					Councillors to submit logbooks Monthly and proof of ownership in line with upper limits before any S&T can be claimed	
(EV) Pension fund contributions not paid over to the funds - (ISS.148)		✓					Enter into payment arrangements with Pension funds	
(EV) Internal control deficiency - Organisational Structure - (ISS.6)					✓		Review the current organisational structure	
(EV) Employee Verification - Limitation - (ISS.127)					✓		Undertake employee verification process (The process must be well documented)	
(EV) Employee Related Costs: Overtime (Differences Identified) (ISS.139)		✓					Pre-approved overtime and approval of overtime forms to be submitted to Finance on a monthly basis and not just a spreadsheet indicating how many hours each employee worked	
(EV) Employee Related Costs: Notches (Limitation) - (ISS.142)		✓					Municipality to look into possibilities of introducing Notches	
(EV) Employee Related Costs- Difference between AFS, GL and Payroll report - (ISS.61)		✓					Review financial information before submitting to the office of Auditor General	
(EV) Employee Related Cost (Appointment and Terminations) - (ISS.143)					✓		All employees terminated to be declared as inactive to avoid being paid when they are no supposed to be paid	
General IT controls								
(EV) ITEC: Prior year findings not yet addressed - (ISS.49)						✓		
Going concern								
(EV) Fiscal pressures - (ISS.217)		✓					Revenue enhancement strategy to be implemented and cost containment measure to be reported on	
(EV) Budget – Municipality has an unfunded budget - (ISS.226)				✓			Budget for realistically anticipated revenues to be collected, Expenditure has to be in line with revenues to be collected	
Governance								
(EV) Internal control deficiency - Risk committee - Meetings held - (ISS.5)					✓		Appoint risk management committee	
(EV) Internal control deficiency - Internal audit - (ISS.17)					✓		Appoint audit committee	
(EV) Internal control deficiency - Inadequate Action Plan - (ISS.2)					✓		Prepare action plan that addresses all areas that AGSA have raised	

DRAFT Letsemeng LM - Audit Action Plan								
2023/2024 AUDIT - TO BE IMPLEMENTED IN 2024/2025 FINANCIAL YEAR								
Finding	Rating	Financial	Performance	Compliance	Internal control	Due Date	Proposed Action	Responsible Department
(EV) Internal control deficiencies - Policies not regularly reviewed/ not approved and discussion with management on ethics not taking place - (ISS.1)					✓		Review Policies annually	
Segment reporting								
(EV) Segment reporting - difference between statement of financial position and segment note - (ISS.230)		✓					Review AFS before submitting to AGSA to ensure accuracy	
Use of consultants								
(EV) Use of consultants - (ISS.48)				✓			Prepare consultants reduction plan and implement within the next 3 financial years	
Investment property								
(EV) Differences Noted - Investment property - (ISS.56)				✓			Account for Investment property using IGRAP 18 and GRAP 16 - Any land not within the control of Municipality to be removed from IP Register	
Expenditure								
(EV) Repairs and maintenance - prior period error - differences - (ISS.166)		✓					Review AFS and Ledger accounts to ensure that all accounts disclosed meet the definition of Repairs and maintenance	
(EV) Repairs and maintenance - Completeness issues - (ISS.158)		✓					Review AFS and Ledger accounts to ensure that all accounts disclosed meet the definition of Repairs and maintenance	
(EV) Repairs and Maintenance - Classification issues - (ISS.163)		✓					Review AFS and Ledger accounts to ensure that all accounts disclosed meet the definition of Repairs and maintenance	
(EV) Impairment loss - differences in calculation - (ISS.224)		✓					Review AFS and Ledger accounts to ensure that impairment losses are accounted for correctly	
(EV) General expenditure - Chemicals - amounts not captured accurately in the general ledger - (ISS.149)		✓					Verify that amount recognised in the ledger are correct and VAT is correctly accounted for	
(EV) Expenditure management - Non-compliance - (ISS.214)				✓			Enter into payment arrangements with services providers not paid within 30 Days	
(EV) Difference between Actuarial gain on schedule and AFS - (ISS.160)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Bulk purchases - invoice not recorded in the general ledger - (ISS.154)		✓					Record all invoices on the ledger, and keep invoices register.	
Payables								
(EV) Trade payables: Classification issue - (ISS.178)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Payables from exchange transactions [Reconciliation issues] - (ISS.54)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Payables from exchange transaction: Trade payables [Accuracy] - (ISS.193)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Payables from exchange - leave accrual differences - (ISS.212)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Leave accrual - Existence - (ISS.219)		✓					Ensure that leave balances as per AFS balance to leave register, and update the leave register on a monthly basis	
(EV) Differences Noted in - Accrued Leave - (ISS.171)					✓		Review AFS and supporting documents to ensure accuracy	
Procurement and Contract Management								
(EV) SCM – PPR issues identified - (ISS.192)				✓			Ensure that procurement is done in line with PPR	
(EV) SCM Deviations: Declarations not submitted - (ISS.190)				✓			MBD 4 Forms to be submitted with all the procurement documents	

