

EPHRAIM MOGALE

LOCAL MUNICIPALITY

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EXTRACTS FROM THE MINUTES OF THE 2nd ORDINARY COUNCIL MEETING OF THE COUNCIL OF EPHRAIM MOGALE LOCAL MUNICIPALITY HELD ON WEDNESDAY 24TH JANUARY 2024

FILE: 2/4/3/6

OC2/06/2024: ANNUAL REPORT 2022/2023 FINANCIAL YEAR

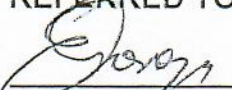
RESOLVED

1. That the Council approves the report to be made public and invites the local community to submit representatives in connection with Annual Report for 2022/2023.
2. That the Council takes cognizance of the circulated Annual report for the period of 1 July 2022 to 30 June 2023.
3. That council note the attached community consultation program attached.
4. That the Annual Report be submitted to the Auditor-General, Limpopo Provincial Treasury, Limpopo Coghsta, CoGTA and National Treasury.
5. That the municipal manager implement the decision accordingly.


CLLR LENTSOANE RM
SPEAKER

24 JANUARY 2024

REFERRED TO  BY MUNICIPAL MANAGER


MOROPA M E
MUNICIPAL MANAGER

24/01/2024

DATE RECEIVED



EPHRAIM
MOGALE LOCAL
MUNICIPALITY

**ANNUAL
REPORT
2022-2023**

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1. Annual Performance Report for 2022/2023 FY
2. Annual Financial Statements for 2022/2023 FY
3. Final AGSA Audit Report - 30 November 2023
4. AGSA Executive Management Report - 30 November 2023
5. Audit Committee Report on the Annual Report for 2022/2023 FY

ACRONYMS

AFS – Annual Financial Statement

AGSA – Auditor General of South Africa

CFO- Chief Financial Officer

CoGHSTA - Cooperative Governance, Human Settlement and Traditional affairs

COMMAF - Communication of Audit Findings

COVID-19 – Coronavirus diseases 2019

CSF - Community Safety Forum

CWP – Community Work Programme

DIEMP – District Integrated Environmental Management Plan

DLTC – Driving License Testing Centre

DMRE – Department of Mineral Resources and Energy

DOTCS – Department of Transport and Community Safety

EAP – Employee Assistance Programme

EEP - Employment Equity Plan

EPMLM – Ephraim Mogale Local Municipality

EPWP – Expanded Public Works Programme

ESKOM – Electricity Supply Commission

EXCO – Executive Committee

GIS – Geographic Information System

GNT - Great North Transport

GRAP - Generally Recognised Accounting Practice

HOD – Head of Department

HPS – High Pressure Sodium

ICT – Information Communication and Technology

IDP – Integrated Development Plan

INEP - Integrated National Electrification Programme

IWMP – Integrated Waste Management Plan

KPA- Key Performance Area

KPI- Key Performance Indicator

LAN – Local Area Network

LED – Local Economic Development

LEDA – Limpopo Economic Development Agency

LEDET – Local Economic Development, Environment and Tourism

LGSETA – Local Government Sector Education and Training Authority

LRC – Local Reference Committee

MBCHB- Bachelor of Medicine and Bachelor of Surgery

MFMA – Municipal Finance Management Act

MFMP - Municipal Finance Management Programme

MHS – Municipal Health Systems

MIG- Municipal Infrastructure Grant

MISA - Municipal Infrastructure Support Agency

MM – Municipal Manager

MPAC – Municipal Public Accounts Committee

MSA – Municipal Systems Act

MSCOA - Municipal Standard Chart of Accounts

MTERF- Medium-term Revenue and Expenditure Framework

NDP – National Development Plan

NERSA - National Energy Regulator of South Africa

NGO – Non-Governmental Organization

NYDA – National Youth Development Agency

OHS – Occupational Health and Safety

PMS – Performance Management Systems

PMU – Project Management Unit

PR – Party Representative

SAC – Sports Arts and Culture

SALGA – South African Local Government Association

SANRAL- South African National Roads Agency SOC Ltd

SCM – Supply Chain Management

SDBIP – Service Delivery & Budget Implementation Plan

SDF – Spatial Development Framework

SEDA –Small Enterprise Development Agency

SMMEs - Small, Medium and Micro Enterprises

SOMA - State of the Municipal Address

SPLUMA - Spatial Planning and Land Use Management Act

UNISA – University of South Africa

VAT – Value Added Tax

VIP – Ventilation Improved Pit Latrine

VPN – Virtual Private Network

WSP – Work Skills Plan

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

The Ephraim Mogale Local Municipality's annual report for the period 1 July 2022 to 30 June 2023 is presented in compliance with according to Section 121 of the Municipal Finance Management Act 56 of 2003 and read as well as Section 46 (1) of the Municipal Systems Act of 2000. The Annual Report serves as a communication tool for providing broad information on activities carried out and services provided and for comparing actual service delivery with projected service delivery. The information in this annual report will inform the community and assist the wider public to assess how the municipality has performed in relation to stewardship of community needs, efficiency, effectiveness, and cost-effectiveness of operations. Chapter 1 of the report provides Mayor's foreword and an overview of the Municipal Manager with a brief summary of key service delivery essentials.

COMPONENT A: MAYOR'S FOREWORD

1.1 MAYOR'S FOREWORD



a. Vision

"A World Class Agricultural Hub of Choice".

b. Key Policy Developments

This report follows the first remarkable year of the local government elections which took place in November 2021. This election presented the Municipality with a challenge to review and assess whether a positive impact and a shift in the development of our communities has been made, in terms of the Council's existing vision and strategy. The review process required an innovative way of looking at issues at large. A new focus is on optimizing organizational performance to ensure a move towards organizational culture that adapts more easily to change.

Despite all challenges we will strive to continue rendering high quality services to our communities during 2022/2023 financial year. The Municipality committed itself to the principles of innovation and improved service delivery to take us forward into the future.

c. Key Service Delivery Improvements

In the year under review the municipality successfully implemented the following capital projects as Multiyear projects.

Table 1: Capital Projects

PROJECT NAME	KILOMETRES IN ROADS TARRED	LOCATION/VILLAGE	PROJECT VALUE
Morarela internal Streets	2.5 KMs	Morarela	R 21 774 833.78
Rathoke Internal Road	2KMs	Rathoke	R 16 000 000.00
Uitvluigh Bus Route	4.8 KM	Ga-Botha/ Uitvluigh	R 38 103 695.82

d. Public Participation

The municipality has developed an annual public participation program. The program targets all 16 wards and specific villages. These meetings afford politicians opportunity to report back on progress made and direct contact with ordinary community members. The Municipality continued to develop and improve mechanisms to ensure a culture of participative governance as a priority. Cluster- Based consultation has been adopted as a form of participatory community action linked to the Integrated Development Planning (IDP) process. Ward committees enhances a more effective communication between the council and the community.

Table 2: Public Participation Meetings

Public Meetings
Nature and purpose of meeting held in 2022/2023
Public Participation on 2021/2022 Annual Report
Public Participation on 2023/2024 Draft IDP/Budget
State of the Municipal Address (SOMA)
Back to School Opening Campaign
MPAC Public Hearing Meetings

e. Future Actions

The speaker's office facilitated constant interaction with the communities by quarterly ward committee meetings with their constituencies, to get the problems encountered in their wards. The mayor's office also embarks on the mayoral outreach programs focusing on focal groups, i.e. women, children, disabilities, etc.

f. Agreements / Partnerships (announcements on special partnerships initiated)

During the period under review, the municipality did not have any partnership with any State-Owned Enterprises and the Private Sector, however we received grants of MIG and FMG from sector departments to support the municipality.

g. Conclusion

The Municipality acknowledge the progress made and very conscious about the fact that some segments of communities are still living in depressing poverty, we remain committed and determined to persevere in realising the key focus areas that Council adopted in the IDP 2022- 2023. In terms of our Vision, the Municipality wants to thank the community of the municipality as well as all other stakeholders for their will to participate in the affairs of the Municipality. We appeal to all our stakeholders to continue to do so, by joining hands with the Municipality to make EPMLM **"A World Class Agricultural Hub of Choice"**.

(Signed by :) _____

Mayor: Cllr. G.M.H. Moimana

COMPONENT B: EXECUTIVE SUMMARY

1.2 MUNICIPAL MANAGER'S OVERVIEW



The preparation and publication of the Annual Report is a legislative requirement as per Section 46 of the Municipal Systems Act 32 of 2000 and Section 121 of the Municipal Finance Management Act 56 of 2003. Section 46 (1) and (2) outlines the frequency of the Annual Report and what should be reflected therein; whilst Section 121 of the Municipal Finance Management Act provides timeframes within which the report should be prepared and made available for perusal by the council and its committees. It further set out latest date by which the report should be approved by council and then ultimately be adopted and publicized an official service delivery report of the municipality. Again, in terms of section 121 of the MFMA the purpose of an annual report is:

- To provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates.
- To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

Accordingly, the main role of the accounting officer in the preparation of this report was to ensure that the report is completed timeously and that it accurately recounts the key activities undertaken in the year under review, giving a clear indication of achievements, non-achievement, challenges and opportunities realized while undertaking such activities. Key among such achievements include the 100% MIG spending and successful completion of capital projects thereof. The municipality has improved from 2021/2022 Qualified Audit Opinion by obtaining Unqualified Audit Opinion the 2022/2023 financial year.

M.E. MOROPA
MUNICIPAL MANAGER

1.3 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Ephraim Mogale Local Municipality 's population is youthful consisting of 42% youth, with Sepedi being the main language. The following analogy provides an overview of the important demographic Indicators of Ephraim Mogale Local Municipality. It covers the population size, age distribution, unemployment, income generation, educational levels and services backlogs. The socio-economic profile of the Municipality provides an indication of poverty levels, development prospectus and breaks it down from villages to wards. The population size is 132 468. The population in the municipality constitutes 97, 8% blacks, 1, 6% whites, with other population groups making up the remaining 0, 6%. The sex ratio in the municipality is 88.9, meaning that for every 100 women there are 88 men.

The name of the Municipality was changed from Greater Marble-Hall to Ephraim Mogale Local Municipality by an amendment of section 12 notice in Provincial Gazette No 1721 by General notice 10 of 2010 on the 28th of January 2010 with new Logo and slogan-RE HLABOLLA SECHABA which means "WE DEVELOP OUR PEOPLE".

The Ephraim Mogale Local municipality is composed of the former Marble Hall New City, Moutse West, and Leeuwfontein/Moganyaka, portion of former Hlogotlou/Lepelle TRC, portion of former Greater Nebo North TRC, the entire area of former Middle Lepelle TRC, portion of Naboomspruit/Roedtan, Thusang TLC area and part of the former Springbokvlakte TLC.

The municipality was established soon after the elections in 2005 in terms of section 12 notice no .302 dated 1 October 2000. The municipality was a cross boundary municipality which compromises of 16 villages, Marble Hall town and farming areas in Mpumalanga and 2 townships and 47 villages in Limpopo. The municipality has been incorporated in Limpopo province in accordance with proclamation no.422 dated 27 December 2005. The municipality is named after the struggle hero Ephraim Mogale. The municipality borders Makhuduthamaga local municipality in the south, Elias Motswaledi local municipality in the east Lepelle Nkumpi local municipality in Capricorn District, Mookgopong local municipality in Waterberg and Mpumalanga's Dr. JS Moroka local municipality. It is situated about 150km from Polokwane, 100km from Mokopane, 145km from Pretoria, and 250km from Mbombela. The municipality is the second smallest of the five local municipalities in the district, constituting 14.4% of the area with 1911.07 square kilometers of the district's 13 264 square kilometer. Land ownership is mostly traditional, and the municipality is predominantly rural with about 56 settlements, most of which are villages. The municipality has 16 wards.

Table 5: The powers and function of the municipality

Function	Municipal Authority	District Authority	Remarks
1.Air Pollution	No	Yes	
2.Building regulations	Yes		
3.Childcare facilities	Yes		
4.Electricity reticulation	Yes		License for Marble Hall town and Eskom reticulates rest of municipality
5.Fire fighting	No	Yes	

Function	Municipal Authority	District Authority	Remarks
6.Local tourism	Yes		
7.Municipal airport	Yes		
8.Municipal planning	Yes		
9.Municipal Health Service	No	Yes	
10.Municipal Public Transport	Yes		Bus & Taxi rank in private ownership
11.Pontoons & Ferries	Yes		
12.Storm water	Yes		
13.Trading regulations	Yes		
14.Water (potable)		Yes	
15.Sanitation		Yes	
16.Beaches and amusement facilities	Yes		
17.Billboards and the display of advertisements in public places	Yes		
18.Cemetries, funeral parlours and crematoria	Yes		
19.Cleansing	Yes		
20.Control of public nuisance	Yes		
21.Control of undertakings that sell liquor to the public	Yes		
22.Facilities for the accommodation, care and burial of animals	Yes		
23.Fencing and fences	Yes		
24.Licensing of dogs	Yes		
25.Licensing and control of undertakings that sell food to the public	Yes		
26.Local amenities	Yes		
27.Local sports facilities	Yes		
28.Markets	Yes		
29.Municipal Abattoirs	Yes		
30.Municipal parks and recreation	Yes		
31.Municipal roads	Yes		
32.Noise pollution	Yes		
33.Pounds	Yes		
34.Public places	Yes		
35.Refuse removal refuse dumps and solid waste disposal	Yes		The land fill site in Marble Hall town is licenced and authorised
36.Street trading	Yes		
37.Street lighting	Yes		Whole Municipal area
38.Traffic and parking	Yes		
39.Registration authority	Yes		

Table 6: The demographics of the municipality

Population	Households	Males	Females	Youth
132 468	35 953	63175	69293	42 542

Source: Stats SA Census 2022

Table 7: Natural Resources

Natural Resources	
Major Natural Resource	Relevance to Community
Land	Agricultural and Human Settlement
Dam	Tourism attraction, Agricultural use and Consumption
Minerals	Economic Empowerment and job creation
T 1.2.7	

Ephraim Mogale Local Municipality Is Established to Perform the Following Key Performance Areas:

- Municipal transformation and organizational development
- Basic service delivery and infrastructure development
- Local economic development
- Financial viability
- Good governance and public participation
- Spatial Rationale

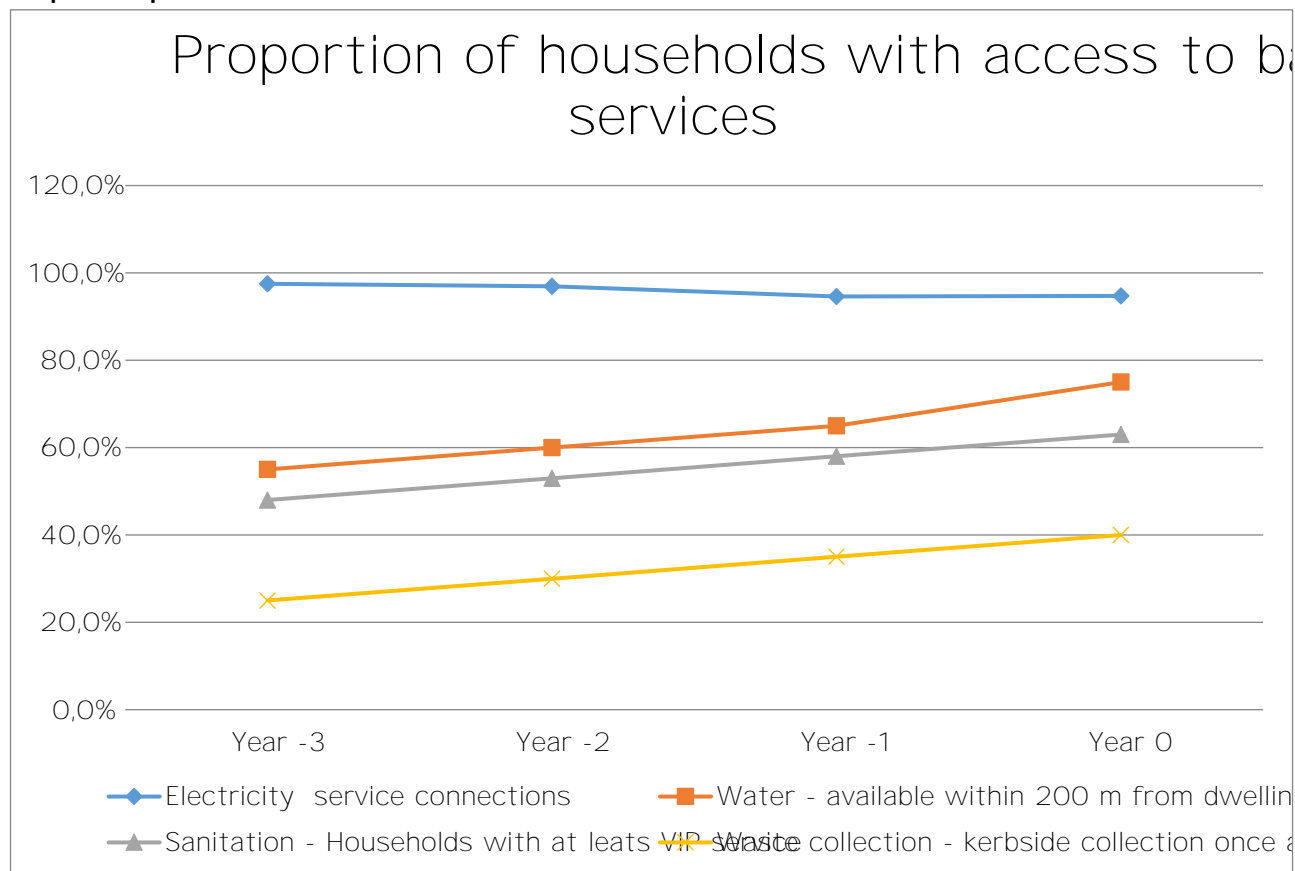
1.4 BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT OVERVIEW

The municipality's core business is to provide safe and sound road infrastructure network and uninterrupted electricity network to its community. Water and Sanitation are provided by Sekhukhune District Municipality and electricity is provided by Eskom in the rural parts of the municipality. The electrification backlog was maintained at less than 6%. Supply in the license area was maintained with interruptions within the NERSA specification although vandalism during load shedding is a challenge.

Table 8: Proportion of Households with minimum level of Basic services

Proportion of Households with minimum level of Basic services				
	Year -3	Year -2	Year -1	Year 0
Electricity service connections	97.5%	96.9%	94.6%	94.7%
Water - available within 200 m from dwelling	55%	60%	65%	75%
Sanitation - Households with at least VIP service	48%	53%	58%	63%
Waste collection - kerbside collection once a week	18,2 %	18,2%	18,2 %	18,2%

Graph 1: Proportion of Households with minimum level of Basic services



The Backlog on Services

With regard to the provision of free basic water, Sekhukhune District Municipality is providing to approximately 90% of households.

Table 9: Water Backlog

EPMLM	Total number of households	Households	%Backlog
	33 936	14 592	43%

Households with access to water services.

Sanitation

The provision of sanitation in EPMLM faces considerable challenges at present. The situation is more of a concern than it was the cases with water. The municipality has different households that use different types of toilet facilities. In town the municipality uses flushing toilets while in the rural areas there are few households that use flushing toilets. The rest of the population in the rural areas of the municipality use pit latrines.

Table 10: Sanitation Backlog

EPMLM	Total number of households	Households	%Backlog
	33 936	12 217	36%

Households with access to sanitation services.

Table 11: Electricity Backlog

EPMLM	Households	Backlog
	35 953 (STATS 2022)	5.33%

All residential areas connected to the electrical grid. Backlog at 5.33% after ESKOM completed 2 projects with 61 connections and 311 infills. The INEP program not keeping up with increase in growth.