DRAFT Letsemeng LM - Audit Action Plan								
2023/2024 AUDIT - TO BE IMPLEMENTED IN 2024/2025 FINANCIAL YEAR								
Finding	Rating	Financial	Performance	Compliance	Internal control	Due Date	Proposed Action	Responsible Department
(EV) SCM Deviations Tax matters in order - (ISS.189)				✓			SCM to verify that all services providers appointed on deviation have their tax matters in order.	
(EV) SCM - Interest state - awards made to suppliers in the service of the state - (ISS.168)				✓			MBD 4 Forms to be submitted with all the procurement documents	
Provision								
(EV) Provisions - No operational license for landfill sites - (ISS.218)				✓			Apply for operational licenses for all landfill sites in Municipality	
(EV) Provision - Difference between the report and auditor's recalculation of closing balance - (ISS.203)		✓					Review AFS and supporting documents to ensure accuracy	
Provision								
(EV) Receivables from non-exchange transactions - Restated amount not accurate - (ISS.202)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Receivables from non-exchange transactions - Limitation of scope of age analysis - (ISS.30)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Receivables from non-exchange transactions (Availability charges) - Accuracy and classification issues noted - (ISS.135)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Receivables from exchange transactions - PY follow up - (ISS.162)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Receivables from exchange transactions - Interest charged incomplete - (ISS.191)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Receivables from exchange transactions - Accuracy and valuation of Debtors - (ISS.137)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Debt impairment (Receivables from non-exchange transactions) - (ISS.161)		✓					Review AFS and supporting documents to ensure accuracy	
EV) Debt impairment (Receivables from exchange transactions) - (ISS.159)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Debt impairment _ Differences noted from recon performed (Note 32 vs Note 5 and 6) - (ISS.184)		✓					Review AFS and supporting documents to ensure accuracy	
Revenue								
(EV) Service charges - Water completeness (Customers not billed) - (ISS.175)		✓					Ensure that all customers are billed	
EV) Service charges - Sewerage and Sanitation not Complete - (ISS.113)		✓					Ensure that all customers are billed	
(EV) Service charges - Sewerage and Sanitation charges not accurate - (ISS.112)		✓					Ensure that all customers are billed	
(EV) Service charges - Refuse removal - Accuracy - (ISS.105)		✓					Ensure that all customers are billed	
(EV) Service charges - Reconciliation differences from the billing reports and AFS - (ISS.187)		✓					Review ledger and AFS to ensure accuracy	
(EV) Service charges - Reasonability test on interims (Estimate) - (ISS.186)		✓					Interims to be used for only 3 months	
EV) Service charges - Completeness of revenue from refuse removal - (ISS.111)		✓					Ensure that all customers are billed	
(EV) Service charges - Completeness (Conventional) - (ISS.156)		✓					Ensure that all customers are billed	
EV) Service charges - Basic water and consumption audit differences - (ISS.174)		✓					Ensure that all customers are billed	

DRAFT Letsemeng LM - Audit Action Plan								
2023/2024 AUDIT - TO BE IMPLEMENTED IN 2024/2025 FINANCIAL YEAR								
Finding	Rating	Financial	Performance	Compliance	Internal control	Due Date	Proposed Action	Responsible Department
(EV) Service charges - Accuracy of conventional electricity - (ISS.181)		✓					Ensure that all customers are billed	
(EV) Revenue from non-exchange transactions - Property rates general valuation - (ISS.102)					✓		Ensure that all customers are billed	
(EV) Revenue from non-exchange transactions - Property rates did not occur and incorrectly classified - (ISS.104)		✓					Ensure that all customers are billed	
(EV) Revenue from non-exchange transactions - Differences in calculating property rates - (ISS.100)		✓					Ensure that all customers are billed	Year - 1
(EV) Revenue from non-exchange transactions - Completeness (Availability charges) - (ISS.136)		✓					Ensure that all customers are billed	
(EV) Revenue from non-exchange transactions - Availability charges not recorded on the valuation roll - (ISS.106)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Revenue from non-exchange transactions - Availability charges nonoccurrence - (ISS.94)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Revenue from non-exchange transactions - Availability charges misclassification - (ISS.107)		✓					Review AFS and supporting documents to ensure accuracy	Year - 1
(EV) Revenue from exchange and non-exchange transactions - revenue foregone not disclosed on the financial statements - (ISS.229)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Property rates - Differences identified between the billing report and AFS - (ISS.51)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Prepaid electricity - Syntel and electricity sales from the municipality not accurate - (ISS.117)		✓					Review AFS and supporting documents to ensure accuracy	
(EV) Donation - Differences identified [Disclosure vs Note] - (ISS.53)		✓					Ensure that all donations are reocoded correctly with supporting documents to corroborate the disclosure	
Strategic planning								
(EV) Performance management and monitoring - (ISS.35)				✓			Develop PMS for all Municipal Staff and not only senior managers	
(EV) AFS compliance - 2022-23 annual report not tabled in council - (ISS.225)				✓			Tabel 2022/2023 Annual Report to Council	
Taxes								
(EV) VAT Receivables: Accuracy issues in prior period error adjustments - (ISS.199)		✓					check that ledger and afs VAT is disclosed correctly and VAT 201 is correct	
(EV) VAT incorrectly paid for property rates - (ISS.134)		✓					check that ledger and afs VAT is disclosed correctly and VAT 201 is correct	
(EV) Accuracy and occurrence issues noted on VAT Receivable - (ISS.185)		✓					check that ledger and afs VAT is disclosed correctly and VAT 201 is correct	
UIFW								
(EV) Irregular expenditure - Accuracy issues - (ISS.205)		✓					All irregular expenditure to be reocoded on the register and presented to MPAC	
(EV) Internal control deficiency - UIFW expenditure registers - MFMA Circular 68 - (ISS.18)				✓			Review registers to be in line with MFMA 68	
(EV) Deviations - (ISS.188)		✓					Deviations to be reported to Council	

Quarter 2 - Progress on Audit Action Plan

Finding	Priority	Action to resolve the finding	Responsible Department	Responsible Person	Due Date	Progress
Cash and cash equivalents						
Bank signatories not updated timeously: FNB accounts -(ISS.197)	Medium	Inform Banks timeously when bank signatories are changed, submit all supporting documents including Council resolution when changes are made	Municipal Manager	MM	Continuous	100%
Employee costs						
Employee related costs: Differences between overtime recorded and support received - (ISS.68)	Medium	Internal Control on overtime to be improved - Departments to Submit pre-approved overtime forms and recommendation to pay overtime worked, only pay the actual hours worked as certified by Supervisor or head of department	All Departments	All Directors	Monthly	90%
Employee related costs: Accuracy issues in remaining population (Travelling allowance) - (ISS.72)	Medium	Only use department of transport rates to calculate the amount paid to employees on a monthly basis. All claims must be signed by HODs	Finance	Manager: Expenditure and Payroll / CFO	Monthly	90%
Employee related costs: Terminations issues -(ISS.74)	Medium	Human Resource section to terminate the employee on the system immediately when the employee is no longer employed by Municipality, all correspondence pertaining to this termination to be filed in the employees personal file - Finance department to process leave payout (if any) a month after employee ceases to be employee of Municipality	HR and Finance	HR Manager and Expenditure and Payroll Manager	Monthly	In progress
Employee related costs: difference between reconciliation and AFS disclosure -(ISS.106)	Medium	Review Monthly reconciliations and correct any discrepancies, Review AFS before submission to AGSA	Finance	CFO	Monthly	in progress
Employee related costs: Employee included in indigent listing -(ISS.115)	Medium	Update indigent register on a monthly, and all project workers to disclose household income before registering as indigents	Finance	Manager: Revenue and Reporting	Continuous	In progress
Limitation of scope: Employee related costs - Overtime (RFI 127 of 2023) -(ISS.169)	High	Internal Control on overtime to be improved - Departments to Submit pre-approved overtime forms and recommendation to pay overtime worked, only pay the actual hours worked as certified by Supervisor or head of department	All Departments	All Directors	Monthly	90%
Planning						
Limitation of scope: Planning (RFI 01 of 2023) -(ISS.1)	Medium	All RFIs as issued by AGSA to be attended to	PMS (Office of MM)	Strategic Manager	30-Jun-24	In progress
Limitation of scope: Planning (RFI 11; 12; 13; 14; 15 and 16 of 2023) -(ISS.5)	Medium	All RFIs as issued by AGSA to be attended to	PMS (Office of MM)	Strategic Manager	30-Jun-24	In progress
Limitation of scope: Planning (RFI 02; 03; 04; 06; 07; 08 and 10 of 2023) -(ISS.6)	Medium	All RFIs as issued by AGSA to be attended to	PMS (Office of MM)	Strategic Manager	30-Jun-24	In progress
Limitation of scope: Planning (RFI 18; 19; 20 and 23 of 2023) -(ISS.7)	Medium	All RFIs as issued by AGSA to be attended to	PMS (Office of MM)	Strategic Manager	30-Jun-24	In progress
Planning: Variance between the budgeted expenditure per vote and per type in revised SDBIP and amended Budget Control deficiency -(ISS.131)	Medium	Ensure that the correct budget is used in the SDBIP - CFO to certify that the amounts on SDBIP are correct	Finance	CFO/ Manager Budget	28 July 2023 and 30 April 2024	In progress
AOPQ: Planning issues TL 1 and TL 4 -(ISS.200)	Medium	Enhance the review of the annual performance report prior to submission for audit purposes and ensure that all information that is included in the annual performance report is accurate, valid and complete. Ensure that Technical Indicator Description (TID) are included for all indicators	PMS (Office of MM)	Strategic Manager	01-Jul-23	In progress
Limitation of scope RFI 129 - MFMA Capacity and Capability -(ISS.194)	Medium	All RFIs as issued by AGSA to be attended to (Employees Files to be submitted to AGSA when requested to, furthermore ensure that all eligible employees have MFMP qualification	HR	Manager: HR	30-Jun-24	In progress
Additional MFMA disclosures						