Table 12: Public lighting backlog

EPMLM	Villages	Backlog
	56	50%

This is just areas with some form of public lighting and not 100% coverage. The purpose of public lighting is to improve road and general safety of the public. Huge challenge with ESKOM supply points. New project completed but not energized at Moganyaka. Two new projects are planned for Malebitsa and Leeuwfontein RDP.

Table 13: Refuse Collection services Backlog

EPMLM	Households	Backlog
	33 936	81.2%

Households with access to refuse collections services at least once a week (6369).

1.5 FINANCIAL HEALTH OVERVIEW

The below financial overview tables illustrate that the municipality is grant depended. The 2022/2023 financial year was 66% grant dependent and 34% own revenue. The MIG grant was spent 100% in the 2022/2023 financial year. The net total reflects a favorable balance which clearly indicate that the municipality budget is funded.

Table 14: Financial Overview on own Revenue and Grant

Financial Overview - 2022/2023			
Description	Original Budget	Adjusted Budget	Actuals
Rands			
Income	153 606 557	154 352 557	157 030 53
Grants	221 057 000	221 057 000	221 057 02
Sub- Total	374 663 557	375 409 557	378 087 55
Less Expenditure	373 245 000	385 466 000	383 840 74
Net Total	1 418 557	08 943 557	03 246 80

Table 15: Financial Overview on Employee Costs, Operational Expenditure and Finance charges and Depreciation

Operating Spending	
Detail	%
Employee Costs	34%
Operational Expenditure	47%
Finance charges and Depreciation	19%

Employee related cost in 2022/2023 financial year was 34%. Operating expenditure is seating at 47% with Finance charges and Depreciation at 19%.

1.6 ORGANISATIONAL DEVELOPMENT OVERVIEW

Human resource services for the municipality are reasonably effective and efficient, and relatively meet the expectations of the community at large. The department is responsible for attracting skilled workforce, motivating workforce to perform the required tasks and continuous capacity building of personnel.

Table 16: Organizational Development Overview

Category	Number
Total posts on the organogram	303
Total number of employees	252
Total number of vacancies	51
Number of terminations	17
Number of retirements	7
Resignations	03
Death	01
Contract ended	06
Retention/Promotions	0

Committees Established to Strengthen Human Resource Management

- OHS Committee
- EAP Committee
- Employment Equity Committee
- Training Committee
- Local Labour Forum
- Editorial Committee
- Housing Committee
- Essential Services Committee

Table 17: Community Bursaries awarded to continuing and new student in 2022/2023 Academic Year

BURSAR NAME	INSTITUTION	COURSE NAME	WARD	COURSE LEVEL	COURSE STATUS RESULTS
Tsotetsi R.K	Sefako Makgatho Health Science University	MBCHB	14	5 th	Submitted In Progress
Mathonsi F	University of Witwatersrand	MBCHB	08	4 th	Submitted In Progress
Moutlana I	University of Witwatersrand	Bachelor of science	08	3 rd	Submitted in Progress
Modisha N	University of Witwatersrand	Bachelor of Science	05	2 nd	Submitted In Progress
Matlala P	University of Cape Town	MBCHB	16	1st	Submitted In Progress

Table 18: Employee Bursaries awarded to continuing and new student in 2022/2023 Academic Year

EMPLOYEE NAME	INSTITUTION	COURSE NAME	COURSE LEVEL	COURSE STATUS/ RESULTS
Precious Pitso	MANCOSA	Advance Diploma Business Management	Completed	Completed
Harrison Maleswene	Oxford Academy	National Certificate: Public Administration	Completed	Completed
Mampelege Makola	Oxbridge Academy	National Certificate Management Assistant (Public Admin)	Second	In Progress Submitted
Leonard Mahlakwana	UNISA	LLB	Second	In Progress Submitted
Nthabisheng Mokwena	MANCOSA	Bcom Human Resource Management	Referred to 2024	Referred to 2024
Baby Mashabela	Regent Business School	Bcom Human Resource Management	First	In Progress
Charles Madisha	IQ Academy	Hgher certificate in Human Resource Management	Second	In Progress Submitted
Pride Matlala	UNISA	Bcom Human Resource Management	Third	In Progress Submitted
Salome Phaahla	MANCOSA	Bachelor of Administration	First	In Progress Submitted

Kanegelo Mahlobogwane	MANCOSA	Bachelor of Administration	First	In Progress Submitted
Lethabo Makofane	MANCOSA	Advanced Diploma in Accountancy	First	In Progress Submitted
Queen Mashilo	MANCOSA	Masters in public administration	First	In Progress Submitted
Boitumelo Molomo	Regent Business School	Advance Diploma Financial Management	First	In Progress Submitted
Lesetsa Sereko	Excell Training Academy	Office Administration	First	In Progress Submitted
Dominic Mahubane	UNISA	Postgraduate Diploma in Taxation	First	In Progress Submitted
Lungile Mbonani	UNISA	Postgraduate Diploma Accounting Science	First	In Progress Submitted

1.7 AUDITOR GENERAL OF SOUTH AFRICA REPORT

The Municipality committed itself to the principles of innovation and improved service delivery to take us forward into the future. EPMLM have obtained an unqualified audit opinion with findings during the 2022/2023 financial year.

See Chapter 6: Auditor-General Report 2022/2023

1.8 STATUTORY ANNUAL REPORT PROCESS

Table 19: statutory annual report process followed in 2022/2023 financial year.

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise 4 th quarter Report for previous financial year	
4	Submit draft Annual Performance Report to Internal Audit	
5	Municipal entities submit draft annual performance reports to MM	
6	Audit/Performance committee considers draft Annual Performance Report of municipality and entities (where relevant)	August
7	Mayor tables the unaudited Annual Performance Report	
8	Municipality submits draft Annual Performance Report including consolidated annual financial statements and performance report to Auditor General.	
9	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	

10	Auditor General assesses draft Annual Performance Report including consolidated Annual Financial Statements and Performance data	September - October
11	Municipalities receive and start to address the Auditor General's comments	November - December
12	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	January
13	Annual Report is made public, and representation is invited	February
14	Oversight Committee assesses Annual Report	March
15	Council adopts Oversight report	March -April
16	Oversight report is made public	
17	Oversight report is submitted to relevant provincial councils	
18	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.	January

The alignment of IDP, budget and the performance system are important, as the three documents are the strategic documents of the municipality. They serve as a guiding tool to determine whether the municipality is working towards achieving its set goals and objectives, while using the budget in the correct manner, to avoid wasting public funds. This is done through the performance management, where there will be quarterly reporting about the performance of the municipality and whether the budget is still aligned to the set objectives, or if it is being spent on something that is not helping achieve set objectives and goals. Performance management helps to give an early indication of non-performance and allows for the taking of corrective measures as soon as possible.

It is also a compliance issue to meet the deadlines, as non-compliance will result in a negative audit opinion for the municipality. Meeting deadlines also assists with receiving feedback, comments and inputs from relevant stakeholders, and helps with rectifying mistakes whilst learning good practice at the same time.

CHAPTER 2 - GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Constitution of the Republic of South Africa NO. 108 OF 1996 Section 151 (3) states that the council of municipality has the right to govern on its own initiative, the local government affairs of the local community. The Municipality's Council comprises of the political and administrative components responsible for decision-making and implementation respectively. The mayor is the political Head of the Institution, and the Speaker is the Head of Council. The Municipality has all the powers assigned to it in terms of the Constitution as well as relevant National and Provincial legislations. The municipality has the authority to take any possible actions to effectively exercise powers assigned to it.

Overview

The municipality is a category B municipality with an Executive Committee system with thirty-two Councillors, sixteen ward Councillors and sixteen PR Councillors. The municipality has eight full time Councilors, namely the mayor who heads the Executive committee, the Speaker who is head of Council, the Chief Whip, and five executive committee members. The Executive Committee consist of six members including the mayor. The five members of the executive committee are heads of each of the portfolio committees namely, Budget & Treasury Office, Infrastructure Services, Corporate Services, Community Services and Planning & Economic Development. The Chairpersons of each of this committees form the Chairperson of Chairpersons committee.

All items emanating from the five departments are submitted to Executive committee and recommendations from executive committee are submitted via the portfolio committees to council for consideration.

The municipality have an Audit and Performance Committee that provides guidance and recommendations on financial processes and performance and provides comments on the annual report to MPAC committee established to provide council with an oversight report on the annual report. The oversight report gets published once it has been considered by Council for comments by members of the public.

2.1. POLITICAL GOVERNANCE

The municipality is composed by the Mayor Cllr GMH Moimana, Speaker Cllr Lentsoane R.M, the Chief Whip of Council: Cllr L Magane and 05 other Executive committee members and other Councilors. There are also Section 80 & 79 committees that process all the issues before they go to council.

The Municipality consists of 32 Councillors of both elected (ward representatives) and proportional (councilors). Each of the ward Councillors chairs a ward committee as part of the Ward Precatory System that brings participation down to community level. Ward Councillors play a central role in the communication process between the communities they represent and the council, reporting back regularly through ward meetings and assisting the community in identifying needs and priority areas of development which feed into the municipalities planning process. The new demarcation increases the wards from 14 to 16 and from 27 Councilors to 32 respectively. A full list of new Councilors is attached as Appendix A, while appendix B sets out committees and their purposes who were sworn in during the 2022/2023 financial year.

Executive Committee

The Mayor of the Municipality, Councilor GMH Moimana, assisted by the Executive Committee, heads the executive arm of the Municipality. Although accountable for the strategic direction and performance of the Municipality, the Mayor operates in consultation with the Executive Committee.

Table 20: Executive Committee

EXECUTIVE COMMITTEE (SECTION 80)	
Name	Designation
Cllr Moimana GMH	Mayor
Cllr Tshiguvho ME	EXCO Member: Corporate Services

EXECUTIVE COMMITTEE (SECTION 80)	
Name	Designation
Cllr Jacobs PR	EXCO Member: Planning & Economic Development Services
Cllr Manaswe TM	EXCO Member: Community Services
Cllr Sedibane FS	EXCO Member: Budget & Treasury Services
Cllr Ramphele M	EXCO Member: Infrastructure Services

The table below categorises the Councilors within their specific political parties and wards for the 2022/2023 financial year:

Table 21: Councilors within their specific political parties

Surname & initials	Position	Gender	Party	Contacts
Cllr Moimana GMH	Mayor	Male	ANC	083 576 7248
Cllr Tshiguvho ME	Exco Corporate Services	Female	ANC	076 383 7656
Cllr Sedibane FS	Exco Budget & Treasury	Male	ANC	076 051 3137
Cllr Ramphela MR	Exco Infrastructure Services	Female	ANC	083 245 3586
Cllr Jacobs PR	Exco Planning & Economic Development Services	Male	DA	064 949 5529
Cllr Manasoe TM	Exco Community Services	Female	EFF	072 847 9441
Cllr Lentsoane RM	Speaker	Female	ANC	060 567 7177
Cllr Magane L	Chief-Whip	Female	ANC	071 413 6041
Cllr Mabaso T.	PR Councillor	Male	ANC	076 052 0073
Cllr Mogale T	PR Councillor	Male	BPSA	076 544 9648
Cllr Letsela NS	PR Councillor	Female	DA	076 052 8187
Cllr Debeer P	PR Councillor	Female	VF PLUS	082 507 0168
Cllr Makola ML	PR Councillor	Male	EFF	076 052 7443
Vacant	PR Councillor	Male	EFF	060 671 9873
Cllr Mashiane SM	PR Councillor	Female	EFF	081 834 6920
Cllr Modipa SR	PR Councillor	Female	EFF	063 703 1476
Cllr Mmeshi SJ	PR Councillor	Male	EFF	060 882 5833

Surname & initials	Position	Gender	Party	Contacts
Cllr Manasoe TM	PR Councillor	Female	EFF	076 285 3787
Cllr Maelane KM	PR Councillor	Male	EFF	066 196 2776
Cllr Rabalao SS	Ward 1	Male	ANC	071 896 9508
Cllr Thobejane PJ	Ward 2	Male	ANC	078 601 3244
Cllr Kutu TC	Ward 3	Male	ANC	072 615 1789
Cllr Sebothoma KW	Ward 4	Male	Independent	082 833 5599
Cllr Lekoatsipa LR	Ward 5	Female	ANC	071 252 6221
Cllr Ramphela RM	Ward 6	Female	ANC	083 245 3586
Cllr Jacobs PR	Ward 7	Male	DA	064 949 5529
Cllr Aphané KM	Ward 8	Male	ANC	079 025 6445
Cllr Magatla NL	Ward 9	Female	ANC	076 150 8428
Cllr Seloma RM	Ward 10	Male	ANC	072 402 0602
Cllr Mahubane SE	Ward 11	Male	Independent	072 023 4828
Cllr Maphopha MM	Ward 12	Female	ANC	076 981 9516
Cllr Nkoane TP	Ward 13	Male	ANC	072 194 9290
Cllr Phahlamohlaka	Ward 14	Male	ANC	076 800 5816
Cllr Mokwana BZ	Ward 15	Male	ANC	072 849 0100
Cllr Mmamahlako K	Ward 16	Male	ANC	079 184 7502

2.2 ADMINISTRATIVE GOVERNANCE

Introduction

The administration is headed by the Municipal Manager who is the accounting officer and have five departments, namely, Budget & Treasury, Infrastructure Services, Corporate Services, Community Services and Planning & Economic Development headed by section 56 Managers who report directly to the Municipal Manager. Internal Audit division has been established and the Chief Internal Auditor reports directly to the Municipal Manager. Senior Management as well as Management meetings are held to co-ordinate service delivery and evaluate and monitor performance of the administration. Evaluation and Adjudication bid

committees are in place to ensure that tenders are dealt with in terms of supply chain management processes to ensure that projects are implemented in accordance with Budget/IDP/SDBIP.

Table 23: Ephraim Mogale Local Municipality Top Management

The table below reflects the 2022/2023 Top Management of Ephraim Mogale Local Municipality.

July 2022 – May 2023		
Designation	Name	Gender
Municipal Manager	Matladi S.T.	F
Director Corporate Services	Rampedi M.R.	F
Director Economic Development and Planning	Tjebane T.	F
Director Community Services	Maphutha-Mashaba M.Y.	F
Acting Chief Financial Officer	Mabija K.	M
Acting Director Infrastructure Services	Ramatselela T.J.	M
May 2023 – June 2023		
Designation	Name	Gender
Municipal Manager	Moropa M.E.	M
Director Corporate Services	Rampedi M.R.	F
Director Economic Development and Planning	Tjebane T.	F
Director Community Services	Maphutha-Mashaba M.Y.	F
Chief Financial Officer	Modisane T.T.	M
Acting Director Infrastructure Services	Ramatselela T.J.	M

Portfolio Committee's

Section 80 committees are ad hoc committees of the executive committee that specialize in a specific functional area of the municipality and may in some instances make decisions on specific functional issues depending on whether delegations have been granted to them. They are appointed to advise the mayor on policy matters and any other matter to be considered by the mayor.

Section 79 committees are permanent committees appointed to advise the Municipal Council, to play oversight on behalf of the council and report accordingly.

section 79.A Committee is also a committee of council that investigate the matters referred to them by committee and they are also guided by a toolkit.

The name and portfolio of each Member of the Municipal Committees are listed in the table below for the period 01 July 2021 – 30 June 2022:

Table 24: Municipal committees

CORPORATE SERVICES PORTFOLIO COMMITTEE			
NO.	NAME OF COUNCILLORS	DESIGNATION	CELL NUMBERS

1	Cllr Kutu TC	Chairperson	072 615 1789
2	Cllr Rabalao SS	Portfolio Whip	071 896 9508
3	Cllr Lekoatsipa RL	Member	071 252 6221
4	Cllr Mokwana BZ	Member	072 849 0100
5	Cllr Modipa SR	Member	063 703 1476
6	Cllr Tshiguvho EM	EXCO	076 383 7656
BUDGET AND TREASURY PORTFOLIO COMMITTEE			
1	Vacant	Chairperson	071 896 9508
2	Cllr Mamahloko K	Portfolio Whip	079 184 7502
3	Cllr Magatla NL	Member	076 150 8428
4	Cllr Sebothoma KW	Member	082 833 5599
5	Cllr Debeer	Member	082 507 0168
6	Cllr Mashiane	Member	060 671 9873
7	Cllr Sedibane FS	EXCO	076 051 3137
PLANNING AND ECONOMIC DEVELOPMENT PORTFOLIO COMMITTEE			
1	Cllr Mamahloko K	Chairperson	079 184 7502
2	Cllr Phahlamohlaka T	Portfolio Whip	076 800 5816
3	Cllr Lekoatsipa RL	Member	071 252 6221
4	Cllr Magatla NL	Member	076 150 8428
5	Cllr Makola ML	Member	076 052 7443
6	Cllr Mogale T	Member	076 544 9648
7	Cllr Jacobs PR	EXCO	064 949 5529
COMMUNITY SERVICES PORTFOLIO COMMITTEE			
1	Cllr Maphopha MM	Chairperson	076 981 9516

2	Cllr Kutu C	Portfolio Whip	072 615 1789
3	Cllr Nkoane P	Member	072 194 9290
4	Cllr Magatla NL	Member	076 150 8428
5	Cllr Mmeshi SJ	Member	060 882 5833
6	Cllr Manasoe TM	EXCO	072 847 9441
INFRASTRUCTURE PORTFOLIO COMMITTEE			
1	Cllr Phahlamohlaka T	Chairperson	076 800 5816
2	Cllr Kutu T	Portfolio Whip	072 615 1789
3	Cllr Maelane	Member	066 196 2776
4	Cllr Mkwana ZB	Member	072 849 0100
5	Cllr Ramphele M	EXCO	083 245 3586
CHAIRPERSON OF CHAIRPERSONS			
1	Cllr Nkoana TP	Chairperson	072 194 9290
2	Cllr Phahlamohlaka T	Whippery	076 800 5816
3	Cllr Maphopha M M	Member	076 981 9516
4	Cllr Nkoane TP	Member	072 194 9290
5	Cllr Mello F M Deceased	Member	
6	Cllr Magatla NL	Member	
7	Cllr Mabaso T	Member	
8	Cllr Mamahloko K	Member	
ETHICS COMMITTEE			
1	Cllr Seloma R	Chairperson	
2	Cllr Nkoane T P	Whippery	
3	Cllr Sebothoma KW	Member	

4	Cllr Mello F Deceased	Member
5	Cllr Mokwana Z B	Member
6	Cllr Letsela N	Member
7	Cllr Maelane K	Member
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE		
1	Cllr Mabaso T	Chairperson
2	Cllr Letsela N	Member
3	Cllr Thobejane P	Member
4	Cllr Mahubane SE	Member
5	Cllr Aphane C	Member
6	Cllr Seloma RM	Member
RULES & PETITIONS COMMITTEE		
1	Cllr Mokwana Z	Chairperson
2	Cllr Leokatsipa L	Whippery
3	Cllr Seloma	Member
4	Cllr Mahubane	Member
5	Cllr Magatla L	Member
6	Cllr Modipa R	Member
GEOGRAPHIC NAME CHANGE		
1	Cllr Lentsoane RM	Chairperson
2	Cllr Maphopa M	Whippery
3	Cllr Kutu T	Member
4	Cllr Modipa R	Member
5	Mr Jan Phasha	Official

6	Mr D Molefe	Official
PROGRAMMING COMMITTEE		
1	Cllr Lentsoane RM	Speaker
2	Cllr Nkoane T	Chair of Chairs
3	Cllr Mokwana Z	Member
4	Cllr Mmakola C	Member
5	Cllr Makola L	Member
DISTRICT REPRESENTATIVE		
1	Cllr Lekoatsipa LR	Chairperson
2	Cllr Magatla N L	Whippery
3	Cllr Maelane K M	Member
4	Cllr Letsela N	Member
STUDY GROUP		
1	Cllr Magana L	Chairperson
2	ALL whips	Member

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATIONS

Introduction

There are platforms established to maintain relationship between all three spheres of government. The purpose of the platforms is consultation with various interest groups and all other key stakeholders to ensure that sectorial issues and projects are well captured within the IDP of the municipality for implementation.