Finding	Priority	Action to resolve the finding	Responsible Department	Responsible Person	Due Date	Progress
Additional MFMA Disclosures issues -(ISS.109)	Medium	Ensure that all disclosures in term of MFMA are included in the AFS - Prepare a schedule of MFMA disclosures and review this on a quarter basis	Finance	CFO		In progress
Debt impairment						
Debt Impairment - Differences have been noted between the schedule and the AFS - (ISS.162)	Medium	Review Monthly reconciliations and correct any discrepancies, Review AFS before submission to AGSA	Finance	CFO	Monthly	in progress
Segment reporting						
(M) (REMAINS)(MATERIAL ADJUSTMENT) Segment reporting: Accuracy of information on AFS and disclosure issues noted in note 54 Segment Reporting -(ISS.26)	Medium	Review Monthly reconciliations and correct any discrepancies, Review AFS before submission to AGSA	Finance	CFO	Monthly	in progress
Internal control deficiencies						
Internal control deficiencies Policies not regularly reviewed/ not approved -(ISS.2)	Medium	Directors to advice on which policies to review based on new legislation being introduced	All Departments	All Directors	Continuous	In progress
Internal control deficiencies Inadequate audit action plan -(ISS.4)	Medium	Audit Action Plan did not include actions to implement to correct any misstatements identified, this Audit Action Plan include recommendations	All Departments	All Directors	01-Apr-24	100%
Internal control deficiencies High vacancy rates in Senior Positions -(ISS.10)	Medium	Council to fill positions within stipulated timeframes	MM	MM	Continuous	In progress
Internal control deficiencies_Non-compliance to Risk Committee Charter -(ISS.11)	Medium	Review Risk Committee Charter	MM	Risk Committee	30-Jun-24	In progress
Internal control deficiencies Internal audit -(ISS.12)	Medium	Council to pay affiliation fees to IIA for Municipal Internal Auditors (Ensure that Internal Auditors are registered with the institute of internal Auditors)	MM	MM	30-Jun-24	In progress
Internal control deficiencies: Performance management and monitoring -(ISS.14)	Medium	Continuously review PMS policy	PMS (Office of MM)	MM	30-Jun-24	In progress
Internal control deficiencies: UIFW expenditure registers - MFMA Circular 68 -(ISS.15)	Medium	Management should ensure that their Unauthorised, Irregular and Fruitless & Wasteful Expenditure registers are prepared in line with Guidelines as per MFMA Circular 68 - Review and ensure that UIFW expenditure are prepared in line with MFMA Circular 68	Finance	CFO	30-Jun-24	In progress
Internal control deficiency: Procurement and Contract Management: Inadequate SCM delegations policies -(ISS.23)	Medium	Review SCM policy to include delegations in the policy	Finance	CFO	30-Jun-24	100%
Internal control deficiencies: Audit Committee -(ISS.25)	Medium	Municipal Manager to ensure that Audit Committee to review their annual work plan and table reports to Council	MM	MM	Continuous	In progress
Use of consultants -(ISS.58)	Medium	Prepare Consultants reduction plan, Include Skills transfer on the contract of Consultants, Train officials in BTO	Finance	CFO	Continuous	In progress
(Control deficiency) Leave accruals - Differences identified -(ISS.62)	Medium	Accrued Leave payout is adjusted in line with adjustments to Salaries and Wage agreements in line with SALGBC wage agreement	Finance	CFO	30-Jun-24	In progress
Expenditure - PO not appropriately authorised (Control deficiency)-(ISS.76)	Medium	Management should ensure that all purchase orders are approved by delegated official before payment of invoices to ensure that expenses raised are valid transactions	Finance	CFO	30-Jun-24	In progress
Expenditure compliance - Payments not appropriately authorised -(ISS.84)	Medium	Provide an audit trail from FNB with all payments made to indicate that CFO has approved all the payments	Finance	Manager Expenditure and Payroll	30-Jun-24	In progress
Irregular expenditure: Register does not indicate reason for inclusion in register -(ISS.111)	Medium	review irregular expenditure register and Include reasons why an item is regarded as irregular expenditure	Finance	SCM Manager	30-Jun-24	In progress