Table 25: District and Provincial Intergovernmental Structures

District and Provincial Intergovernmental Structures	Provincial Intergovernmental Structures
1. District Monitoring and Evaluation forum	1. Provincial Monitoring and Evaluation forum

2. Mayor's forum	2. Premier mayor's forum
3. Municipal manager's forum	3. Municipal Manager's forum
4. Debt forum	4. Debt forum
5. CFO's forum	5. CFO's forum
6. IDP forum	6. IDP forum, etc
7. Communicators Forum	7. Communicators Forum
8. Home Affairs Stakeholders Forum	8. Home Affairs Stakeholders Forum
9. Batho Pele Forum	9. Batho Pele Forum
10. Speakers Forum	10. Speakers Forum
11. MPAC Forum	11. MPAC Forum
12. District PMS Forum	12. MIG Provincial Forum
13. District Back to Basic Engagement Reporting Session	13. Risk & Internal Audit Forum
14. Technical directors Forum	14. Whip of Council Forum
15. MIG District forum	
16. Risk & Internal Audit Forum	
17. Whip of Council Forum	

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

The Council performs the legislative functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Mayor and the Executive Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, Councilors are also actively involved in community work and the various social development programmes in the Municipal Area.

2.4 PUBLIC MEETINGS

The municipality has developed an annual public participation program. The program targets all 16 wards and specific villages. These meetings afford politicians opportunity to report back on progress made and direct contact with ordinary community members. The Municipality continued to develop and improve mechanisms to ensure a culture of participative governance as a priority. Cluster- Based consultation has been adopted as a form of participatory community action linked to the Integrated Development Planning (IDP) process. Ward committees enhances a more effective communication between the council and the community.

Table 26: Public Meetings

Public Meetings
Nature and purpose of meeting held in 2022/2023

Public Participation on 2021/2022 Annual Report
Public Participation on 2023/2024 Draft IDP/Budget
State of the Municipal Address (SOMA)
Back to School Opening Campaign
MPAC Public Hearing Meetings

2.5 COMMUNICATION, PUBLIC PARTICIPATION AND FORUMS

Local Government has a responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa Act 1996 and other statutory enactments, all impose an obligation on Local Government communicators and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

The communities, on the other hand, have a right and a responsibility to participate in local government affairs and decision-making and ample provision is made in the above-mentioned legislation for them to exercise their right in this respect. Our democratic government is committed to the principle of Batho Pele and this, means that those we elect to represent us (Councilors at the municipal level) and those who are employed to serve us (municipal officials at municipal level) must always put people first in what they do.

South Africa has adopted a system of developmental local government, which addresses the inequalities, and backlogs of the past while ensuring that everyone has access to basic services, to opportunities and an improved quality of life. To be successful, communications must focus on the issues that are shown to impact on the residents' perceptions, quality of service, and value for money and efficiencies. They should ideally look to close the communication-consultation loop.

Good customer care is of fundamental importance to any organisation, and analysis here shows that residents view the municipality's people relations in a negative light. A successful Communication Strategy therefore links the people to the municipality's programme for the year.

Table 27: Below is a communication checklist of the compliance to the communication requirements.

Communication Activity	Functionality
Communication Unit	Yes
Communication Strategy	Draft in Place
Communication Policy	Draft in Place
Customer Satisfaction Surveys	Yes

Communication Activity	Functionality
Functional Complaint Management Systems	Yes
Newsletters distributed at least quarterly	4 Quarters

Section 16 of the Municipal Systems Act (MSA) refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose, it must encourage and create conditions for the local community to participate in the affairs of the municipality. Such participation is required in terms of:

- The preparation, implementation and review of the IDP.
- Establishment, implementation and review of the performance management system.
- Monitoring and review of the performance, including the outcomes and impact of such performance; and
- Preparation of the municipal budget.

During the 2022/2023 financial year, the Office of the Speaker facilitated the capacitating of ward committees in all the 16 wards in Ephraim Mogale Local Municipality. To ensure functionality, training to the ward committee members was provided by SALGA/LGSETA facilitators, guidelines on operational matters were issued by the Speaker and oversight at ward committee meetings provided by personal attendances by the Speaker and/or his authorized personnel. By constant supervision from the Office of the Speaker it was ensured that ward committee meetings and report back at public meetings were held in each ward in addition to the IDP related meetings and budgetary consultative meetings held in clustered wards.

2.6 IDP PARTICIPATION AND ALIGNMENT

The purpose of IDP participation and alignment is to ensure faster and more appropriate delivery of services and providing a framework for economic and social development in a municipality. A range of links exist between integrated development planning and its developmental outcomes which have great relevance in particular context of financial crisis of municipalities, urgency of service delivery and employment generation. Integrated development planning can contribute towards eradicating the development legacy of the past making the notion of developmental local government work and fostering co-operative governance.

Table 28: IDP Participation and Alignment Criteria

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes

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

COMPONENT D: CORPORATE GOVERNANCE

The EPMLM is having an organizational structure that was approved by Council during the adoption of the IDP and budget. The structure has approved posts as follows:

- Created/ approved post = 299
- Filled posts = 248
- Vacant = 51

Council has delegated its administration duties to the Municipal Manager who has five departmental heads in charge of the following departments:

- Corporate Services.
- Economic Development and Planning
- Community Services
- Infrastructure development, and
- Budget and Treasury

There are supportive functions that are attached to the office of the Municipal Manager, whose main aim is to ensure compliance and efficiency of systems and processes. They are as follows:

- Internal Audit
- Risk Management
- Integrated Development Planning/Performance Management Systems

2.7 AUDIT AND PERFORMANCE COMMITTEE

Section 166 of the MFMA obligates every municipality and municipal entity to establish an Audit Committee as an independent advisory body, Therefore EPMLM has established an independent in terms of Section 166 of the MFMA Act No. 56 of 2003.

Ephraim Mogale Local Municipality appointed the current Audit and Performance Committee on the 01st of November 2020 as envisaged in section 166 of the Municipal Finance Management Act (MFMA) and section 45 of the Municipal Systems Act. The Committee has adopted its charter as their written terms of reference approved by council which outlines the mandate of the audit committee, formal terms of reference are regularly updated and approved by Council to ensure relevance and consistency with the MFMA, Municipal Systems Act (No 32 of 2000) and other related regulations, guides, and best practice.

Composition of the Audit Committee

Section 166 provides for a minimum requirement for the composition of an audit committee. The audit committee must comprise of at least three (3) persons who are not in the employ of the municipality or municipal entity. In terms of best practice, the number and/or size of audit committees can be increased to address the requirements, peculiarities, and needs of the municipality or its entity which will also be guided by the approved charter. Therefore, EPMLM Audit Committee consists of five (5) members appointed in November 2020 as per Council resolution SC 03/04/2020 with different skills and field of expertise who are not in the employ of the municipality or municipal entity.

Table 29: The table below depicts the list of Audit Committee members and their attendance.

Name of member	Ordinary meetings attended	Number of Special meetings attended	Number of Apologies received	Total number of meetings attended
Malapela LM (Chairperson)	4	7	0	11
Mmapheto MA	4	7	0	11
Chuene VK	4	7	0	11
Moeng GT	4	7	0	11
Mokwena ML	4	7	0	11

The following skill and experience were discharged by the committee of members to enhance the committee representation and its performance to offer objective and quality advice.

- Financial management
- Legal
- Admin and Governance (i.e., Internal Audit, Risk Management, IT, Human Resources).
- Performance Management

The Committee performed its functions as contained in the Audit Committee Charter approved by the Council on the 30th of June 2022. then reported and accounted to the Council as follows:

Table 30: Reports Audit Committee Accounted for during 2022/2023

Accounting for the Period Ending	Reported to Council on	Outcome
30 September 2022	12 December 2022	Report adopted (Item No. 15.1(A)-file 3/2/3/10/11).
31 December 2022	31 March 2023	Report adopted (Item No. 15.2-file 3/2/3/10/11).
31 March 2023	28 April 2023	Report adopted (Item No. 15.1.1-file 3/2/3/10/11).
30 June 2023	30 August 2023	Report adopted (Item No. 10.1.2-file 3/2/3/10/11).

During the year reported hereon; the committee did a sterling job in carrying out its advisory duties in matters relating to internal control, risk management, effective governance, oversight and advisory on performance management matters as per section 45 of the Municipal Systems Act.

The following are some of the key resolutions and/or recommendations made by the committee in the aforesaid meetings:

- Make budget provisions to capacitate internal audit unit by appointing Senior Internal auditor and an additional auditor to minimize use of consultants.
- Implementation of revenue enhancement strategy.
- UIFW reduction strategy.
- The municipality develop and implement a strategy to improve on its indigent management.
- Centralization of contract management.
- Review of Audit improvement Action Plan.
- Quarterly monitoring progress on AGSA action plan by conducting audit steering committee meeting bi-weekly.
- Establish ICT steering committee chaired by independent external person.

2.8 INTERNAL AUDIT UNIT

Internal Audit is an independent, objective, assurance and consulting activity designed to add value and improve the municipality's operations. The unit assists the municipality in accomplishing its objectives through a systematic, disciplined approach to evaluate and improving the effectiveness of risk management, system of the internal control and governance processes. By its nature, Internal Audit Unit is a governance structure which facilitates improvement on service delivery vehicle by reviewing the design and effectiveness of the system of internal controls around the core mandate and support functions of the municipality. Its role is critical in promoting and enhancing control environment through auditing and recommending solutions to management.

Section 165 of the MFMA requires that each municipality and each municipal entity must have an internal audit unit, subject to Section (3). The internal audit unit of a municipality or municipal entity must:

- Prepare a risk-based audit plan and an internal audit program for each financial year.
- Advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to:
 - Internal audit.
 - Internal controls.
 - Accounting procedures and practices.
 - Risk and risk management.
 - Performance management.
 - Loss control.
 - Compliance with this Act, the annual Division of Revenue Act, and any other applicable legislation.
- And perform any other duties as may be assigned to it by the accounting officer.

During the year reported hereon, internal audit in performing the above indicated duties the following report was tabled to the audit and performance committee as per the above regulation.

- Budget and Expenditure Review.
- Interim AFS
- SBDIP Review
- Solid Waste Review
- Project Management

In strengthening the unit, the internal audit has developed the following governing documents and tabled them to the audit and performance committee which has recommended them to council for approval.

- Internal Audit Charter.
- Internal Audit Methodology.
- Internal Audit Three Year Rolling Plan and,
- Internal Audit Annual Plan.
- Combine Assurance framework.

2.9 RISK MANAGEMENT

The municipality in the financial year reported hereon, has established the risk management function as per MFMA Section 62 (i) (c) which requires a municipality to have and maintain an effective, efficient and transparent system of risk management. The risk management unit has been successfully established, necessary enablers such as policy documents and oversight committee have been developed and/or set.

Building on; the municipality now seeks to approach risk management as more than just a compliance matter, but rather a value-add function which should be fully embedded in the municipality's operations across. The philosophy is that risk management is as much about identifying opportunities as avoiding or mitigating losses. In our recently reviewed strategy, Risk Management is articulated as a logical and systematic process of

establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process, in a way that enables an organization to minimize losses and maximize opportunities.

The drive for local government transformation with limited resources has tended to force municipalities into taking a less conservative approach to service delivery with a proportional increase in their risk exposure. Ongoing local government reforms have provided a broad administrative framework for further improvements to occur. These include more stringent corporate governance requirements, greater flexibility and a focus on results and accountability. Risk management trends and components already overlap with those of internal auditing, performance management, programme and project management, financial management, change management, customer care, communication, etc. and require incremental inclusion in current and plans of the entire organization. The management of risk by implication is a managerial function, even so individual sections, departments and directorates differ in their exposure and reaction to risks and thus departments, sections and individuals form a vital part of the overall risk management process within the Municipality.

The Municipality strives, so far, successfully to be amongst the best in local government. In our continuously changing governance environment (latest of such changes now been mSCOA); it is imperative that Council remains updated on key changes and challenges and how these effect the operation of business in today's environment. This will not be achieved without an effective, efficient, soundly funded and managed risk strategy that seeks to maximize its impact on the organization with minimum resources at its disposal. National Treasury Public Sector Risk Management Framework affirms that —no organization has a luxury of functioning in a risk-free environment and public institutions are especially vulnerable to risk associated with fulfilling their mandates.

Risk Management Practices requires the Accounting Officer to manage the strategic and operational risks of the municipality. The municipality's risk management system provides for mitigating strategies and control activities against the risks within the municipality from unacceptable likelihood and impact. The system also identifies strategic and operational risks and assigns responsibility to appropriate officials within the municipality.

The municipality has a Risk Management Committee in place that meets on quarterly basis and is made of the Directors and divisional managers and is chaired by an Audit Committee member who is not in the employ of the municipality. The Risk Management Committee has its terms of reference.

A Risk Register is updated on an annual basis. The Risk Management Unit monitors progress on implementation of mitigating factors as stated in Risk Register on a quarterly basis. Status to date on the implementation of mitigating factors is therefore reported to both Risk Management Committee and Audit Committee on a quarterly basis. As the municipality embarks on new initiatives and programmes the Municipality keeps a separate emerging risk register for any emerging risks that occurred during the current year that could have a negative impact on the municipality's ability to achieve its strategic objectives.

The Council is ultimately responsible for risk management supremacy with EXCO and Audit Committee playing a very crucial oversight role as a function that is delegated to them and legislated. The status of strategic and operational risks is reported and monitored on regular basis by Risk Management Unit and Risk Management Committee who give feed back to the Accounting Officer and Audit Committee

The table below indicates the top 10 risks within the Municipality. The municipality is fully aware of the root causes of the 10 and other risks identified in the risk registers; and has been able to put in place mitigating strategies within the SDBIP for 2022/2023 which goes to outer year of the MTERF.

The following were identified and rated as top ten (10) Strategic risks of the Municipality: -

1. Non – compliance to MFMA, SCM and other applicable legislations and prescripts.
2. Community unrest (strikes).
3. Possible fraud and corruption.
4. Reputational risks.
5. Low revenue collection.
6. Inability to attract and retain skilled personnel.
7. Inadequate Skills and Competency.
8. Theft and Vandalism of projects.
9. Aging infrastructure.
10. Land invasion (Urban sprawl settlements).

2.10 ANTI-CORRUPTION AND FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), section 112(1) (m) (i) identifies supply chain measures to be enforced to combat fraud and corruption, favoritism, unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

The municipality has adopted and refers to the following policy documents as strategic guidelines in combating corruption and fraud:

- Anti-corruption and fraud prevention policy and strategy
- Whistle blowing policy.

The Municipality also conducted fraud risk assessment at the beginning of the financial year where the management identified fraud risks faced by the Municipality. These fraud risks were identified as those that have the potential to prevent the Municipality from achieving its objectives. Out of fraud risks identified by the management, a fraud risks register was compiled. Progress on mitigating factors / action plans is monitored by the Risk Management Unit on a quarterly basis and the outcomes are reported to the Accounting Officer, Risk Management Committee and Audit Committee.

In addition, the municipality also conducts anti-fraud and corruption awareness on a quarterly basis to all municipal stakeholders' i.e. internal and external stakeholders.

2.11 SUPPLY CHAIN MANAGEMENT

The SCM Policy was reviewed during the 2022/2023 financial year. Certain amendments to the SCM Policy were tabled before Council to improve operational efficiency.

The Municipality is required to forward its SCM Policy to the Limpopo Provincial Treasury on an annual basis for scrutiny and compliance verifications against the Model SCM Policy that was issued by the National Treasury.

The purpose of this exercise is to determine whether the Municipal SCM Policy deviates from the stipulations of the SCM regulations. Ephraim Mogale Local Municipality SCM Policy complies with the regulatory framework.

The SCM function cuts across all departments. Although governance is at its core, supply chain management plays a vital role in contributing towards service delivery in a manner that is fair, equitable, transparent, competitive, and cost-effective.

The Municipality applies the bid committee system for procurement above R 200,000 and for the procurement of long-term contracts.

The bid committees namely the Bid Specification Committee, the Bid Evaluation Committee and the Bid Adjudication Committee are all functioning effectively.

The bid committee members are appointed by the Municipal Manager in line with the relevant legislation.

2.12 BY-LAWS

The municipality did not gazetted any By-laws in the year under review.

2.13 WEBSITES

The municipal website is 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 and budget related documents and policies. The Municipality has a service level agreement with SITA for website maintenance. The Municipal Website is updated on a regular basis when required.

Table 33: Documents published on the Municipality's / Entity's Website

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	2022-06-15
All current budget-related policies	Yes	2022-06-15
The previous annual report (Year -1)	Yes	2022-02-28

The annual report (Year 0) published/to be published	yes	2022-06-18
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	Yes	2022-07-24
All service delivery agreements (Year 0)	Yes	2022-07-24
All long-term borrowing contracts (Year 0)	Yes	2022-06-18
All supply chain management contracts above a prescribed value (give value) for Year 0	Yes	2022-06-18
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	Yes	2022-01-19
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	Yes	2022-06-18
Public-private partnership agreements referred to in section 120 made in Year 0	Yes	2022-06-18
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	Yes	2022-11-17
<i>Note: MFMA s75 sets out the information that a municipality must include in its website as detailed above. Municipalities are, of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments.</i>		
<i>T 2.10.1</i>		

2.14 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

Community satisfaction survey conducted has highlighted important challenges facing the municipality. Among the challenges facing the municipality is to confront the issues in certain villages which made it impossible for survey to take place. Many of the residents' have indicated their displeasure about service delivery. These residents complain about traffic control and motor vehicle licensing, streets and storm water, housing and libraries. These issues could result with negative image and untenable consequences to the municipality. They however credit the municipality, and they are happy with the overall performance of the municipality as a reflection of the current government.

The results of the survey should be read in conjunction with Sekhukhune District Municipality Customer Survey. The intention should be to link the two and identify similar issues that must be pursued by the municipality via the District Intergovernmental Structures. Moreover, the survey results link with planning instruments like IDP, Ward Based Plans and Service Standards. In certain cases, the results may imply revision of certain important planning documents. Addressing the issues raised will improve the rating of the municipality a place as one of the top performers in local government.

CHAPTER 3: SERVICE DELIVERY

COMPONENT A: BASIC SERVICES

Introduction to Basic Services

The municipality performs the following functions in relation to the provision of Basic Services:

- a. Electricity
- b. Free Basic Service and Indigent Support
- c. Roads and storm water
- d. Repair and maintenance of existing infrastructure
- e. Provision of Free Basic electricity
- f. Waste Management

3.1 WATER PROVISION

Sekhukhune District Municipality is both water service authority and provider, them responsibly for bulk water supply and Household connections. In the 2022/2023 financial year they have constructed amongst others the following projects in the Ephraim Mogale local Municipality

- Moutse Bulk water Supply
- Mooihoek bulk water Supply
- Flag Boshielo (Letebejane meter installation)
- Tshikanoshi water supply

3.2 WASTEWATER (SANITATION) PROVISION

Sekhukhune District Municipality is responsible for wastewater bulk provision and the maintenance of the wastewater network since they're both the water authority and water service provider. In the 2022/2023 financial year they have constructed amongst others 1. Ephraim Mogale VIP toilets.

3.3 ELECTRICITY

3.3.1 INTRODUCTION

The Ephraim Mogale Local Municipality is the service authority for the provision of electricity but only have a license for the distribution of electricity in the town of Marble Hall. ESKOM provides electricity to the areas outside the Municipal license area. All villages have been connected to the ESKOM grid. ESKOM completed 61 connections and 311 infills. The electrification backlog in the license area is zero and 1915 households in the Municipal (ESKOM license) area of the total number of 35 953 households (census survey 06/2022) which is 5.33%. These are new extensions and in-fills. The current approved plan is to complete 202 connections at Moganyaka from the 2022/2023 year which had to be increased from 37 due to the fast growth. For the new financial year (2023/24) ESKOM plans to complete 607 connections of which 355 will be for Mamphokgo extension which grows daily. There is also provision for 200 infills. The average planned ESKOM connection cost per household is still higher than the DMRE allocation mostly due to required strengthening of existing

infrastructure. This extremely high cost is also making it impossible for the Municipality to do its own electrification.

3.3.2 TOP 3 PRIORITIES

1. Public lighting maintenance and expansion

The Municipality is successfully maintaining all the installed public lighting. The Municipality approved the Public Lighting Master plan on 28 May 2019. One of the capital projects that was started in the 2019/2020 to install high mast lights at Manapyane have still not been completed because ESKOM installed and energized only 5 of the 8 supply points. NERSA and ESKOM have been engaged without any progress on the remaining three supply points. The Municipality installed and energized 6 new masts lights in Greenside/Doornspruit and installed three new mast lights in Matseding of which only two was energized because ESKOM did not install the third supply point. A new project was added, and 4 new mast lights was installed at Moganyaka but could not be energized because after receiving payment ESKOM did not install the new supply points but increased the cost by 800%. Lack of funding is a huge challenge for new installations and maintenance as the serviced areas don't generate any income.

2. Distribution network maintenance

The projects of the Municipality focus on maintenance, refurbishment and replacement. During 2017/2018 the Municipality nearly reached the limit of its ESKOM connection capacity and applied for a capacity increase in 2017/2018. A second emergency temporary upgrade application was submitted on 11 April 2019 and the ESKOM quote was accepted and paid. ESKOM indicated that account and project security amounts will now be determined to start the project. The Municipality completed transformer and Ring Main Unit maintenance and The Municipality serviced 20 Ring Main Unit maintenance as planned. 51 transformers were serviced and tested. The equipment in all three 11000V substations was tested and serviced. Three hundred and seventy meters of new 70mm² 11kV cable was to replace old cable and to increase the capacity to Extension 3 and 6. Another 275m section of 70mm² 11kV cable was installed to replace the old PEX type unarmored cable that failed frequently and could not be used anymore but was only 100% completed in July 2023

3. Accurate metering

The Municipality succeeded to maintain energy losses at 1.85% which is well below the NERSA requirement of 12% by doing monthly meter reading internally and using handheld electronic devices to capture readings and pictures of meters. The Municipality is doing deviation investigations to identify problems. More than 70% of residential customers have now changed to prepaid metering and the number is still growing slowly but SSEG installations reduce the number again. The Municipality did the STS roll over on prepaid meters but one brand of one specific year could not be rolled over and had to be replaced. Thirty of these problematic meters were replaced.

3.3.3 MEASURES TO IMPROVE PERFORMANCE

1. Public lighting

The Municipality approved the Public Lighting Master Plan and is trying to expand public lighting to all areas according to the guidelines in the plan. Two new projects are being planned with 6 new mast lights at Malebitsa and Leeuwfontein RDP respectively. The Municipality will continue with maintenance but will have to start keeping completely new LED fittings in stock for breakdown replacement. The new LED technology is effective and energy efficient but difficult to repair as the components are manufacturer specific and the technology keep on changing with new development. Apart from funding the biggest issue is high cost of ESKOM supply points, very long construction time by ESKOM of these points and the very high energy tariff charged by ESKOM for public lighting. The Municipality needs assistance from NERSA and Government to engage ESKOM and such a request was submitted to NERSA, DMRE and ESKOM. The Municipality completed the 8 new mast lights in August 2021 and paid the ESKOM quotations. Unfortunately, two and a half years later only 5 have been energised. ESKOM refuse to complete the last 3 supply points despite many promises. Two of the recently completed mast projects have also not been energized completely and need a high level of intervention.

It was also decided that once the current MIG projects have been completed most light projects would be placed in the MIG program again. Mast projects was removed from the MIG program after ESKOM continued to fail to supply connections points to energize the projects for 2 years. This problem still exists. Any new installation will require more funding for energy and maintenance but at this stage no additional source of income have been secured. There are no immediate solutions for the inadequate funding. The Municipality converted fittings to more energy efficient LED and plans to convert all fittings in the coming year to create saving but on all the new projects ESKOM now moved the Municipality to the most expensive business tariff which then consumes any and all the saving that was achieved by using LED fittings. ESKOM and NERSA refuse to assist and it was escalated to SALGA. As recommended in the Public Lighting Master Plan the Municipality applied for funding from the Department of Energy to change all the remaining light fittings to new energy efficient LED (Light Emitting Diode) technology.

2. Distribution network maintenance

In line with the Electricity Master plan the Municipality applied to ESKOM for an increase in the Main supply in 2017/2018. The investigation cost, quotation cost and construction cost have been paid. ESKOM now requires that the Municipality provide additional security for the account and project. Due to this incredibly long process the Municipality temporarily secured 1MVA of additional capacity at the ESKOM main supply point. The fourth and final phase of the project to install a second supply to the Industrial substation will be implemented in the 2023/2024 financial year to provide additional capacity and reliability. According to the Maintenance the transformers will be serviced and tested and 20 RMu's will be serviced.

3. Accurate metering

The Municipality will continue to read its own meters based on the excellent results. Deviation reports will still be done to ensure losses are managed. More customers will be converted to prepaid metering to reduce

reading and billing errors and to secure income. The Municipality will complete the TID roll-over in time to ensure that all prepaid meters have been reprogrammed before the due date. Problematic conventional meters and prepaid meters will be replaced in the new financial year to reduce operating cost and possible losses.

3.3.4 SUCCESS AND CHALLENGES

1. SUCCESS

- Electricity losses at 1.85 %. (NERSA limit 12%)
- The repair of faulty public lighting fittings was achieved at 100% per quarter for the whole year.
- Prepaid meter STS (TID) roll over at 97%
- Transformers serviced and tested.
- Twenty Ring Main Units serviced.
- The replacement of 275meter of old damaged Medium Voltage cable started in Ext 5.
- Replacement of 370meter of small and problematic Medium Voltage cable in Ext 2 and 3 completed.
- Stand-by generator installed to keep Head office, Community offices, Town Hall, library and IEC operational at all times.
- The Municipality approved and Small-Scale Embedded Policy and started registering the customers.
- Six new mast lights at Greenside/Doornspruit energised. Two new mast lights at Matseding energised. Four new mast lights at Moganyaka constructed waiting for ESKOM supply points.
- Approval for Revenue Plan by DBSA

2. CHALLENGES

- Population and electrification backlog growing fast with limited funding and network capacity constraints.
- Service provided by ESKOM:
 - Very high cost of new supply points
 - Very long time for construction and energization of new supply points.
 - Very high tariff on new public lighting supplies
 - Very long time on restoration of reported faults
 - Incorrect accounts.
- Increase in construction and maintenance cost but no increase in revenue.

In license area

- (a) Informal densification is putting the network under pressure
- (b) Development in unauthorized areas which cannot be electrified.
- (c) Encroachment – road reserves and servitudes
- (d) Loadshedding causing several cable faults and vandalism

- (e) Infrastructure vandalized and stripped especially in Extension 4(Industrial area), 5 and 6 (Phase three completely stripped-transformer, cables, meter kiosks and streetlights)

3.3.5 ADDRESSING SERVICE BACKLOGS

Due to the recent very fast population growth the backlog is now also growing very fast, and the INEP allocation is not keeping up and the network is also running out of capacity:

Total for 2022/2023 was:

Only 61 connections completed for R1 904 003 (R31 213/connection) and 311 Post connections, but the Moganyaka project was drastically increased to catch up with the backlog in the new financial year. The budget was increased from R 927 349.95 for 37 connections to R2 687 039.70 for 202 connections.

Total for 2023/2024 planned:

Complete 202 connections from the previous year and do 567 new connections for R25 402 987(R33 033/connection) and 200 Post connections.

No	Year	Connections	Backlog	Connections as % of backlog
1	2018/19	708	1191	59%
2	2019/20	779	867	90%
3	2020/21	512	1106	46%
4	2021/22	549	1942	28%
5	2022/23	372	1915	19%

The Municipality will cooperate with ESKOM to eradicate the backlog. Councillors submit the backlog data to the Municipality who submit it to ESKOM. After investigating the projects ESKOM submit a project proposal to the Municipality for approval. ESKOM then implemented the projects with funding from the INEP allocation for the Municipality. This will not even maintain the backlog not to mention eradicate the backlog. For some reason the number of new households is growing fast although there is no visible economic growth or development. The very high average cost per connection and the fact that the Municipality cannot always claim for the cost of upgrading existing networks in villages already electrified means that the Municipality cannot afford to do its own projects. The Municipality considered three projects namely Mohlalaotwane, Driefontein and Malebitsa where there is fast growth, but the ESKOM network doesn't have capacity. The other fast-growing areas of Moganyaka and Mamphokgo were already covered in the ESKOM plan.

The Municipality developed a public lighting master plan but needs to source funding for new installations as well as funding for maintenance and energy consumption. With the very high ESKOM supply point cost and the new ESKOM business 4 charges of R5.46/kWh for new installations, which is more than double the old tariff, it requires a lot of funding. The Municipality and DMRE considered solar mast lights, but it is not yet the best option due to cost, limited cover and security risk to equipment. Unfortunately, the Municipality have not been successful in collecting revenue from communities receiving services outside the NERSA license area. Currently there is no funding from MIG for new public lighting installations as the MIG program is full.

Table 34: Electricity Service Delivery Levels

Electricity Service Delivery Levels Households				
Description	Year -3	Year -2	Year -1	Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Energy</u> (above minimum level)				
Electricity (at least min. service level) (esk 1% +munic conv)	331	692	340	340
Electricity - prepaid (min. serv level. data availability challenges est. 99% + pp munic)	32 738	32 502	33 671	33 698
<i>Minimum Service Level and Above sub-total</i>	33 069	32 830	34 011	34 038
<i>Minimum Service Level and Above Percentage</i>	97.7%	96.7%	94.6%	94.7%
<u>Energy</u> (below minimum level)				
Electricity (< min. service level- Only backlog)	867	1106	1942	1915
Electricity - prepaid (< min. service level - Only backlog)	0	0	0	0
Other energy sources – no official project or data	0	0	0	0
<i>Below Minimum Service Level sub-total</i>	867	1106	1942	1915
<i>Below Minimum Service Level Percentage</i>	2.3%	3.3%	5.4%	5.3%
Total number of households	33 936	33 936	35 953	35 953
Data is an estimate based on STATS 2016, STATS 2022				

Table 35: Households - Electricity Service Delivery Levels below the minimum

Households - Electricity Service Delivery Levels below the minimum						
Description	Households					
	Year -3	Year -2	Year -1	Year 0		
	Actual 18/19 No.	Actual 19/20 No.	Actual 20/21 No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	965	975	984	984	984	995
Households below minimum service level	0	0	0	0	0	0
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
Informal Settlements						
Total households	34 469	32 961	34 969	34 969	34 969	34 958
Households below minimum service level	867	1106	1942	1942	1942	1915
Proportion of households below minimum service level	2.5%	3.4%	5.6%	5.6%	5.6%	5.5%

	33 936	33 936	35 953	35 953	35 953	35 953
Data is an estimate based on STATS 2016 and STATS 2022. Data from ESKOM not accurate.						

Table 36: Electricity Service Policy Objectives Taken From IDP

Electricity Service Policy Objectives Taken From IDP									
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	Year -1 21-22		Year 0 22-23			Year 1 23-24		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Provision of minimum supply of electricityESKOM	Additional households (HHs) provided with minimum supply during the year (Number of HHs below minimum supply level)	590* Addition al HHs (1106 HHs below minimum)	558* Addition al HHs (1942 HHs below minimum)	590* Addition al HHs (1106 HHs below minimum)	624* Addition al HHs (1942 HHs below minimum)	383* Addition al HHs (1915 HHs below minimum)	969* additiona l HHs (1915 HHs below minimum)	969* additiona l HHs (2584HH s below minimum)	600 additiona l HHs 2005 HHs below minimum)
Maintain Public Lighting	Do quarterly maintenance on all streetlights – 995	100%	100%	100%	100%	88%	100%	100%	100%
Ensure reliable supply	Transformer maintenance	50	50	51	51	51	51	52	52
Ensure reliable supply	Ring Main Unit Maintenance	20	0	20	20	20	20	20	20

Table 37: Capital Expenditure Year 0: Electricity Services

Capital Expenditure Year 0: Electricity Services

R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	14 780	12 146	11 946		
Upgrade Municipal ESKOM Supply	2 289	0	0	0	0
Replace 20 kWh prepaid meters	100	100	86	-14%	86
Replace old 35mm PILC cable from Erf181 to 830	811	646	646	0%	646
Replace old PEX 11kV Cable from Erf812 to 1/900	1 000	1 000	755	-25%	755
Replace 30 kWh meter	150	150	167	11%	167
High Mast Lights Moganyaka	0	1 750	633	-63%	633
High Mast Lights Matseding	3 500	1 550	1 542	-1%	1 542
High Mast Lights - Doornspruit	3 500	3 500	3 021	-14%	3 021
Transformer replacement 150kVA	250	250	0	-100%	0
Replace minisub Erf 338 Mopani Street	1 800	1 800	0	-100%	0
Replace streetlight wood poles at Mmotwaneng 20	180	0	0	0%	0
Generator for admin offices	1 200	1 200	1 149	-4%	1 149
				-33%	8 000
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					
COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:					
<ul style="list-style-type: none"> Electrical Master Plan, Operation and Maintenance Plan and Public Lighting Master Plan available and being implemented. Electrification Backlog at 5.3% Losses at 1.85% Readiness for STS (TID) roll over at 97% The Municipality is promoting alternative energy with an approved and Small-Scale Embedded Policy and Tariff. Maintenance and refurbishment are still a priority. Transformers serviced and tested. Twenty Ring Main Units serviced. Substations serviced and tested. The Municipality continues to replace old equipment like the cables in Ext 2, 3 and 5 (645m). Unfortunately, the minisub planned for replacement could not be completed due to the poor performance of the Contractor. The NERSA audit found the network in good condition and the recent insurance audit confirms this although some equipment is old, and vandalism is a problem. The repair of faulty public lighting fittings was done although street light material was an issue in quarter three. 					

- The Municipality is continuing to install stand-by capacity to continue services during load shedding. The Finance and Technical Departments were first and then the whole main complex (Corporate, Community, Library, Town Hall and IEC) was included. The License and Traffic Centre will be covered in the next financial year.
- The Municipality continues to extend the public lighting services although funding and ESKOM is a challenge. Thirteen mast lights were erected to cover three villages.
- The DBSA approved the application for a Revenue Plan which will hopefully include in the required Cost of Supply Study and in sourcing revenue to expand and maintain service delivery.

Three largest capital projects

The 3 largest projects were related to the expansion of services, increasing capacity and maintenance and repairs of the existing network. The repair and replacement of equipment is necessary to ensure reliable supply.

High Mast Lights Greenside – The Municipality expanded the public lighting service by installing 6 new mast lights at Greenside.

Matseding high mast lights – The Municipality expanded the public lighting service by installing 3 new additional mast lights at Matseding to complete the public lighting service.

Generator for admin offices – The loadshedding was preventing the Municipality from being productive and providing a continued service to the public. The generator was installed and all the offices and facilities in the head office area was connected.

Replace old 35mm PILC cable from Erf181 to 830. – The Municipality started replacing 370m of an old 35mm PILC ring feed for extension 2, 3 and 6. This section was the second last section and will increase capacity and reliability to the three extensions.

The five-year projects as planned in the IDP might not be achieved within the available budget due to the following factors:

- Unavailability of components locally
- Fluctuation of copper prices
- Exchange rate on specialized imported equipment
- Changes in priority due to development/densification
- Increasing cost of maintenance – (material and service providers)
- Reprioritization due to theft and vandalism
- Non-compliant bidders and very high profit margins
- Stress and breakdowns due to loadshedding

Electrical network supply reliability has been maintained but all the old medium voltage cables will have to be replaced which the Municipality have been doing in phases every year. The frequent switching due to loadshedding is putting strain on the network components. Metering/billing accuracy have been improved because the Municipality continued with its own meter reading with electronic meter reading devices with images for verification. Data must still be cleaned up and several meters must still be replaced. Correct metering must be installed at all SSEG installations. Losses have managed well below NERSA levels at 1.85% which is good news for the Municipality and its customers.

ESKOM

All villages have been grid connected to the electrical supply. ESKOM succeeded in the completion of only 2 planned projects with only 61 connections. One project was postponed but at least the number of connections was drastically increased although the project was delayed. The current INEP allocation and the connections completed is not keeping up with the fast growth and will not eradicate the backlog. The ESKOM network is also limited in available capacity for more connections in the Moutse West area. There is still no proper planning on new extensions in tribal controlled areas and at the beginning of every project resident quickly start building many new houses in the hope that the project will be extended which is impossible.

ESKOM is implementing Free Basic Electricity on behalf of the Municipality and currently we don't experience a problem with their implementation, but the indigent register must be revised regularly. The Municipality needs access to the relevant systems to confirm when beneficiaries pass away.

3.4 WASTE MANAGEMENT

The Municipality managed to consistently deliver a weekly kerb side refuse collection service in the following five villages namely Marble Hall (ward 7), Leeuwfontein (ward 8), Leeuwfontein RDP (ward 8), Elandsdraal (ward 15) and Schoeman Farm residential.

The Superintendent Waste retired in Augustus 2020 and a new Superintendent was appointed in October 2022 and vacant 3 general worker posts were filled. However, Solid Waste Manager retired in April 2023 and the Waste Manager vacancy needs to be filled. The unit also has 1 general worker (street cleaner) vacant that also needs to be filled due to retirement. Furthermore, Contract EPWP are assisting to keep the service operational, but administratively serious backlogs did occur, and some operational procedures are not in line with the waste guidelines.

Several communal containers are strategically placed to give communities further access to weekly refuse collection. Challenges on the service of container placed at Leeuwfontein occur due to breakdown and the area was used as an illegal dumping site, but later it was restored, and weekly monitoring is taking place. These containers are removed on a weekly basis and disposal is done at the Marble Hall Landfill site.

The only permitted and licensed landfill site currently is situated in Marble Hall. The landfill site has a potential airspace of 5 years available. The landfill site is being maintained and an external compliance audit is annually performed to establish the compliance to various Legislation and the permit conditions. The Municipality engaged the National Department of Environmental Affairs and the Provincial department to seek permit condition to do changes to suit the status of the Landfill but were advised to apply for a new license for the extension of the landfill site instead in the future and the application was done and approved by LEDET. Currently the department has appointed Service Provider Mamadi & Company for the extension of new engineering designs and the license amendment at our landfill facility that will take 2years.

The department (LEDET) has also appointed Service Provider for the new development of (IWMP) Integrated Waste Management Plan for six months from the date of January 2024.

A weighbridge was installed at the Landfill site however we are still establishing the correct manner to operate the weighbridge to its full capacity. The control of the entrance is not effective due to many operational challenges and waste being disposed are still estimated. A strategic approach on the weighbridge operations and training and license update will be done in the next financial year.

According to the 2016 Consumer census survey , the Municipality has a total number of 33936 households and the currently 6369 households have access to weekly refuse collection service. It means that only 18.8% of the households have access with a backlog of 81.2%. The status of the number of households in the rural areas is challenging.