Finding	Priority	Action to resolve the finding	Responsible Department	Responsible Person	Due Date	Progress
Pension and medical aid contributions not paid over to the funds -(ISS.113)	Medium	Enter into payment arrangement with Third Parties for any amounts not paid over to them	MM	MM	30-Jun-24	In progress
Employee related costs: Appointment and termination listing provided for audit not complete -(ISS.117)	Medium	Monthly update appointment and termination, HR Manager to sign to confirm that they are accurate	HR	HR Manager	30-Jun-24	In progress
SCM: Contract register not complete (control deficiency) -(ISS.120)	Medium	Ensure that all contracts are in the contract register and include award and end dates. Include contract amounts, details of cessions (N/A if any) and extensions (N/A if any). Contracts which ended during the year, are still included. The contract register should not be drawn from scratch every year, but should rather build on the prior year's complete register.	Technical and Finance	PMU Technician and SCM Manager	30-Jun-24	In progress
SCM-Quotation-Purchase order not attached (control deficiency) -(ISS.146)	Medium	Purchase orders to be attached to payment voucher before payment can be made	Finance	Expenditure Accountant/ SCM Accountant	30-Jun-24	In progress
Limitation of scope RFI 130 - Water and sanitation services, wastewater management - (ISS.195)	Medium	All RFIs as issued by AGSA to be attended to	Technical	Manager: Water and Sanitation	30-Jun-24	In progress
Limitation of scope RFI 128 - Past electricity and water meters projects -(ISS.201)	Medium	All RFIs as issued by AGSA to be attended to	Technical	Manager: Electricity	30-Jun-24	In progress
Planning: Internal control deficiency: Capital assets business process -(ISS.193)	Medium	All write off to be approved by Council - all Journals of write off to be supported by council resolution or a letter from Accounting officer confirming such write offs	Finance	CFO	30-Jun-24	In progress
Going Concern- Monthly reports not submitted for audit purpose -(ISS.151)	Medium	Proof of Submission of MFMA section 71 to Treasury, Mayor	Finance	CFO/ Manager: Budget	30-Jun-24	In progress
Non-compliance: No licences for landfill sites -(ISS.165)	Medium	Construct new Landfill sites in Luckhoff and Oppermansgronde and apply for licensing	Community Services	Director Community Services	Continuous	In progress
Internal control deficiency: No investigation before rehabilitation and closure of landfill sites - (ISS.172)	Medium	an investigation must be conducted to identify any impacts landfill site operations may have on the environment, public and proposed end-use before closure and rehabilitation of Landfill sites	Community Services	Director Community Services	Continuous	In progress
Journal testing						
Limitation of scope - Journal Testing RFI 117 (ISS.152)	High	All Journals with Supporting documents to be submitted for Audit Purpose, CFO to verify all Journals to ensure that they are fully supported before submission to AGSA	Finance	CFO	30-Jun-24	In progress
Prior year issues						
Provisions: No disclosure of change in estimate included in note 53 -(ISS.205)	Medium	Management to ensure that AFS are fully reviewed before submission to AGSA. Change in Estimates must be supported by accounting policy and be disclosed fully	Finance	CFO	30-Jun-24	In progress
Prior year Adjustment - Government Grants (Limitation) -(ISS.157)	High	All RFIs as issued by AGSA to be attended to	Finance	CFO	30-Jun-24	In progress
Employee benefit obligation						
Employee Benefit Obligations: Inputs in determining the employee benefit obligation not reasonable -(ISS.43)	Medium	Review all information before submission to AFS, also include all assumptions made in calculating Employee Benefit Obligations	Finance	CFO	30-Jun-24	In progress
Employee Benefit Obligations: The recalculated PV of liabilities not agreeing with AFS amount -(ISS.138)	Medium	Review all information before submission to AFS, also include all assumptions made in calculating Employee Benefit Obligations	Finance	CFO	30-Jun-24	In progress
Compliance						
Non-compliance_ No investigations of UIFW -(ISS.3)	High	MPAC to Investigate all instances of UIFW and make recommendation to Council	MPAC	MPAC	30-Jun-24	In progress

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Finding	Priority	Action to resolve the finding	Responsible Department	Responsible Person	Due Date	Progress
Internal control deficiencies Performance not assessed for employees other than senior management -(ISS.9)	High	Management should ensure that the employee's performance management policy is developed and implemented accordingly for all employees	PMS (Office of MM)	MM	30-Jun-24	In progress
Partially resolved) AFS: High level review -(ISS.13)	Medium	Review AFS before Submission to AGSA (Audit Committee and Internal Audit to review AFS)	MM/Finance	CFO/IA/AC	20-Aug-24	In progress
MATERIAL ADJUSTMENT) Unspent Conditional Grants: Insufficient cash available to fund future planned projects -(ISS.65)	High	Ringfence Conditional Grants and use them for intended purposes	MM	MM	30-Jun-24	In progress
Utilisation of conditional grants: Performance not evaluated within 2 months after year end -(ISS.71)	High	PMU to evaluate performance of Grants before 31 August 2024 and submit the reports to relevant sector departments	Technical	PMU/ Technical Director	30-Jun-24	In progress
Expenditure - Invoices not paid within 30 days -(ISS.78)	High	Enter into payment arrangement with service provider who are owed beyond 30 days	Finance	CFO	30-Jun-24	In progress
Non-compliance: Strategic planning and budgeting -(ISS.81)	High	PMS to ensure that district Municipality is consultant before finalization of IDP, furthermore PMS to submit a copy of IDP to COGTA within 10 days of approval by Council (Provide proof of submission)	PMS (Office of MM)	PMS Manager	30-Jun-24	In progress
PPE: Disposals compliance finding -(ISS.135)	High	All disposals to be approved by Council - all Journals of disposal to be supported by council resolution or a letter from Accounting officer confirming such write offs	Finance	Asset Accountant	30-Jun-24	In progress
Bulk purchases - 30 days (non-compliance) -(ISS.187)	High	Enter into payment arrangement with Bulk services provider (Eskom and Water Board)	PMS (Office of MM)	PMS Manager	30-Jun-24	In progress
Strategic planning and budgeting: Revised IDP amendments not consulted with district Municipality -(ISS.148)	High	PMS to ensure that district Municipality is consultant before finalization of IDP, furthermore PMS to submit a copy of IDP to COGTA within 10 days of approval by Council (Provide proof of submission)	PMS (Office of MM)	PMS Manager	30-Jun-24	In progress
Fruitless and wasteful expenditure						
Fruitless and wasteful expenditure - completeness issue -(ISS.190)	Medium	Record all Fruitless and wasteful expenditure in the registers in line with guidelines of MFMA circular 68	Finance	Expenditure Accountant	30-Jun-24	In progress
Unspent conditional grants						
Unspent conditional grants: Difference Identified calculating unspent grant -(ISS.66)	High	Monthly update conditional Grants register, and CFO to sign to confirm accuracy, the registers must balance with subledger accounts	Finance	Manager: Revenue and Reporting	30-Jun-24	in progress
Immovable assets						
Property Plant Equipment - Disposals (compliance) -(ISS.128)	High	All disposals to be approved by Council - all Journals of disposal to be supported by council resolution or a letter from Accounting officer confirming such write offs	Finance	Asset Accountant	30-Jun-24	in progress
Differences identified between supporting schedules and the AFS -(ISS.133)	High	CFO must review AFS before submission to AGSA	Finance	CFO	30-Jun-24	In progress
PPE and Investment Properties: Asset verifications -(ISS.134)	High	Perform Quarterly assets verifications	Finance	Accountant - Asset Management	30-Jun-24	In progress
PPE: Addition (WIP) issues -(ISS.136)	High	CFO must review AFS before submission to AGSA	Finance	CFO	30-Jun-24	In progress
Property, plant and equipment & WIP - Unbundling -(ISS.170)	High	CFO must review AFS before submission to AGSA	Finance	CFO	30-Jun-24	In progress
Investment property						
Investment property: Classification issue -(ISS.147)	High	Classify IP in terms of GRAP 16 - remove all properties that do not meet the definition of IP	Finance	CFO	30-Jun-24	In progress
Movable assets						
Impairment of assets not complete -(ISS.203)	Medium	Perform Condition assesment at year end	Finance/Technical	PMU/ Asset Management Unit	30-Jun-24	In progress
Operating expenditure						