The current refuse collection service include the following , twice a week collection in Marble Hall town , and a weekly service in Leeuwfontein ,Leeufontein RDP, and Elandskraal. At Schoeman Farms, Matlala Hospital (not medical waste), Regae, Mokganyaka , Leeuwfontein New stands, next to road at Moganyaka Clinic , Global garage, Matlerekeng and Makgatle 15m3 containers are placed for communities to dispose off their waste .

The Municipality is also uploading monthly collected waste estimated statistics as per guideline onto the South African Waste Information System website.

The only street cleaning or litter picking service is done in Marble Hall town on a daily basis including weekends and some public holidays, .A recycling company (Glocka Pty) was approved by Council to do recycling at the landfill site in order to adhere to legislation of minimisation waste to the landfill. The company erected a shelter for their baler and also connected to the electricity on a pre paid bases to administer their operation, reclaimers sell their material to the company . Sorting at source as part of the recycling process is also done by private companies. Recycling is prioritised, and we also encourage individual community members to do recycling of bottles and plastic as this will result in a clean surroundings. The service need to be extended to other areas in order to encourage clean and healthy environment, however the impact was not as expected as the progress is slow. A recycling strategy needs to be developed in line with the IWMP

In collaboration with the voluntary group of concern community members of the Letebjane , Mamphogo and Mokganyaka villages are doing the cleaning of rivers, and picking litter along the main road from Leeuwfontein intersection up to Letebjane village . The Municipality assist with refuse bags and the collection of refuse. They are also doing recycling on a small scale and are recognised by the Sekhukhune District Municipality and Provincial department.

The Municipality is also part of the Sekhukhune District Recycling Forum and the Local Municipal Recycling Forum was established . Refuse recycling at schools are also done under the auspices of the District forum. Funding are a major concern but the Department of Economic Development ,Environment and Tourism (LEDET) is assisting where ever they can.

As part of the commitment to the allocated EPWP grant and job creation , six employees were contracted for 6 months as EPWP employees to support waste management in Marble Hall, and Leeuwfontein. To the other

villages the Department of Forestry, Fisheries and the Environment employed 480 EPWP among the 16 wards to assist with illegal dumping and waste occurring at the Villages.

Proper effective awareness campaigns to inform communities in Environmental issues such as waste and cleanliness, clearing illegal dumping of waste throughout the Municipality is ongoing process and at other villages the Municipality already started with the cleaning and educational campaigns.

Challenges that are faced with waste management

Due to the extensive ruralness of the areas of the Municipality and due to fact that the only registered landfill is situated in Marble Hall town and the capacity of the Waste division, there is a huge challenges of extending services to all the households in the Municipal area.

The non payment of refuse collection services in Leeuwnfontein and Elandsdraal is also not yet finalised and the delay to extend services to other areas is still a huge challenge. Currently the necessary public consultations in these communities are still being finalised by Finance section of the Municipality so that the revenue enhancement in these areas can be implemented.. The implementation can assist with additional revenue that can help with a sustainable and affordable services to other villages.

The review of the outdated Integrated Waste Management Plan (2007) is still not finalized. A first draft was developed with assistance from a deployed employee allocated to assist with environmental services and awareness under the green deeds programme from the national department. However, the document must be finalised as soon as possible, and a service provider was appointed by the Provincial department to assist in the process of development of an IWMP.

There are no other private entities contracted to do refuse collection in the municipality.

Table 38: Refuse disposal for Households within EPMLM (RELY ON STATS SA FIGURES 2011 AND SURVEY 2016)

Description	Households		
	2019/2020	2020/2021	2022/2023
	Actual No.	Actual No.	Actual No.
<u>Solid Waste Removal (Minimum level)</u>			
Removed at least once a week	6369	6369	6369
<i>Minimum Service Level and Above sub-total</i>	6369	6369	6369
<i>Minimum Service Level and Above percentage</i>	18.8%	18.8%	18.8%
<u>Solid Waste Removal (Below minimum level)</u>			
Removed less frequently than once a week	0	0	0

Using communal refuse dump	Unknown	unknown	unknown
Using own refuse dump	Unknown	unknown	unknown
Other rubbish disposal		-	-
No rubbish disposal	26,567	26,567	26,567
<i>Below Minimum Service Level sub-total</i>	28,317	28,317	28,317
<i>Below Minimum Service Level percentage</i>	81.2%	81.2%	81.2%
Total number of households	33,936	33,936	33,936

3.5 HOUSING

This is not a function of municipality. The Limpopo department of CoGHSTA coordinates all housing issues. The Limpopo Department of CoGHSTA has allocated construction of 144 RDP houses to the municipality during the 2022/2023. Service providers were appointed, and the project are still in progress.

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

Introduction

The Ephraim Mogale Municipality only provided Free Basic Electricity to the indigent. The policy is reviewed in line with the Municipal Indigent Policy. The municipality has set a target of 911 beneficiaries to receive Free Basic Electricity in the 2022/2023 financial year and manage to provide for 911 beneficiaries who are on the indigent register by 30 June 2022.

COMPONENT B: ROAD TRANSPORT

INTRODUCTION TO ROADS, BRIDGES AND STORM WATER

The Municipality is responsible for the provision, development and maintenance of the internal streets within the villages. The road and stormwater master plan were developed in the year 2017 to assist the Municipality with specifying the conditions of the roads throughout the municipal area and further proposes a priority list for intervention. The Master plan has also included maintenance plan (routine and periodic) that indicate the different treatment on surfaced roads and the period of application. The Master plan need to be reviewed.

The municipality has the following related strategic objectives for the reporting period:

- To improve access to viable roads and facilitate tarring.
- To facilitate provision of storm water drainage for all Municipal roads

These objectives are funded from the MIG and the Equitable Share; however, the municipality needs more resources, both financial and human to be able to address the backlog as planned.

3.7 ROADS

The Municipality is responsible for the provision, development and maintenance of the internal streets within the villages. The Municipality is also maintaining all the roads within the Municipal area and there are teams dedicated for that. The teams are as follows.

- Gravel/Dirt roads Maintenance team
- Surfaced roads maintenance team including drainages.
- Road marking team

The total length of the road network under ownership of Ephraim Mogale Local Municipality is 1162.9km from the Road Master plan exercise done in 2017, of which 977.8 km are gravel and 184.2 km are surfaced. This excludes roads owned by SANRAL, Province, District Municipality, and Private Roads. This translates to only 15.8% of the network being surfaced and the rest of network, i.e. 84.16%, being gravel.

The Municipality have managed to reduce the gravel backlog and increase the surfaced roads by 4.283 km since the financial year 2022/2023. The gravel roads back log is now sitting at 977.8km, and the surfaced roads length has increased to 184.2km.

Most of the existing surfaced road infrastructure has reached its design life span and routine maintenance is no longer the solution. The municipality need to invest and focus in preserving the life of the existing roads infrastructure by putting funds aside for heavy maintenance including repair; reseal; fog spray and rehabilitation. The types of treatments for different types are best described in the Road and Stormwater Master plan.

Table 39: Asphalted & Gravel Road Infrastructure & Cost of Construction/Maintenance

Asphalted Road Infrastructure Kilometers					
	Total asphalted roads	New asphalt roads	Existing asphalt roads re-asphalted	Existing asphalt roads re-sheeted	Asphalt roads maintained
2019/2020	152.00	6.4	0	0	158.40
2020/2021	158.40	12.25	0	1.35	179.92
2022/2023	179.92	4.28	0	0	184.20

Gravel Road Infrastructure						
				Kilometres		
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained		
2019/2020	1001.13	0	5.450	995.68		
2020/2021	995.68	0	13.60	982.08		
2022/2023	982.08	0	4.28	977.8		
Cost of Construction/Maintenance R' 000						
	Gravel			Tar		
	New	Gravel – Tar	Maintained	New	Re-worked	Maintained
2019/2020	0.00	R33 433 000.00	R2 004 944.00	R0.00	R0.00	R2 004 944.00
2020/2021	0.00	R54 830 000.00	R4 000 000.00	R0.00	R0.00	R4 000 000.00
2022/2023	0.00	R30 189 000.00	R3 947 000.00	R0.00	R0.00	R3 947 000.00

Table 40: Road Service Policy Objectives Taken From IDP

Road Service Policy Objectives Taken From IDP									
Service Objectives <i>Service Indicator</i> (i)	Outline Service Targets (ii)	Year 1(2019/2020)		Year 2(2020/2021)			Year 3(2022/2023)		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
<i>Elimination of gravel roads in townships</i>	184.2Kilometers of gravel roads tarred (977.8 Kilometres of gravel road remaining)	5450.kms gravel roads tarred	5.450kms gravel roads tarred	5.450kms gravel roads tarred	13.60kms gravel roads tarred	13.60kms gravel roads tarred	12.25kms gravel roads tarred	4.280kms gravel roads tarred	0kms gravel roads to be tarred but a total of 12.25 kilometres
<i>Development of municipal roads as required</i>	172kms of municipal roads developed	5.450kms	5.450kms	5.450kms	13.60kms	13.60kms	12.25kms	4.28kms	0kms

Table 41: Financial Performance Year 0: Road Services

Financial Performance Year 0: Road Services R'000					
Details	2020/2021	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	R0.00	R0.00	R0.00	R0.00	R0.00
Expenditure:					92.31%
Employees		8 862 015.00	0.00	8 862 015.00	0.0%
Repairs and Maintenance		3 000 000.00	0.00	2 150 730.83	72.30%
Other	0.00	0.00	0.00	0.00	0%
Total Operational Expenditure					
Net Operational Expenditure					
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					
Capital Expenditure Year 2022/2023: Road Services R' 000					
Capital Projects	2022/2023				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	R 33 602 000.00	R 33 602 000.00	R 29 241 892.43	R0.00	
The Construction of Mabitsi internal streets	R 12 800 896.05	R 12 800 896.05	R11,329,781.39	R0.00	R 30 364 209,97
The Construction of Morarela internal streets	R 1 500 000.00	R 1 500 000.00	R1,401,111.32	R0.00	R 21,774,833.78
The Construction of Regae bus route	R 14 304 952.95	R 14 304 952.95	R12,137,766.44	R0.00	R 22 235 184,47
Mogalatsane Phetwane internal	R 3 096 151.00	R 3 096 151.00	R2,752,279.15	R0.00	R 35 347 156.47
Rathoke internal streets	R1 200 000.00	R1 200 000.00	R968,836.34	R0.00	R 16 000 000.00
Dichoueng internal streets	R700 000.00	R700 000.00	R652,117.79	R0.00	R 6 320 000.00
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					

In the financial year 2022/2023, the allocation was R 30 189 000.00.

MUNICIPAL INFRASTRUCTURE GRANT EXPENDITURE

The percentage of MIG Expenditure for 2022/2023 was 100.0% including PMU establishment fees.

Table 42: Municipal Infrastructure Grant Funded Projects

Municipal Infrastructure Grant Funded Projects	
R 54 830 000.00	
MIG projects	MIG projects
	Budget
The Construction of Mabitsi internal streets	R 12 800 896.05
The Construction of Morarela internal streets	R 1 500 000.00
The Construction of Regae bus route	R 14 304 952.95
Mogalatsane Phetwane internal	R 3 96 151.00
Rathoke internal streets	R1 200 000.00
Dichoueng internal streets	R 700 000.00
PMU Establishment	R1 587 800.00

3.8 TRANSPORT

Transport is an important component for economic improvement and development, both for commuters, SMME'S and big businesses, investors and for transport services.

There are different makes of transport in EPMLM, taxi, bus, private cars etc. The most well-established transport made is the Taxi operations with its associations established and regulating the industry. Great North Transport (GNT) is the only bus service operating in EPMLM and not in all the communities. There is a major demand of GNT Services in some villages to make their journey safer and economical to Marble Hall as a town.

The Annual Arrive alive campaigns in collaboration with District and Provincial departments were successfully held in December 2022 and April 2023 where road users were made aware of the road traffic act conditions, whereby vehicles and driver licenses were inspected. Traffic section conducted several Roadblocks which the aim was to make effective of the Traffic Contravention system for revenue collection. Traffic Services which include normal law enforcement was done in Marble Hall and there is still a challenge in extending the service to other villages.

Re allocation of hawkers to the hawker stall away from the N11 is still a huge challenge, the process is stuck due to resistance from the hawkers to move to the hawker stall and the deliberately stay away from the meetings. A new strategy needs to be formulated for implementation and Participation.

The Licensing and Registration Centre (DLTC) is operating and the Licensing of both drivers and motor vehicles in partnership with Department of Transport and Community Safety (DOTCS) is performed. The position for Senior Licensing Officer has been vacant for a long time and needs to be filled as soon as possible.

3.9 STORMWATER

The Municipality is managing approximately 118km of storm water control structures including pipes, channel and catch pits. The Municipality is also constructing new storm water structure with each new road. The Municipality is maintaining and cleaning the storm water structures every month and there is a team dedicated for the maintenance of storm water.

Challenges for Roads and storm water provision and maintenance and Unavailability of planning data

- Aging infrastructure
- Huge backlog
- Uncontrolled storm water in villages
- Rolling and Mountainous terrain (groundwater; rocks and Siltation)
- Limited and Inadequate budget for the maintenance and development of new infrastructure
- Poor performance and workmanship by service providers
- Mushrooming of business forums in various villages and their expensive demands in various projects
- Mining of gravel material from borrow pits in tribal lands.
- Outdated roads and stormwater Master plan

COMPONENT C: PLANNING AND DEVELOPMENT

3.10 PLANNING

Ephraim Mogale local municipality through the Planning and Economic Department is responsible for the overall planning of the municipality. Through the Town Planning Services Unit, the Municipality facilitates the implementation of the Spatial Planning and Land Use Management Act 2013, (Act 16 of 2013), EPMLM Spatial Planning and Land Use By-law, 2017, Spatial Development Framework (SDF), Land Use Management Scheme and other planning laws and prescripts.

The Town Planning and Building division is responsible for the provision of strategic direction regarding the spatial planning of towns, townships and rural settlement areas in EPMLM. The Municipality receive all Land Development Applications within the Jurisdiction through the office of Town Planning as guided by the Ephraim Mogale Spatial Planning and Land Use Management By-Law, 2017. The Land Use and Land Development Applications are separated into 2 categories, whereby Category 1 is decided upon by the Tribunal and Category 2 is decided by the Authorized Official of the Municipality.

The council of Ephraim Mogale in the council resolution SC1/04/2019 has agreed to establish a joint Municipal Planning Tribunal to exercise the powers and perform functions of decision making on Land Use Applications and appoint the Authorized Official to receive and decide of land development applications and land use applications within the municipality. The municipality entered into an agreement with the Sekhukhune District Municipality and the other 3 Municipalities for the establishment of Sekhukhune Joint District Municipal Planning Tribunal.

Table 43: Below are all applications received and for the financial year 2022/2023

Date Received	Category	Description	Approved/Not Approved
13/07/2022	Category 2:	Application for exemption in terms of section 71: Farm uyskraal no.10-js	Application approved.
21/07/2022	Category 2:	Application for exemption in terms of section 71: Farm next to road R573	Application approved.
25/07/2022	Category 1:	Application for Rezoning from Business 1 to public garage on the farm Loskop Noord	Application is not Approved
3/10/2022	Category 2:	Application for Relaxation of erf 259 Marble Hall	Application Approved
10/10/2022	Category 2	Application for Special consent on Erf 2301	Application not Approved
3/10/2022	Category 2	Application for Special consent on Erf 272	Application not Approved
3/10/2022	Category 2	Application for Special Consent on Erf 178	Application is Approved
03/02/2023	Category 2	Application for Rezoning of Remainder of the farm Krondraai 712-KS	Application not approved
15/02/2023	Category 1	Application for Subdivision on farm Hindostan 680 KS	Not Approved

Date Received	Category	Description	Approved/Not Approved
01/03/2023	Category 1	Application for Special Consent on Portion 1 of Erf 835	Application is Approved
29/03/2023	Category 2	Application for rezoning on farm Hindostan 680 KS	Application is Partially approved
01 June 2023	Category 2	Application for relaxation of building line 2044 Brown Matlala Street, Marble Hall Extension 6	Application is not Approved.
08 June 2023	Category 2	Application for relaxation of building line 1940 Frans Mohlala Street, marble hall Extension 6.	Application is approved.
09 June 2023	Category 2	1835 Joe Slovo Street, Marble Hall Extension 6	Application is not approved

The configuration of the municipal area and the existing spatial pattern (topography, population distribution and sprawl) together with causal factors (land ownership, established land uses) are impediments to the successful implementation of a Development Strategy to achieve the four developmental outcomes proposed in the White Paper on Local Government.

Restricted access to land by the Municipality due to inhibitive land cost (privately owned land) and statutory deterrents (state – owned land under tribal custodianship) would exacerbate attempts by the Council to orchestrate and encourage the development of a beneficial spatial pattern within the municipal area.

3.11 LOCAL ECONOMIC DEVELOPMENT

The Local Economic Development responsibility is amongst the core components of the Integrated Development Plans in terms of section 26 (c) Municipal Systems Act which states “that the councils development priorities and objectives for its elected term, including its local economic development aims and its internal transformation needs.”

The municipal area is a major producer of citrus and table grapes. Cotton and vegetable production is also substantial. Cattle ownership among subsistence farmers is largely based in the rural villages. Production areas are scenically attractive and, together with the Flag Boshielo Dam, provide supply side opportunities for tourism development. The Schuinsdraai Nature Reserve, which is adjacent to Flag Boshielo Dam, adds to this

opportunity. There is positive development regarding the emergence of black people venturing in the tourism sector within the municipality though grading of the tourism facilities remains the biggest challenge.

Mining activity includes dolomite and dimension stone. Marble Hall town has a very large, but underutilized industrial park. The manufacturing companies in the industrial area of marble hall are Granor Passi, McCains and Tiger Brand Foods vegetable processing. Other tenants in the industrial park are mostly distributors and businesses that repair motor vehicles and other equipment. The local construction industry is very small but is growing rapidly. Wholesale and retail trade development has always been overshadowed by facilities that are available in the adjacent Groblersdal. A large network of informal traders operates throughout the municipal area.

The Local Economic Development strategy as the important document which guide the strategic economic focus of the municipality in improving the local economy. The LED strategy proposed short-, medium- and long-term potential projects which the municipality should mobilize resources and various stakeholders to implement such projects with potential to turn around the local economy.

The functional LED forum which holds regular meetings to reflect on the economic development programmes and strategize on the improvement of the economic situation in the municipality. The forum remains an important platform to monitor the performance of the LED unit and the necessary enabler for economic growth agenda in the municipality.

The function of business registration was previously the responsibility of the Limpopo Economic Development Environment and Tourism (LEDET). The provincial government introduced Limpopo Business Registration Act (LIBRA) which empowers the municipalities to prove the willingness and the capacity to take over the function in a sustainable manner, the municipality shall receive all the income from the imposing the registration tariffs. The LED unit issued more than 120 notices to the business in Marble Hall town and started with awareness in various wards. The engagements with Department of Home Affairs and South African Police Services (SAPS) will assist in the enforcement of the LIBRA.

The Tourism Forum as a structure that assist in exploring and exploiting tourism sector for economic growth and ensure that this sector become at the centre of the overall planning continue to hold regular meetings to guide tourism activities. It is the platform that tourism product owners such as accommodations, craft and restaurants will interface in order to ensure that the conducive environment is also created for such businesses to thrive. The forum need support from the Limpopo Economic Development, Environment and Tourism (LEDET).

The capacity building for SMMEs and co-operatives is crucial for the improvement of the participation in the mainstream of the economy. The municipality collaborated with Limpopo Economic Development Agency (LEDET) and Small Enterprise Development Agency (SEDA) to conduct trainings which focused on various components of business management such as Strategy, Marketing, Finance, Human Resources, Technology and Equipment as well as Business Operations.

The municipality took a crucial milestone for SMMEs and Cooperative development by adopting the LED project funding policy. The aim of the policy is to provide financial assistance in acquisition of tools, material and other services that could unlock and improve the performance of the SMMEs and Cooperatives. The municipality

provided SMMEs and Cooperatives with equipment such as sewing machines, chicken feeds, baking stoves and chicken feeds. The total of 13 local SMMEs and Cooperatives were financially assisted during the financial year under review.

The municipality organised a successful LED summit with focus on agriculture as a dominant sector with potential to create more job opportunities. The summit remains a priority programme.

Table 44: LED Thrust & Strategies

Thrust	Strategies
Economic base development	Creating enabling environment, agro-processing industrial development, tourism development and promotion, SMMEs and informal business development and mining development and promotion.
Institutional Transformation and development	Municipal capacity building, Capacity to deal with disasters.
Infrastructure development	Integrated infrastructure development.
Human Resource Development	Adult Basic Education and Training, Human Resource development strategy,
Spatial and Land Development	Growth points development

The National Development Plan (NDP) recognises the role of the informal traders in the overall economic growth of the country with potential to create job opportunities. The municipality continue to ensure that the sector become more organised and regular engagements are held to also reorganise the trading stalls as well as attending to their day-to-day frustrations. The LED unit assisted in electing the new committee that will assist the municipality to better control the informal trading activities.

Table 45: Challenges & Strategies & Proposed Solutions

Challenge	Proposed Solution
Lack of equipment for de-bushing for start-up projects	To engage with the Limpopo Department of Agriculture and Rural Development to make a provision for the de-bushing equipment.
Limited funding for projects	Initiate partnerships with external donors and funding agencies to provide additional funding for projects. The municipality has ongoing engagements with Afrimat and Lime Chem mine to consider empowering local SMMEs with potential to create job opportunities.
Inconsistency of membership particularly in cooperatives	Pre-registration workshop for potential co-operators to understand principles of cooperatives.

Table 46: LED Job Creation

Annual Job Creation	Unskilled	Skilled	Permanent	Temporary	Men	Women	Youth	Disabled	Total
CWP	1096	81	0	1096	174	922	156	07	1022
EPWP	85	0	0	85	40	43	51	03	85
MIG	96	08	0	96	57	31	38	01	96
DFFE	480	29	0	480	137	347	260	4	483

Table 47: LED Job Creation

Jobs Created during 2022/2023 through CWP & EPWP	
Year	No Jobs created through CWP
2022/2023	1022
Year	No Jobs created through EPWP
2022/2023	145
Year	No Jobs created through MIG
2022/23	96
Year	No Jobs created through DFFE
2022/23	480

The Community Works Programme remains the biggest government initiative that provides employment safety net for the unemployed active citizens and which created 1096 job opportunities across the municipality. The municipality convenes quarterly meetings in the form of Local Reference Committee (LRC) to monitor the implementation of the programme in conjunction with COGHSTA in the province in order to ensure that PPE, other working tools are provided to the participants and useful work in communities is not compromised.

3.12 LIBRARIES AND COMMUNITY FACILITIES

Ephraim Mogale Local municipal has one library which is situated in Marble Hall town, which is currently administered by the Department through a Service Level Agreement entered between Department and Local Municipality, although there are challenges with the maintenance of the current library. The library was issued and provided with Blind Reading System donated for the community by the Department of SAC. The provision of material is the responsibility of the Department. The rotation and the provision of new books in all languages is still a challenge.

The library is utilised by community members who lives in Marble Hall town, Students and members from other villages who can travel to Town. The challenge is to extend the services to other areas as it cannot be easily accessible by community members due to the vastness of the municipal area. The municipality engaged with the Department of Sports, Arts and Culture during the District wide strategic planning sessions to register

community needs of Libraries across the municipal area, however the Department of SAC is responsible for funding, but the Construction of Libraries is the responsibility of the Department of Public works. The request for another Library in the Local Municipality has been made and currently is at an advanced stage.

The Department of SAC provided the information that the Designs have already been done and the process of Appointment of Service Provider for Construction is the responsibility of the Sister Department Public Works and we have been provided with information that our Library Project is accommodated in 2023/2024 Calendar. The municipality is operating with only one librarian seconded by the Provincial Department.

The General conditions of the library building is not conducive for the culture of learning and as per the signed agreement the department is responsible for the library conditions, there is also challenge in terms cleaning as the Cleaner who was responsible for the library was an employee of Local Municipality and is currently a Pensioner. There is also very little action from the Department for upgrading the Library Building and improve its operations to an acceptable standard despite various complains from the Municipality.

3.13 CEMETRIES

Construction of three cemetery fencing were planned during the financial year. The following areas were identified Mogalatsane, Mamphokgo and Matlerekeng. Only two cemeteries were fenced under this program, Mogalatsane and Mamphokgo cemeteries. There was a shortage of material to cover Matlerekeng and a request for additional material was made. There are 55 cemeteries at sixteen (16) wards in the Municipal area. The municipality is currently operating only at Marble Hall, Regae, Leeuwfontein, Elandskraal and Matlerekeng cemeteries. There is no crematorium in the municipal area.

A huge demand for digging of graves in the whole area of the Municipality occurred during the pandemic and thereafter. The capacity of the municipality for digging with one TLB is simply not enough, especially during a pandemic period. It also became evidence that in some rural areas the role of Community Members to dig graves became a very big challenge. The Municipality budgeted for the procurement of a new TLB in the new financial year.

There is no Cemetery Management Plan and there is a need to develop one. There is a need for a TLB to assist with the digging of graves.

3.14 SOCIAL PROGRAMMES - CHILD CARE, AGED CARE

Table 48: Department of Social Services is responsible for this function in the Municipal area.

Number of old age homes	Number of drop-in centres	Number of children's homes (CYCC)	Number of disability centres	Number of women safe house centres	Number of home-based carers

01	06	0	05	0	13
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Table 49: Number of Early Childhood Development (ECD) centres

Number of EDCs	Registered ECDs	Unregistered ECDs	Funded ECDs
96	68	28	49

COMPONENT E: ENVIRONMENTAL PROTECTION

3.15 POLLUTION CONTROL

Air Pollution control is the current function and responsibility of Sekhukhune District Municipality. The Local Municipality is referring all relevant complaints in this regard to the District Environmental Pollution Control section.

Key to Environmental Pollution Control aspects will be to manage the following using some of the Municipal Health Services By-laws to be promulgate the first two have be discussed in other function above:

Land/Soil Pollution:

- Landfill/dumping and burning of waste, farming, mining, factories, etc.

Water Pollution:

- Mining and mining activities, industrial wastewater, municipal wastewater, agricultural wastewater, unprotected landfill sites, illegal dumping, etc.

Air Pollution: Air quality Management Functions

Compliance monitoring

The district has developed an Integrated Environmental Management Plan (DIEMP) and there is an Air Quality Management Plan in place that is being reviewed to update things that have changed. The compliance monitoring on reported pollution of mines like dust control and water pollution are done by the Air Quality section at the district. However, compliance monitoring is challenging due to the capacity at the District Municipality

3.16 BIO-DIVERSITY – LANDSCAPE

A Landscaping Master plan was drawn by Habitat Landscaping Architects for the Marble Hall town as part of the upgrading of the town. The Plan is implemented in a phased approach in the 2021 ,2022 financial year,

park equipment such as swings, roundabouts and concrete bollards were procured and erected in the parks in Extension 3 and Extension 6.

The municipality does not have enough staff to render this service, hence the municipality appointed 05 EPWP personnel as part of Public Works Programme to assist in keeping the town clean and beautiful and as part of job creation. This EPWP programme has yielded good results for the municipality and the community in relation to the unemployed youth and women.

The Municipality in its endeavor of increasing its aesthetic sense of Marble Hall town, have 12 parks in and around town of Marble Hall. All parks are also maintained by cutting grass, de-bushing and removing debris. Although proper park development will be part of the landscaping phase in program. The main challenge is the proper maintenance of parks with limited personnel and the destruction of the infrastructure by the public.

COMPONENT F: HEALTH

3.17 CLINICS

HIV/Aids Coordination

The Municipality does have a HIV/Aids coordinator which is responsible for all activities in trying to reduce HIV/Aids prevalence in the municipal area. Average prevalence of around 10 % is still occurring. Two Local Aids council meetings and three awareness campaigns were held. The success rate of the Lac meetings is not up to standard, and challenges are stakeholder attendance at meetings and the constant changing of meeting dates. A proper fixed program for LAC meeting in conjunction with the Mayoral office needs to be established for the coming year. Stakeholder involvement in the Local Aids Council is a serious challenge, because of not attendance and non-reporting by departments and NGO's. There is a serious endeavour together with the Districts Aids Council to implement measures for proper functional LAC and Structures.

3.18 AMBULANCE SERVICES

The Ephraim Mogale Local municipal area is serviced by Private - and Provincial ambulance services. Life 24 and Pro Med private ambulance service is stationed in Marble Hall and the Provincial ambulance services are based in Matlala Hospital.

3.19 HEALTH INSPECTION: FOOD INSPECTION ETC

Environmental Health/ Municipal Health Services

The Environmental Health function is the responsibility of the Sekhukhune District Municipality. The Municipality is working together with the assigned Environmental Health practitioners promote clean and safe communities in relation to the underneath functions. Capacity at District level is also putting a burden on the service there are only two assigned practitioners for the Ephraim Mogale Local Municipality.

The Constitution of the Republic of South Africa, 1996 (Act No: 108 of 1996) allocates Municipal Health Services (MHS) as a Local Government function under Part B of Schedule 4, section 156(1)(a). On the other hand, the National Health Act, 2003, defines Municipal Health Services (MHS) as follows:

- Waste management
- Water quality monitoring
- Health surveillance of premises
- Surveillance and prevention of communicable diseases excluding immunisations
- Vector control
- Environmental pollution control
- Disposal of the dead
- Food control
- Chemical safety

COMPONENT G: SECURITY AND SAFETY

3.20 POLICE

Police function is a national function coordinated at the Provincial Department; the municipality is responsible for Community Safety Forum (CSF). The municipality established the CSF which assisted the community in ensuring safety and security related matters, e.g., bail application, crime prevention initiatives. The municipality had budget limitation and there were no dedicated staff to focus on this matter, however the municipality sustained the functionality of CSF and are supporting the structure wherever they can assist in transport and venue accommodation.

3.21 FIRE

Currently the district has four (4) fire stations located within the three Local Municipalities: Elias Motswaledi, Makhuduthamaga and Fetakgomo Tubatse respectively.

Ephraim Mogale Local Municipality fire station has been closed. The service is operating from an open space near Big-Save Store in Marble Hall.

Fire prevention, safety and protection

The role of the fire service in the district has expanded far beyond fire suppression. With this expansion, fire prevention, fire safety and public education have appropriately begun receiving an increased emphasis as the proactive elements of a fire service delivery system. The district communities are dependent on the fire service to ensure their protection against dangers of fire, entrapment, explosion, dangerous goods incidents and any emergency event that may occur in the community.

The fire service has a variety of fire vehicles capable of engaging and/or of providing backup services at any reasonable fire engagement. However apart from the specialized vehicles all stations essentially require having other fire and rescue tools, to effectively and efficiently operate, of which they do not have in this financial year.

3.22 DISASTER MANAGEMENT

The municipality has appointed a full time Disaster Management Officer who is rendering services of conducting eight Disaster Awareness Campaigns annually, two campaigns in different wards per quarter as allocated and doing assessments in families affected by disaster. Disaster relief material is bought each year to assist whenever Disaster strikes, which is blankets and sponge mattresses that are kept in stock and issued when necessary. Continuous discussions between the Local and District Municipality are also done to enhance the understanding of the function. A Disaster Management Plan was also developed for the local Municipality.

COMPONENT H: SPORT AND RECREATION

3.23 SPORT AND RECREATION

There are two sport, arts and culture officers which coordinate sport activities in the Municipality and align programs to District and provincial activities.

A successful Heritage Day and Mayor's cup tournament was held during the financial year. The Local Football Association is active in arranging league games for soccer in villages in the Municipality where after the winners compete against other winners in the district – and in the province. A Softball league has also been established and there is active participation from community members. The Leeuwfontein soft ball team did also participate in district events. The Moutse marathon is a private organized event where the Municipality is giving administrative support, and the event is held annually with participant from all over the country. IMMSA games were attended in Polokwane by the Municipal employees, and they were competing in codes such as Golf, Pool, Netball and Soccer.

COMPONENT I: CORPORATE SERVICES

3.24 EXECUTIVE AND COUNCIL

Executive committee is the principal committee of the council which receives reports from the other committees of the council, and which must forward these reports together with its recommendations to the council when it cannot dispose of the matter in terms of its delegated powers. The executive committee must identify the needs of the municipality, review and evaluate those needs in order of priority. The committee recommends to municipal council strategies, programmes and services to address priority needs through the integrated development plan and estimates of revenue and expenditure, considering any applicable national and provincial development plans.

3.25 FINANCIAL SERVICES

The Financial Services is ensuring efficiency and compliance with the Municipal Finance Management Act (MFMA) as well as other applicable laws and regulations ultimately leading to better service delivery. The management of the municipal finances involves both a strategic and operational component.

Strategically, the finances must be managed to accommodate fluctuations in the economy and the resulting changes in costs and revenues. Operationally, the Municipality must put in place clear financial goals, Policies and tools to implement its Strategic Plan. The overall Strategic Plan is to ensure that there is transparency, accountability and sound Financial Management.

- Forming part of this plan are key performance areas such as: ensuring that all statutory reporting is compiled and submitted to the different spheres of government timeously.
- Annual Financial Statements are prepared in accordance with GRAP and submitted on time,
- effective and efficient utilization of financial resources,
- Compliance to the Supply Chain Management Policy and the maintenance of assets effectively with respect to additions; disposals; impairments on the assets register.

3.26 HUMAN RESOURCES SERVICES

Human resource comprises of occupational health services, labour relations and Employee Assistance Programmes. It is responsible for the recruitment processes, leave administration, disciplinary procedures, skills development, and labour relation issues.

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

Introduction

The municipality has also managed to install and maintain backup system, VPN established, LAN restructured, and Server room upgraded. ICT unit is responsible for running daily, weekly, monthly data and backups. It ensures that municipal website is always functional and to provide user support. ICT unit ensures that network is always available to all municipal applications such as Munsoft, emails, Collaborator, internet, payroll system and leave system for efficient and effective service delivery. The unit also managed the VPN connections for Managers and Directors as their duties are flexible so that they can be able to always access municipal server when they are out of the office. Ephraim Mogale Local Municipality has ICT unit in place with the total number of 02 officials. ICT unit is responsible for running daily, weekly, monthly data and backups. It ensures that municipal website is always functional and to provide user support.

Information Communication Technology (ICT) services is best positioned to promote effective administration in order to achieve service delivery targets and ultimately have an impact on socio economic development. It is therefore integral to the functionality and efficiency of the Municipality. The target for the reporting period was to achieve improved ICT systems, processes and compliant infrastructure. Service delivery priorities for ICT are to ensure that the municipality has efficient and effective backup systems, officials are trained on ICT and all municipal sites are connected through internet. The municipality have the printing services which is extended to satellite Offices on operation lease for 36-month period to provide printing and photocopier service.

3.28 PROPERTY, LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

The municipality under the year of review engaged in numerous litigation matters varying from disputes about the implementation of the municipal rebates, interdicts, enforcement of as settlement agreement and the setting aside of the settlement agreement, setting aside the ruling by the chairperson of a disciplinary hearing, judicial review of an appointment and civil recovery.

All these matters are in the High Court and sub judice.

The municipality had a total of eight (8) High Court matters in the financial year under review. Three (3) were concluded and five (5) still pending.

COMPONENT J: ORGANISATIONAL PERFORMANCE SCORECARD

Performance on National Performance Indicators

The following table indicate the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators were linked to the National Key Performance Areas.

This component includes the Annual Performance Scorecard Report for the current year as reflected below. The section contains a comprehensive breakdown of the individual Departmental performance. The scores

highlight the progress with respect to performance not only at a departmental level, but also represents the progress made within each Key Performance Area (KPA).

Comparison Institutional Performance Levels 2020/2021 – 2022/2023

Table 51: Institutional Performance Comparison

The following section contains a comprehensive breakdown of the individual Departmental performance. The scores highlight the progress with respect to performance not only at a departmental level, but also represents the progress made within each Key Performance Area (KPA).

KPA No	KPA	Annual Performance Targets 2020/2021			Annual Performance Targets 2022/2023			Annual Performance Targets 2022/2023			
		Total KPI's Assessed	Targets Achieved	% Target Achieved	Total KPI's Assessed	Targets Achieved	% Target Achieved	Total KPI's Assessed	Targets Achieved	Targets Not Achieved	% Target Achieved
1	Spatial Rationale	09	05	56%	08	05	63%	11	10	01	91%
2	Basic Service Delivery and Infrastructure Development	46	25	54%	58	44	76%	48	31	17	65%
3	Local Economic Development	13	12	92%	13	11	85%	15	14	01	93%
4	Municipal Transformation and Institutional Development	33	22	67%	35	34	97%	28	22	06	79%
5	Municipal Financial Viability and Management	17	16	94%	18	18	100%	16	16	0	100%
6	Good Governance and Public Participation	60	29	49%	56	46	82%	47	42	05	89%
	TOTAL	178	109	61%	188	158	84%	165	135	30	82%

Table 52: Individual Departmental performance

No	Department	Annual Performance Targets 2022/2023			
		Total KPI's Assessed	Targets Achieved	Targets Not Achieved	% Target Achieved
1	Budget & Treasury Services	16	16	0	100%

2	Office of the Municipal Manager	22	21	01	95%
3	Planning & Economic Development	26	24	02	92%
4	Corporate Services	45	36	09	82%
5	Infrastructure Services	38	25	13	66%
6	Community Services	18	13	05	72%
	TOTAL	165	135	30	82%

CHAPTER 4 – HUMAN RESOURCE MANAGEMENT

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

Human resource services for the municipality are effective and efficient, and meet the expectations of the community at large. Human resources have the following service delivery priorities:

- Attracting skilled workforce
- Ensuring that the workforce is motivated to perform the required tasks
- Continuous capacity building of personnel
- Retaining the existing staff
- Employees Assistance programme
- Employees Occupational Health and Safety
- Sound labour relations

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Vacant posts are advertised in the local and national print media and on the municipal website. Most internal staff do not apply for some post due to the salary of the positions advertised which are lower than their present salary and senior posts because of lack of experience and/or not meeting the minimum required as required

by legislations for the post. The municipality assists officials by enrolling them at accredited institutions for capacity building, so that they can meet the requirements of advertised senior posts in future.

Table 53: Employee totals, turnover and vacancies

Description	2022/2023			
	Approved Posts	Employees	vacancies	Variance
	No.	No.	No.	%
MM's Office	9	7	2	78%
Infrastructure	75	57	18	76%
Budget and Treasury	30	27	3	90%
Planning & Economic Development	11	9	2	82%
Community Services	130	109	21	83%
Corporate Services	48	43	5	90%
Totals	303	252	51	83%

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

The municipality has established policies and procedures for the management of workforce. It has the following divisions that ensure that employee rights and needs are being met through appropriate and legitimate processes and systems. Compliance is achieved in terms of approved municipal policies and procedures which are in line with the SALGA Collective agreement and relevant national legislation.

The Municipality has also developed systems in terms of MSA 2000 S67 by developing an Employment Equity Plan (EEP) which has been reviewed for the next five years (2018-2022). The old EEP targets were not achieved as planned because of lack of proper monitoring and supervision of the plan, however, a reviewed EEP has been developed for five years which is adopted by the Council.