Finding	Priority	Action to resolve the finding	Responsible Department	Responsible Person	Due Date	Progress
Limitation of scope - Consulting and professional fees (RFI 66) - (ISS.45)	High	All RFIs to be submitted to AGSA	All Departments	All Directors	30-Jun-24	In progress
Expenditure: General expenses (License fees) - Classification issue - (ISS.61)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for misclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
General expenditure - Hire - Occurrence issues and non-compliance - (ISS.75)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for misclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
General expenditure - remaining population - classification/allocation issue - (ISS.80)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for misclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Operating Expenditure - Completeness issue - (ISS.94)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for misclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Repairs and maintenance - PPE items and prepayment incorrectly classified as Repairs and maintenance - (ISS.104)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for misclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Repairs and maintenance - Classification issue - (ISS.105)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for misclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
General expenditure - Chemicals - Occurrence issue_ - (ISS.107)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for misclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
General expenditure - Licence fees - Non- compliance - (ISS.116)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for misclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Limitation of scope: Expenditure (completeness) (RFI 126) - (ISS.122)	High	All RFIs must be attended to and submitted to AGSA	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
General expenditure - Remaining population - Occurrence + non-compliance - (ISS.123)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for misclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
General expenditure - Chemicals - Accuracy issue - (ISS.125)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for misclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
General expenditure - Remaining population - Accuracy issue - (ISS.126)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for misclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Professional fees - Cut off issue - (ISS.185)	Medium	Perform Cut off analysis after year end to ensure that all expenditure that relates to the currently year has been correctly recorded in the current year	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress

Finding	Priority	Action to resolve the finding	Responsible Department	Responsible Person	Due Date	Progress
Professional fees - CCG- Incorrect classification -(ISS.186)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for missclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Professional and consulting fees - Classification issue -(ISS.143)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for missclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Professional and consultation - insufficient information provided to confirm occurrence of expenditure -(ISS.142)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for missclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Repairs and maintenance - Limitation -(ISS.144)	High	All RFIs must be attended to and submitted to AGSA	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Professional and consulting fees - Accuracy issue -(ISS.141)	Medium	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for missclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Payable						
Payables from exchange: Differences noted -(ISS.89)	High	Perform Monthly creditors reconciliation, draw corrective journals for any discrepancies identified	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Employee related liabilities: Limitation of scope -(ISS.99)	High	All RFIs must be attended to and submitted to AGSA	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Payables: differences between the Age analysis and transaction list -(ISS.119)	High	Perform Monthly creditors reconciliation, draw corrective journals for any discrepancies identified	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Payments Received in Advance: Accuracy -(ISS.129)	Medium	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for missclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Trade payables- differences -(ISS.139)	High	Perform Monthly creditors reconciliation, draw corrective journals for any discrepancies identified	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Trade payables: Classification issue -(ISS.183)	High	Review AFS and ensure that all expenditure items are classified correctly, Monthly review general expenditure subledger and prepare necessary journals for missclassifications	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Trade payables: Differences between Age analysis and statements/invoices -(ISS.154)	High	Perform Monthly creditors reconciliation, draw corrective journals for any discrepancies identified	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Payables: Kalkfontein: Difference between creditor statements and AFS -(ISS.206)	High	Perform Monthly creditors reconciliation, draw corrective journals for any discrepancies identified	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress

Finding	Priority	Action to resolve the finding	Responsible Department	Responsible Person	Due Date	Progress
Payables - Kalkfontein opening balance - accuracy issue -(ISS.189)	Medium	Perform Monthly creditors reconciliation, draw corrective journals for any discrepancies identified	Finance	Accountant Expenditure and Manager expenditure	30-Jun-24	In progress
Predetermined objectives						
AOPO - KPA 1 - Basic Service delivery - Differences between quarterly reports and APR (control deficiency) -(ISS.167)	High	All performance reported to be fully supported - IA to verify supporting documents submitted - APR to be reviewed and aligned to quarterly reports before submitting to AGSA	PMS (Office of MM)	Strategic Manager and IA	20-Aug-24	In progress
AOPO - KPA 1 - Basic Service delivery - Differences between support and APR -(ISS.145)	High	All performance reported to be fully supported - IA to verify supporting documents submitted - APR to be reviewed and aligned to quarterly reports before submitting to AGSA	PMS (Office of MM)	Strategic Manager and IA	20-Aug-24	In progress
AOPO - KPA 1 - Basic Service Delivery - TL 2: Upgrading of 1.72km access paved road and storm water (Phase 1,1KM) in Petrusburg/Bolo kanang by 31 March 2023 (Accuracy issue) - (ISS.177)	High	All performance reported to be fully supported - IA to verify supporting documents submitted - APR to be reviewed and aligned to quarterly reports before submitting to AGSA	PMS (Office of MM)	Strategic Manager and IA	20-Aug-24	In progress
AOPO - KPA 1 : Basic Service Delivery - TL 4 Number of households Electrified in Petrusburg, Bolokanang Ext 7, by 30 June 2023 (Validity issue) -(ISS.178)	High	All performance reported to be fully supported - IA to verify supporting documents submitted - APR to be reviewed and aligned to quarterly reports before submitting to AGSA	PMS (Office of MM)	Strategic Manager and IA	20-Aug-24	In progress
AOPO - KPA 1 - Basic service delivery - Presentation and disclosure issues -(ISS.160)	High	All performance reported to be fully supported - IA to verify supporting documents submitted - APR to be reviewed and aligned to quarterly reports before submitting to AGSA	PMS (Office of MM)	Strategic Manager and IA	20-Aug-24	In progress
AOPO - TL 4 - Electrification of households in Petrusburg -Physical verification issues -(ISS.202)	High	All performance reported to be fully supported - IA to verify supporting documents submitted - APR to be reviewed and aligned to quarterly reports before submitting to AGSA	PMS (Office of MM)	Strategic Manager and IA	20-Aug-24	In progress
AOPO - KPA 1 - Basic Service delivery - TL 4 Number of households Electrified in Petrusburg, Bolokanang - actual achievement not consistent with planned target -(ISS.168)	High	All performance reported to be fully supported - IA to verify supporting documents submitted - APR to be reviewed and aligned to quarterly reports before submitting to AGSA	PMS (Office of MM)	Strategic Manager and IA	20-Aug-24	In progress
Procurement and Contract Management						
SCM - Interest State - Award made to a supplier in service of the state -(ISS.70)	Medium	All service provider to complete MBD4 and SCM to verify details on CSD portal to confirm that no supplier employed by organ of state is awarded any tender	Finance	SCM Manager	30-Jun-24	In progress
Expenditure compliance - SCM processes not followed -(ISS.77)	High	Record all Irregular expenditure in the irregular expenditure register with descriptions on why such items are irregular expenditure	Finance	SCM Manager	30-Jun-24	In progress
SCM Quotations: Deviation Not/Incorrectly Disclosed -(ISS.98)	Medium	SCM manager to ensure that reasons for deviations are provided and that these are approved by Mincipal Manager before any procurement is undertaken	Finance	SCM Manager	30-Jun-24	In progress
SCM Bids and Contracts: Inadequacy with Bids information submitted. -(ISS.100)	High	Ensure compliance with advertisement period and that all reports from Bid Committees must be signed	Finance	SCM Manager	30-Jun-24	In progress
SCM: Contract Management: Projects not monitored on monthly basis -(ISS.159)	High	Monthly reports indicating that project are monitored (Pictures to be included in these reports)	Technical	PMU	30-Jun-24	In progress
SCM-Deviation-Deviations were not presented to council. -(ISS.156)	High	SCM manager to ensure that reasons for deviations are provided and that these are approved by Mincipal Manager before any procurement is undertaken - present all deviations to Council	Finance	SCM Manager	30-Jun-24	In progress