4.2 POLICIES

The municipality has developed numerous policies as a guideline to all officials. The following policies are in place:

Table 54: Approved and reviewed policies

Ref	Policy Name	Approved	Reviewed	File/Resolution Number
1	Credit Control & Debt Collection policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
2	Tariffs and Rates policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
4	Property Rates policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
5	Asset Management policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
6	Supply chain policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
7	Virement policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
8	Indigent policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
9	Funding and Reserves policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
10	Budget policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
13	Fleet Management policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
14	Appointment of Consultant Policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
15	Unknown Direct Deposit Policy	Yes	18/06/2020	17/17/5/1 & 17/17/5
17	Acting Allowance Policy	Yes	31/05/2022	OC8/03/2023
18	Travel and Subsistence policy	Yes	31/05/2022	OC8/03/2023
19	Transport Allowance Policy	Yes	31/05/2022	OC8/03/2023
20	Overtime, standby and emergency work policy	Yes	31/05/2022	OC8/03/2023

Ref	Policy Name	Approved	Reviewed	File/Resolution Number
21	Recruitment, Selection and Appointment Policy	Yes	10/12/2021	4/3/P & OCS/13/2021

4.3 INJURIES, SICKNESS AND SUSPENSIONS

- Two official was suspended from duty for misconduct during the year under review.
- One official were dismissed from duty for misconduct during the year under review.
- Eight injuries were reported on duty and the incidents were reported to the Department of Labour.

Table 55: Injuries, sickness and suspensions

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Average injury leave taken per employee	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	15	8	3.64%	(1) 2 days (2) 2 days (3) 4 days (4) 2 days (5) 1 day (6) 1 day (7) 1 day (8) 2 days	R0.00
Temporary total disablement	0	0	0%	0	0
Permanent disablement	0	0	0%	0	0
Fatal	0	0	0%	0	0
Total	15	8	0%	15	R0.00

4.4 PERFORMANCE REWARDS

The municipality's performance management is limited to Section 56 managers only.

The municipality conducted the 2020/2021 annual performance assessment and 2022/2023 Mid-year performance assessments for Municipal Manager and all Directors who signed the performance agreement with the municipality.

The mid-year assessment is the measure taken by municipality in improving performance because through the session Directors are offered an opportunity to state their challenges and they are assisted by panel members as to how they can overcome those challenges and be able to achieve their target by the end of the financial year.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.5 SKILLS DEVELOPMENT AND TRAINING

Workplace Skills Plan (WSP)

The municipality has a Workplace Skills Plan (WSP) that is utilised for capacity building of staff.

Each department is requested to forward their training plans to corporate services in May each year, in order to be included in the WSP - which serves as a guide as to how many officials should undergo training in the next financial year. The plan is also used to determine the expenditure for training. For the year under review 56 employees received different training. The WSP and annual training report were submitted to LGSETA at the end of the financial year. Municipality spent **R1 048 072.00** on employees training.

Table 56: Training for officials

PROGRAMME	NO. OF OFFICIALS	STATUS
Recruitment and Selection	25	Completed
Labour Relations	02	Completed
Estimating, Pricing and Costing of Construction Tenders	02	Completed
MFMP	09	Completed

Office Management	05	Completed
Employment Equity	09	Completed
First Aid OHS	18	Completed
Safety Representatives	13	Completed
Surface Road Maintenance Programme	21	Completed
COBIT2019 Microsoft Office 365 and ISO 27001	01	Completed
Basic Computer Literacy	20	Completed
Advanced Driving	05	Completed
Contract Management	03	Completed
Landscape and Gardening	06	Completed
Total	139	

Table 57: Training for Councillors

PROGRAMME	NO. OF COUNCILLORS	STATUS
MFMP	10	Completed
Performance Management	06	Completed

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

4.6 EMPLOYEE EXPENDITURE

The municipality manages its workforce expenditure very well, as we have policies in place such as Standby and overtime policies, travelling allowance policies, cellphone allowance policy that are complied with before any expenditure can be incurred. The municipality has the organisational structure that is aligned to the IDP and budget, to ensure that all workforce expenditure has been budgeted for. The three documents - IDP, budget and organisational structure - are approved by council every year.

CHAPTER 5: FINANCIAL PERFORMANCE

Introduction

The Municipality handed over the annual financial statements to the Auditor General Limpopo, as per the Municipal Finance Management Act, on 30 August 2023 for the financial year 2022/2023. The aforesaid components of the financial statements discussed in detail below.

5.1 STATEMENT OF FINANCIAL PERFORMANCE

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	413 197	-	413 197	113 901	(299 296)
Service charges	89 882 000	(3 019 000)	86 863 000	71 016 163	(15 846 837)
Rental of facilities and equipment	179 000	(1 000)	178 000	218 431	40 431
Agency fees	5 566 000	-	5 566 000	5 687 860	121 860
Other income	677 157	-	677 157	2 922 443	2 245 286
Interest received	1 834 000	7 666 000	9 500 000	16 628 712	7 128 712
Total revenue from exchange transactions	98 551 354	4 646 000	103 197 354	96 587 510	(6 609 844)

Revenue from non-exchange transactions

Taxation revenue

Property rates	46 134 000	(3 600 000)	42 534 000	40 952 458	(1 581 542)
Surcharges and Taxes	-	-	-	10 309 528	10 309 528
Interest on outstanding receivable balances	8 464 627	-	8 464 627	8 649 757	185 130

Transfer revenue

Government grants & subsidies	183 236 000	-	183 236 000	240 057 025	56 821 025
Fines, Penalties and Forfeits	156 576	-	156 576	531 277	374 701

Total revenue from non-exchange transactions	237 991 203	(3 600 000)	234 391 203	300 500 045	66 108 842
Total revenue	336 542 557	1 046 000	337 588 557	397 087 555	59 498 998

Expenditure

Employee related costs	(111 678 000)	(298 000)	(111 976 000)	(102 065 801)	9 910 199
Remuneration of councillors	(17 386 000)	(641 000)	(18 027 000)	(13 928 800)	4 098 200
Depreciation and amortisation	(60 555 000)	350 000	(60 205 000)	(56 864 343)	3 340 657
Finance costs	(2 000 000)	-	(2 000 000)	(6 369 225)	(4 369 225)
Operating Lease Expense	(2 470 294)	-	(2 470 294)	(1 387 365)	1 082 929
Debt Impairment	(15 128 000)	-	(15 128 000)	(14 128 413)	999 587
Impairment of Assets	-	-	-	(4 925 871)	(4 925 871)
Repairs and maintenance	(20 034 035)	(4 536 999)	(24 571 034)	(14 948 707)	9 622 327
Bulk purchases	(55 482 000)	2 482 000	(53 000 000)	(46 859 516)	6 140 484
Contracted Services	(32 910 965)	(7 712 001)	(40 622 966)	(28 884 848)	11 738 118
Grants and Subsidies	(2 549 274)	-	(2 549 274)	(2 517 326)	31 948
General Expenses	(53 051 432)	(1 865 000)	(54 916 432)	(50 960 532)	3 955 900
Total expenditure	(373 245 000)	(12 221 000)	(385 466 000)	(343 840 747)	41 625 253
Operating surplus	(36 702 443)	(11 175 000)	(47 877 443)	53 246 808	101 124 251
Gain on disposal of assets and liabilities	-	-	-	703 377	703 377
Fair value adjustments	-	-	-	5 120 450	5 120 450
Actuarial gains/losses	-	-	-	9 474 162	9 474 162
Inventories losses/write-downs	-	-	-	(242 439)	(242 439)

Property rates

The original budget of property rates for 2022/2023 financial year was R42,5 million. The actual revenue generated was R40 million.

Service charges

The service charges for electricity and refuse removal original budget was R89 million, which was adjusted to R86 Million. The actual revenue collected was R71 Million. Continuous electricity load shedding has led to low collection of revenue.

Interest received.

The original budget for interest received was R1,8 million which was adjusted to R9,5 million. The actual interest received was R16,6 million.

Transfer recognized – operational.

This is revenue realized from both conditional and unconditional operating grants and subsidies including equitable share. All the operating grants were fully spent.

Transfer recognized – Capital.

This is revenue realized from MIG grant. The original budget amounted to R37 Million which was adjusted to R56 million. There was 100% spending of MIG Grant.

Comments on Financial Performance: Expenditure

Employee related cost

The original budget for employee cost was R111,6 million, and it was adjusted upwards to R111,9 million. The actual expenditure incurred is R 102 million and this resulted in a saving of R9 Million mainly because of vacant positions which were not filled in 2022/2023 Financial year.

Depreciation and asset impairment

Provision was made in the budget for capital asset depreciation and impairment and the budget thereof was R60 Million which remained the same in the adjustment budget.

Bulk purchases

The major portion of this line item was mainly for purchase of electricity. The original budget thereof was R53 Million. The actual expenditure incurred was R46 Million and this resulted in a variance of R7 Million.

General expenditure

The original budget was R53 Million, and it was adjusted upward to R 54 million and the actual expenditure incurred was R50 Million and this resulted in an unfavorable variance of R4 million mainly as a results of not spending 100% in operational budget.

5.2 GRANTS

Discription	Final Budget	YTD Actual
Equitqble share	178 826 000.00	178 826 000.00
FMG	3 100 000.00	3 100 000.00
EPWP	1 310 000.00	1 310 000.00
MIG	56 821 000.00	56 821 000.00
TOTAL GRANTS	240 057 000.00	240 057 000.00

Comment on Operating Transfers and Grants

All grants gazetted for 2022/2023 financial year were received. The total amount received on operational grants amounted to R183 million during the 2022/2023 financial year.

The municipality managed to spend 100% of MIG and all other Operational Grant.

Comment on Conditional Grants and Grants Received from Other Sources

No grants were received from other sources.

5.3 ASSET MANAGEMENT

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	35 770 000	(101 000)	35 669 000	36 704 040	1 035 040
Receivables from non-exchange transactions	-	-	-	1 457 457	1 457 457
VAT receivable	-	-	-	1 938 255	1 938 255
Consumer debtors	70 352 000	(6 620 000)	63 732 000	77 411 193	13 679 193
Cash and cash equivalents	172 009 000	7 666 000	179 675 000	318 629 848	138 954 848
	278 131 000	945 000	279 076 000	436 140 793	157 064 793

Non-Current Assets

Investment property	62 386 000	-	62 386 000	78 210 561	15 824 561
Property, plant and equipment	841 753 000	1 185 000	842 938 000	876 167 568	33 229 568
Intangible assets	(1 468 000)	350 000	(1 118 000)	-	1 118 000
Heritage assets	-	-	-	170 430	170 430
Eskom Deposits	126 000	-	126 000	12 950 936	12 824 936
	902 797 000	1 535 000	904 332 000	967 499 495	63 167 495
Total Assets	1 180 928 000	2 480 000	1 183 408 000	1 403 640 288	220 232 288

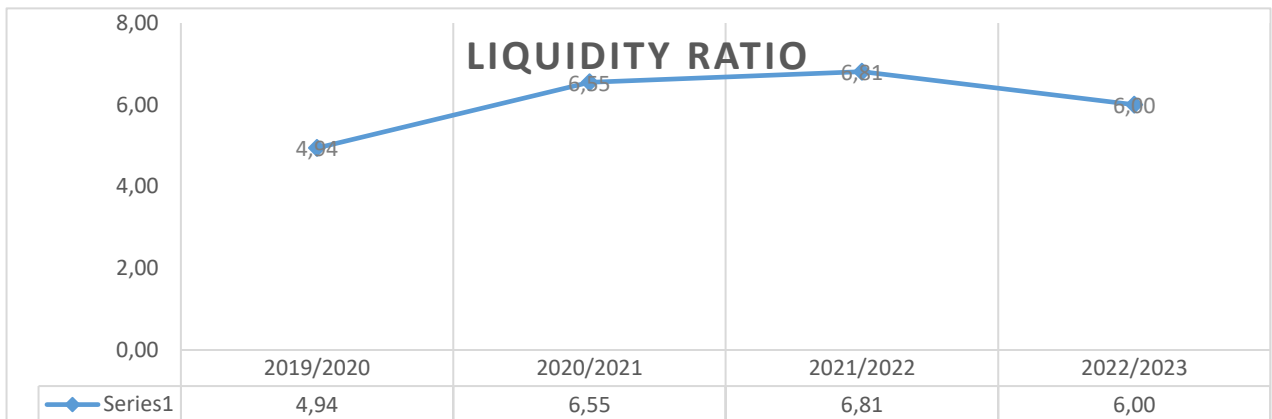
Comment on Asset Management:

The asset register value for 2022/2023 was budgeted for R1.2 billion. The value of the municipal assets is R1.4 billion.

5.4 FINANCIAL RATIO'S

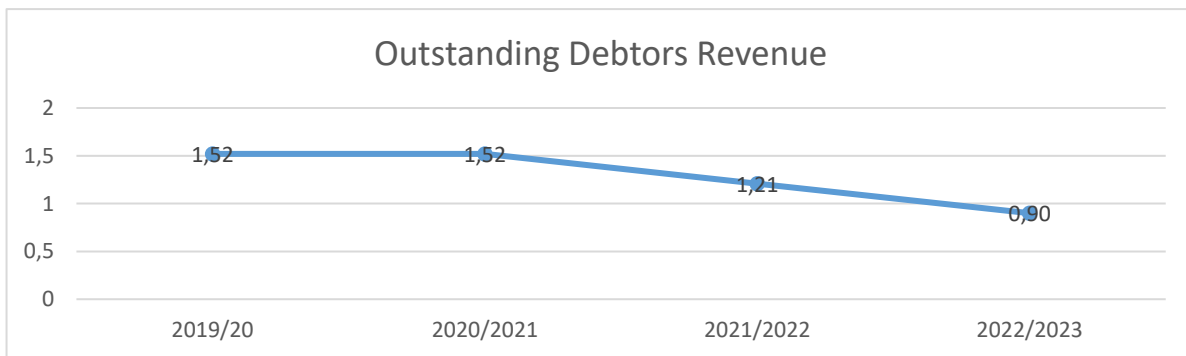
Graph 1: Liquidity ratio

Liquidity Ratio – Measures the municipality's ability to pay its bills and is calculated by dividing the monetary assets by the municipality's current liabilities. A higher ratio is better.



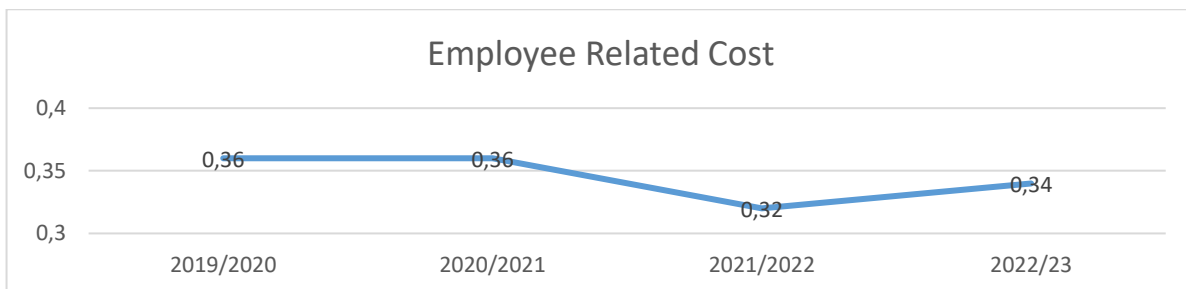
Graph 2: Outstanding Debtors to revenue

Outstanding Service Debtors to Revenue - Measures how much money is still owed by the community for electricity, waste removal and other services, compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors, by the total annual revenue. A lower score is better.



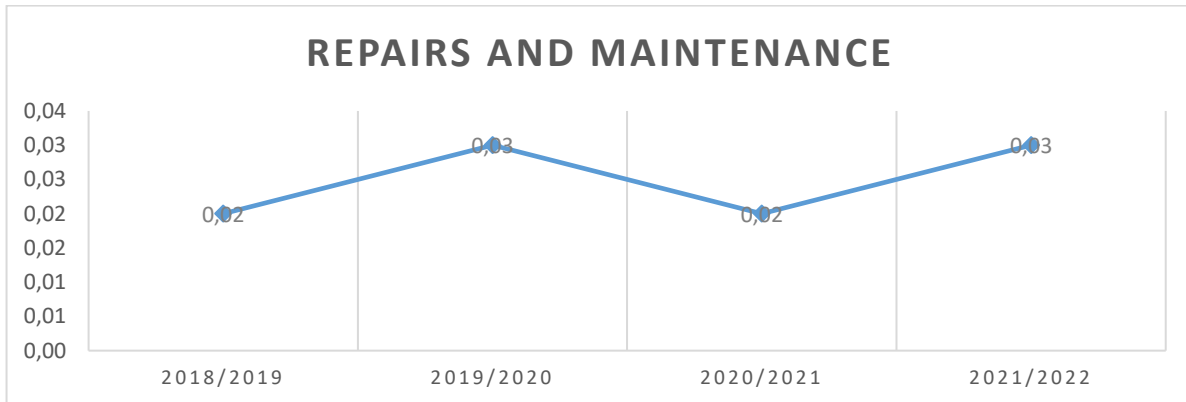
Graph 3: Employee cost

Employee related cost ratio measures what portion of revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.



Graph 4: Repairs and maintenance

Repairs and Maintenance - This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance by total revenue excluding capital revenue.



Comment on Financial Ratios:

The municipality is in a process of improving its ability to spend the 8% threshold of operating expenditure for repairs and maintenance. Liquidity will also improve as the municipality has placed stringent internal controls over unnecessary expenditure, to improve the cash flow situation.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.5 CAPITAL EXPENDITURE

Introduction

Capital expenditure relates mainly to construction of projects that will have value lasting over many years. Capital expenditure is funded from grants and own revenue. Component B deals with capital spending, indicating where the funding comes from and whether the Municipality is 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 spent.

Graph 5: Capital Expenditure 2022/2023

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Changes in Landfill site valuation	Other changes, movements	Depreciation	Impairment loss	Total
Land	5 975 219	-	-	-	-	-	-	-	5 975 219
Buildings	23 259 442	22 050	-	-	-	-	(1 300 142)	(200 672)	21 780 678
Plant and machinery	15 767 337	1 285 435	-	-	-	283 152	(3 130 480)	(16 273)	14 199 171
Motor vehicles	2 969 316	780 295	(36 947)	-	-	-	(831 077)	-	2 881 587
Office equipment	2 505 848	436 924	(63 893)	-	-	59 898	(635 369)	-	2 303 406
IT equipment	1 588 958	235 043	(39 907)	-	-	11 777	(464 729)	-	1 341 942
Infrastructure	638 831 341	1 597 785	(285 226)	91 564 429	-	136 806	(48 411 538)	(4 507 048)	678 926 549
Community	45 306 624	1 955 428	-	16 797 963	-	-	(2 117 617)	(201 878)	61 830 520
Work in progress	104 504 517	64 386 600	-	(108 352 390)	-	-	-	-	60 532 727
Leased assets	-	25 614 273	-	-	-	-	(204 931)	-	25 609 342
Landfill	4 012 184	-	-	-	(2 955 669)	-	(270 088)	-	786 427
	844 820 784	96 518 633	(425 973)	2	(2 955 669)	501 633	(57 365 971)	(4 925 871)	876 167 568

5.6 SOURCE OF FINANCE

Comment on Sources of Funding:

The capital budget for 2022/2023 financial year was funded from Municipal Infrastructure Grant and Internal Funding.