Finding	Priority	Action to resolve the finding	Responsible Department	Responsible Person	Due Date	Progress
Non-Compliance identified in SCM (CIDB criteria not met) -(ISS.149)	High	SCM to ensure that for every construction a CIDB Grading is required (this relates to building of 3 guard houses for a total cost of R 159 600.00)	Finance	SCM Manager	30-Jun-24	In progress
	High	All deviations must be accompanied by Motivation approved by Accounting officer - Finding raised because no motivation for deviation	Finance	SCM Manager	30-Jun-24	In progress
SCM-Deviation form not approved -(ISS.155)	High	All deviations must be accompanied by Motivation approved by Accounting officer -	Finance	SCM Manager	30-Jun-24	In progress
Procurement and contract management- Local Content -Minimum thresholds not stated in the RFQ or bid advert -(ISS.150)	High	Include local content requirements on all tenders that require local content	Finance	SCM Manager	30-Jun-24	In progress
Receivables						
Receivables from exchange transactions - incorrect valuation of debtors -(ISS.88)	Medium	Review Debtors and ensure that the description of the property is the same as on the valuation roll and the registered owner is clearly and correctly stated	Finance	Revenue Manager	30-Jun-24	In progress
Receivables from non-exchange transactions: Difference between age analysis and the debtors statements -(ISS.127)	High	Monthly do debtors reconciliations and prepare journal to correct any discrepancies identified	Finance	Revenue Manager	30-Jun-24	In progress
Receivables from non-exchange transactions: Receivables incorrectly classified as availability charges -(ISS.163)	Medium	Monthly do debtors reconciliations and prepare journal to correct any discrepancies identified	Finance	Revenue Manager	30-Jun-24	In progress
Provision for impairment: Age analysis does not agree with the financial statements -(ISS.179)	Medium	Review AFS and ensure that all debtors items are classified correctly, Monthly review debtors subledger and prepare necessary journals for misstatements	Finance	Revenue Manager	30-Jun-24	In progress
Receivables from non-exchange transactions: The disclosure does not include the interest on overdue accounts -(ISS.171)	High	Review AFS and ensure accuracy of disclosure (All disclosure items to be included in the AFS)	Finance	Revenue Manager	30-Jun-24	In progress
Provision for impairment on receivables from non-exchange transactions: Differences between the auditor's recalculation and management's calculation -(ISS.161)	High	Provide Auditors with Assumptions used to calculate Impairment of Debtors (This must be included in the lead sheet of debtors impairment calculations)	Finance	Revenue Manager	30-Jun-24	In progress
Receivables from exchange transactions - Impairment more than the debtors gross amount -(ISS.158)	Medium	Review AFS and ensure accuracy of disclosure (All disclosure items to be included in the AFS)	Finance	Revenue Manager	30-Jun-24	In progress
Revenue						
(REMAINS) Revenue from non-exchange transactions - Differences between the valuations as per the valuation roll and the AFS. -(ISS.64)	Medium	Review AFS and ensure accuracy of disclosure (All disclosure items to be included in the AFS)	Finance	Revenue Manager	30-Jun-24	In progress
(M)[CLOSED] Revenue from exchange transactions - Differences noted between the billing report and AFS -(ISS.69)	Medium	Review AFS and ensure accuracy of disclosure (All disclosure items to be included in the AFS)	Finance	Revenue Manager	30-Jun-24	In progress
(MS)[REMAINS] Interest received - Differences noted between the GL and billing report -(ISS.73)	Medium	Monthly do debtors reconciliations and prepare journal to correct any discrepancies identified	Finance	Revenue Manager	30-Jun-24	In progress

Finding	Priority	Action to resolve the finding	Responsible Department	Responsible Person	Due Date	Progress
(M) (REMAINS) Revenue from exchange transactions: Service charges: occurrence of water could not be confirmed and other accuracy issues -(ISS.82)	Medium	Monthly do debtors reconciliations and prepare journal to correct any discrepancies identified	Finance	Revenue Manager	30-Jun-24	In progress
(CLOSED) Revenue - Deficiencies in terms of Water Estimates -(ISS.83)	Medium	Provide Auditors with Assumptions used to calculate water estimates	Finance	Revenue Manager	30-Jun-24	In progress
(M) (REMAINS) Revenue from exchange transactions: Service charges: completeness cannot be confirmed - revised -(ISS.84)	High	Monthly do debtors reconciliations and prepare journal to correct any discrepancies identified	Finance	Revenue Manager	30-Jun-24	In progress
(REMAINS) Revenue from non-exchange transactions: Property rates: Completeness could not be confirmed. -(ISS.87)	Medium	Monthly do debtors reconciliations and prepare journal to correct any discrepancies identified	Finance	Revenue Manager	30-Jun-24	In progress
(M) (REMAINS) Revenue from exchange transactions: Service Charges (Sewerage & Refuse) accuracy and classification issues identified (Revised issue) -(ISS.91)	Medium	Review AFS and ensure accuracy of disclosure (All disclosure items to be included in the AFS)	Finance	Revenue Manager	30-Jun-24	In progress
(M) (PARTIALLY RESOLVED) Revenue from exchange transactions - The accuracy and occurrence of electricity cannot be confirmed. -(ISS.132)	Medium	Review AFS and ensure accuracy of disclosure (All disclosure items to be included in the AFS)	Finance	Revenue Manager	30-Jun-24	In progress
(M)(REMAINS) Revenue from exchange and non-exchange transactions - revenue foregone not disclosed on the financial statements -(ISS.198)	High	Review AFS and ensure accuracy of disclosure (All disclosure items to be included in the AFS)	Finance	Revenue Manager	30-Jun-24	In progress
(REMAINS) Revenue from non-exchange transactions - Differences between the billing report and AFS -(ISS.191)	Medium	Review AFS and ensure accuracy of disclosure (All disclosure items to be included in the AFS)	Finance	Revenue Manager	30-Jun-24	In progress
(Partially resolved - adjustment made) Government grants and Subsidies : Difference between grant register and AFS -(ISS.175)	High	Review AFS and ensure accuracy of disclosure (All disclosure items to be included in the AFS)	Finance	Revenue Manager	30-Jun-24	In progress
(CLOSED) Revenue from non-exchange transactions - Overstatement of availability charges (ISS.180)	Medium	Review AFS and ensure accuracy of disclosure (All disclosure items to be included in the AFS)	Finance	Revenue Manager	30-Jun-24	In progress
(REMAINS) Revenue from non-exchange transactions - Municipal properties billed property rates -(ISS.192)	Medium	Review AFS and ensure accuracy of disclosure (All disclosure items to be included in the AFS)	Finance	Revenue Manager	30-Jun-24	In progress

Date: 20 December 2024

Approved by: SJ Tooi

Signature