5.7 CAPITAL SPENDING ON LARGEST PROJECTS

	Annual Budget 2022/2023	Adjustment Budget 2022/2023	YTD Actual
Construction of Mabitsi Internal Street	19 030 135.00	24 927 528.74	24 927 528.74
Construction of Regae Internal Street	9 621 336.00	9 560 936.58	9 560 936.58
Construction of Morarela Internal Street	829 239.00	5 149 091.62	5 149 091.62
Construction of Rathoke Internal Street	829 239.00	8 822 059.39	8 822 059.39
Construction of Dichoeung Internal Street	5 620 000.00	6 470 333.67	6 470 333.67

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Introduction

The cash flow outcome presents the actual revenue and actual payments made during the year under review. Actual revenue realised should be differentiated from revenue billed because revenue billed does not portray the holistic financial position and performance of the municipality.

As a result, the cash flow outcome is presented on cash basis as opposed accrual basis of accounting.

5.8 CASH FLOW

Comment on Cash-Flow Outcomes:

Cash and cash equivalent at the beginning of the financial year was R263 million. The actual cash and cash equivalent as at end of the financial year 2023 is R318 million.

Cognizance should be taken that the municipality is still dependent on grants since a major portion of revenue realized is made up of Transfer recognized (both operating and capital).

5.10 BORROWING AND INVESTMENTS

Actual Borrowings 2019/2020 -2022/2023 - R'000			
Instrument	2019/2020	2020/2021	2022/2023
<u>Municipality</u>			
Long-term loans (annuity/reducing balance)	N/A	N/A	N/A
Long-term loans (non-annuity)	N/A	N/A	N/A
Local registered stock	N/A	N/A	N/A
Instalment credit	N/A	N/A	N/A
Financial leases	N/A	N/A	N/A
PPP liabilities	N/A	N/A	N/A
Finance granted by cap equipment supplier	N/A	N/A	N/A
Marketable bonds	N/A	N/A	N/A
Non-marketable bonds	N/A	N/A	N/A
Bankers' acceptances	N/A	N/A	N/A
Financial derivatives	N/A	N/A	N/A
Other securities	N/A	N/A	N/A
Municipal Total	N/A	N/A	N/A
<u>Municipal Entities</u>	N/A	N/A	N/A

Actual Borrowings 2019/2020 -2022/2023 - R'000			
Long-term Loans (annuity/reducing balance)	N/A	N/A	N/A
Long-term Loans (non-annuity)	N/A	N/A	N/A
Local registered stock	N/A	N/A	N/A
Instalment credit	N/A	N/A	N/A
Financial leases	N/A	N/A	N/A
PPP liabilities	N/A	N/A	N/A
Finance granted by cap equipment supplier	N/A	N/A	N/A
Marketable bonds	N/A	N/A	N/A
Non-Marketable bonds	N/A	N/A	N/A
Bankers' acceptances	N/A	N/A	N/A
Financial derivatives	N/A	N/A	N/A
Other Securities	N/A	N/A	N/A
Entities Total	N/A	N/A	N/A

Municipal and Entity Investments 2019/2020 – 2022/2023 - R'000			
Investment type	2019/2020	2020/2021	2022/2023
	Actual	Actuals	Actuals
<u>Municipality</u>			
Securities - national government	–	–	–
Listed corporate bonds	–	–	–
Deposits –bank	-	-	–
Deposits -public investment commissioners	–	–	–
Deposits -corporation for public deposits	–	–	–

Municipal and Entity Investments 2019/2020 – 2022/2023 - R'000			
Investment type	2019/2020	2020/2021	2022/2023
	Actual	Actuals	Actuals
Bankers 'acceptance certificates	–	–	–
Negotiable certificates of deposit – Banks	–	–	–
Guaranteed endowment policies (sinking)	-	–	–
Repurchase agreements – Banks	–	–	–
Municipal bonds	–	–	–
Other	–	–	–
<u>Municipal Entities</u>			
Securities - National government	–	–	–
Listed corporate bonds	–	–	–
Deposits – Bank	–	–	–
Deposits - Public Investment Commissioners	–	–	–
Deposits - Corporation for Public Deposits	–	–	–
Bankers' acceptance certificates	–	–	–
Negotiable certificates of deposit- Banks	–	–	–
Guaranteed endowment policies (sinking)	–	–	–
Repurchase agreements – Banks	–	–	–
Municipal bonds	–	–	–
Other	-	-	-
Entities Sub-Total	–	–	–
Consolidated Total:	0	0	0

Comment on Borrowing and Investments:

5.11 PUBLIC PRIVATE PARTNERSHIPS

Not applicable

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

The SCM Policy was reviewed during the 2022/2023 financial year. Certain amendments to the SCM Policy were tabled before Council to improve operational efficiency.

The Municipality is required to forward its SCM Policy to the Limpopo Provincial Treasury on an annual basis for scrutiny and compliance verifications against the Model SCM Policy that was issued by the National Treasury.

The purpose of this exercise is to determine whether the Municipal SCM Policy deviates from the stipulations of the SCM regulations. Ephraim Mogale Local Municipality SCM Policy complies with the regulatory framework.

The SCM function cuts across all departments. Although governance is at its core, supply chain management plays a vital role in contributing towards service delivery in a manner that is fair, equitable, transparent, competitive, and cost-effective.

The Municipality applies the bid committee system for procurement above R 200,000 and for the procurement of long-term contracts.

The bid committees namely the Bid Specification Committee, the Bid Evaluation Committee and the Bid Adjudication Committee are all functioning effectively.

The bid committee members are appointed by the Municipal Manager in line with the relevant legislation.

5.13 GRAP COMPLIANCE

The Municipality has fully implemented the Standards of GRAP (Generally Recognized Accounting Practice) in accordance with the MFMA and Directive 5 issued by the Accounting Standards Board (ASB) and did not deviate from the standards. The adoption of the standards and interpretation thereof did not have a significant impact on the financial position, financial performance or cash flows of the municipality.

CHAPTER 6: AUDITOR GENERAL REPORT

Introduction

The municipality received an Unqualified Audit Opinion with findings from the Office of the Auditor General with respect to 2022/2023.

COMPONENT A: AUDITOR GENERAL SOUTH AFRICA'S OPINION OF FINANCIAL STATEMENTS

6.1 AUDITOR GENERAL'S REPORT 2022/2023

Refer attached report from the office of the Auditor General for the 2022/2023 financial year ended 30 June 2023.

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:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

EPHRAIM MOGALE LOCAL MUNICIPALITY

ADJUSTED ANNUAL INSTITUTIONAL PERFORMANCE REPORT – 2022/2023



“A World Class Agricultural Hub of Choice”

Slogan - RE HLABOLLA SECHABA

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1. Foreword

The purpose of this report is to give feedback regarding the performance of the Ephraim Mogale Local Municipality as required through The Municipal Systems Act No 32 of 2000, section 41(e) and the Municipal Finance Management Act 56 of 2003, section 52(d). The information included in this report is based on the IDP¹ and SDBIP² as developed for the financial year 2022/2023. The scorecards were developed to reflect ***cumulative performance***, therefore the status of indicators are a reflection of the overall performance level achieved year to date.

2. Executive Summary

This report serves as the **Annual Institutional Performance Report** for the **2022/2023** financial year **ending 30th of June 2023**. It provides feedback on the performance level achieved (accumulative reporting) against the targets as laid out in the IDP/SDBIP Scorecard. In the case of under-performance, the respective concerns or mitigating reasons are highlighted and detail pertaining to the relevant measures taken to address these challenges are included thereto.

The overall performance for the Ephraim Mogale Local Municipality is based on a composite Performance Scorecard of each Department comprising of all indicators assessed in the period under review. The overall Annual Institutional performance achieved for the 2022/2023 financial year reflected an **84%** with only **139** out of **165 KPI's** assessed attaining set targets.

Improvement performance levels were experienced in six key performance areas as depicted in the Table Ref No1. The quality of departmental performance submissions needs to be addressed as a significant number of KPI's were not reported on. Departments need to take responsibility and accountability for service delivery and related activities measured in the performance reports, as this is a public document and reflects negatively on the municipality's commitment to service delivery. We need to instil a culture of accountability in the organisation and significantly improve the levels of monitoring and evaluation which are a prerequisite to ensure responsible management decisions can be taken.

¹ Integrated Development Plan

² Service Delivery and Budget Implementation Plan

3. Key Performance Areas and Organisational Strategic Objectives

The following Key Performance Areas and Strategic Objectives have been adopted by the municipality for the purposes of reporting on the attainment of the Institutional performance indicators and targets.

KPA 1: Spatial Development Analysis and Rationale

Strategic Objective: Plan for the future and promote integrated human settlement and agrarian reform.

KPA 2: Service Delivery and Infrastructure Development

Strategic Objective A: Improve community well-being through provision of accelerated basic service delivery.

Strategic Objective B: Improved social well-being.

KPA 3: Local Economic Development

Strategic Objective A: Grow the economy and provide livelihood support.

KPA 4: Municipal Transformation and Institutional Development

Strategic Objective A: Develop and retain skilled and capacitated workforce.

KPA 5: Municipal Financial viability and Management

Strategic Objective: Become Financially Viable.

KPA 6: Good Governance and Public Participation

Strategic Objective: Sound Governance through effective oversight.

4. Comparison of Institutional Performance Levels 2020/2021 – 2022/2023

Table 1: Institutional Performance Comparison

KPA No	KPA	Annual Performance Targets 2020/2021			Annual Performance Targets 2021/2022			Annual Performance Targets 2022/2023			
		Total KPI's Assessed	Targets Achieved	% Target Achieved	Total KPI's Assessed	Targets Achieved	% Target Achieved	Total KPI's Assessed	Targets Achieved	Targets Not Achieved	% Target Achieved
1	Spatial Rationale	09	05	56%	08	05	63%	11	10	01	91%
2	Basic Service Delivery and Infrastructure Development	46	25	54%	58	44	76%	48	31	17	65%
3	Local Economic Development	13	12	92%	13	11	85%	15	14	01	93%
4	Municipal Transformation and Institutional Development	33	22	67%	35	34	97%	28	22	06	79%
5	Municipal Financial Viability and Management	17	16	94%	18	18	100%	16	16	0	100%
6	Good Governance and Public Participation	60	29	49%	56	46	82%	47	42	05	89%
	TOTAL	178	109	61%	188	158	84%	165	135	30	82%

The following section contains a comprehensive breakdown of the individual Departmental performance. The scores highlight the progress with respect to performance not only at a departmental level, but also represents the progress made within each Key Performance Area (KPA).

Table 2: Individual Departmental performance

No	Department	Annual Performance Targets 2022/2023			
		Total KPI's Assessed	Targets Achieved	Targets Not Achieved	% Target Achieved
1	Budget & Treasury Services	16	16	0	100%
2	Office of the Municipal Manager	22	21	01	95%
3	Planning & Economic Development	26	24	02	92%
4	Corporate Services	45	36	09	82%
5	Infrastructure Services	38	25	13	66%
6	Community Services	18	13	05	72%
	TOTAL	165	135	30	82%

5. Service Delivery and Performance Indicator

The high level non-financial measurable performance objectives in the form of service delivery targets and other related performance indicators form part of this section of the SDBIP. These indicators and targets will be cascaded to departmental scorecards, which will be used for internal monitoring of the organisation and relevant individuals.

5.1 KPA 1: SPATIAL RATIONALE

Strategic Objective: Plan for the future and promote integrated human settlement and agrarian reform.

Project Name	Priority Program me	KPI	IDP Ref No	R 000's		Baseline 2021/2022	Annual Performance Targets 2022/2023					Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievem ents	Challenges	Corrective Action		
Compliance with Town Planning Scheme regulations	Land Use Manage ment	% of land use applications received and processed within 60 days as per the SPLUMA Act 16 of 2013	SR01	Internal	Internal	100%	100%	100%	Achieved	None	None	Land use Application register and report.	Planning & Economic Development
Review of SPLUMA by-law		Number of Reviewed SPLUMA by-law gazetted by June 2023	SR02	104 00 0.00	104 000. 00	0	1	1	Achieved	None	None	Progress report on the Reviewed Town Planning By-Law	
Compliance with National Building Regulations	Building Plans Administ ration	% of buildings; constructed with approved plans, received and inspected within 5 days compliance to National Building Regulations and Building Standards Amendments Act No 49 of 1995	SR03	Internal	Internal	100%	100%	100%	Achieved	None	None	Individual site inspection reports	
		% of New Building Plans of less than 500 square meters received and assessed within 28 days of receipt of plans		Internal	Internal	100%	100%	100%	Achieved	None	None	Building Plans submission register	
		% of New Building Plans of more than 500 square meters received and assessed within 60 days of receipt of plans		Internal	Internal	100%	100%	100%	Achieved	None	None	Building plan submission register	
		% of land use contraventions attended to by June 2023	New	Internal	Internal	New	100%	100%	Achieved	None	None	Contravention Letters issued	

Precinct plan		No. of Marble Hall Precinct plan developed by June 2023	SR08	137 280	137 280	0	1	1	Achieved	None	None	Developed Marble Hall Precinct plan	
Land Use Audit		To conduct Land Audit by June 2023	SR09	2 000 000	2 000 000	New	Land Audit report	Land Audit Report	Achieved	None	None	Land Use Audit report	
Site Demarcation		Number of Stakeholder Engagement held by June 2023	SR10	831 744	831 744	0	2	2	Achieved	None	None	Progress Report on Stakeholder Engagements and site Pegging. Attendance register	
Human settlement	Facilities Maintenance Management	No. of quarterly progress reports in terms of new housing units provided by CoGHSTA submitted to Council by June 2023	SR07	Internal	Internal	4	4	4	Achieved	None	None	Quarterly Progress Report	
Supply of GIS Tools, Datasets and Technical Assistance	Management of GIS System	Upgrading of GIS system and updating of GIS datasets by June 2023	New	400 000	0.00	New	Upgraded GIS system and updated GIS datasets	TOR and Specifications in place	Not Achieved	Project was cancelled due to incorrect advert	Project TOR to be amended and project to be readvertised	Delivery note & completion certificate	

5.2 KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

Strategic Objective A: Improve community well-being through provision of accelerated basic service delivery.

Strategic Objective B: Improved social well-being.

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2021/2022	Annual Performance Targets 2022/2023					Portfolio of Evidence	Responsible Department
							Target	Actual	Achievements	Challenges	Corrective Action		
				Budget	Actual								
Transformer Maintenance and oil testing	Electricity	No. of transformers tested by June 2023	BS01	5 200 000	3 697 342	51	51 transformers tested.	51 transformer s tested.	Achieved	None	None	Completion certificate	Infrastructure Services
Ring Main Unit Maintenance		No. of ring main units serviced by June 2023	BS02			20	20 Ring main units serviced.	20 Ring main units serviced.	Achieved	None	None	Completion certificate	
Substation Audit		No. of panels tested by June 2023	BS03			New	24 panels tested	24 panels tested	Achieved	None	None	Completion certificate	
Public Lighting- Inspection of streets lights		No. of Street light fittings routinely inspected by June 2023	BS04	500 000	169 153	4012	3976	3976	Achieved	None	None	Inspection monthly reports	
Public Lighting- Maintenance of streetlights		% of faulty Street light fittings repaired after routine inspection within 90 days.	BS05			100%	100%	88%	Not Achieved	No material. SCM process stopped from Nov 2022 to Mar 2023	Procure material and repair lights as soon as possible	Inspection/repair monthly reports	
Public Lighting- Inspection of Mast lights		No. of Mast lights fittings routinely inspected by June 2023	BS06			2172	2304	2304	Achieved	None	None	Inspection monthly reports	
Public Lighting- Maintenance of Mast Lights		% of Faulty Mast light fittings repaired after routine inspection within 90 days	BS07			100%	100%	100%	Achieved	None	None	Inspection/repair monthly reports	

Replace old 35mm PILC 11kV cable from Erf181 to 830		Meter of old 35mm PILC 11kV cable from Erf181 to 830 replaced by June 2023	BS10	646 369	562 060	0	370meter cable installed	370meter cable installed	Achieved	None	None	Completion certificate	
Replace 60 kWh prepaid meters		Number of kWh meters purchased and replaced by June 2023	BS11	100 000 .00	111 555	New	60 kWh prepaid meters purchased and 30 replaced	60 kWh prepaid meters purchased and 30 replaced	Achieved	None	None	Delivery note and invoice. Meter replacement forms	
Replace 30 kWh meters		Number of kWh meters purchased by June 2023	BS12	150 000	40 908	30	30 kWh meters purchased	30 kWh meters purchased	Achieved	None	None	Delivery note and invoice.	
Replace streetlight wood poles at Mmotwaneng 20		No. of wood streetlight poles replaced at Mmotwaneng by 30 June 2023	BS13	200 000	0	20	20 Wood poles replaced	0	Not Achieved	Not advertised and funding moved to critical storm water project	None	Completion certificate	
Replace Minisub stand 338 Mopanie Street		No. of minisubstations replaced by June 2023	BS16	1 800 000	0	New	1 mini substation	0	Not Achieved	Contractor failed to perform due to cash flow challenges	Terminate contract	Completion certificate	
Replace old PEX cable –erf812-1/900		Meter of cable replaced by June 2023	BS17	1 000 000	443 155	New	275 meters of cable replaced.	0	Not Achieved	Project at 40%. Contractor failed to perform due to cash flow challenges.	Terminate contract and apply penalties.	Completion certificate	
Generator – corporate services 220kVA		No of supplied, delivered and installed generator by June 2023	BS18	1 200 000	998 826	New	1 generator installed	1 generator installed	Achieved	None	None	Completion certificate	

Transformer replacement 150kVA Portion 375		No of supplied, delivered and installed transformer by June 2023	BS19	250 000	0	New	1 transformer installed	0	Not Achieved	Tender too high. Unit vandalised and deviation submitted but was not implemented.	Submitted claim to insurance and do under transformer maintenance.	New transformer, Delivery note and invoice	
High mast lights Matseding		No of mast lights installed by June 2023	BS20	1 550 000	1 345 238	New	3 mast lights installed	3 mast lights installed	Achieved	None	None	Completion certificate	
High mast lights Doornspruit		No of mast lights installed by June 2023	BS21	3 500 000	2 627 205	New	6 mast lights installed	6 mast lights installed	Achieved	None	None	Completion certificate	
High Mast lights Moganyaka		No of mast lights installed by June 2023	BS34	1 750 000	557 431	New	4 mast lights installed	0	Not Achieved	Foundations completed. Poor performance of contractor due to cash flow challenges.	Will be completed in July 2023	Completion certificate	
Electrification of households		No. of quarterly reports in terms of households with access to basic levels of electricity submitted to MM (GKPI)	New	3 610 902	5 799 569	4	4	4	Achieved	None	None	Quarterly reports	

Leeuwfontein sports complex	Roads & Stormwater	No of sport complex completed by June 2023	BS58	2 000 000	1 385 703,78	Grassing on the pitch	1 multi-purpose sport field completed	1 multi-purpose sport field completed	Achieved	Defects on the Combi-courts	A new Contractor was appointed to address the defects on the combi courts that was completed in 2018/2019 by the original contractor. This maintenance /refurbishment work will be completed by 22/08/2023.	Progress reports and completion certificate	
Mamphokgo Sports Complex		No of Sport Complex constructed June 2023	BS71	R600 000.00	584,50 4.14	Bulbs for the High mast lights installed	1 sport complex constructed	1 sport complex constructed	Achieved	Defects on various sections of the completed works	Corrective maintenance to be applied to remediate identified defects.	completion certificate	
Regae bus route (multi-year)		Km of road to be constructed by June 2023	BS91	9 621 336,00	9,560,9 36.58	1.033km of road upgraded (Earthworks)	2.52km road constructed	2.52km road constructed	Achieved	None	None	Progress reports and completion certificates	
Morarela Access Road (multi-year)		Km of road earthworks to be constructed by June 2023	BS100	829,239 .53	5 149 091,62	New	0.3Km road Earthworks constructed	1.3km of road Earthworks constructed	Achieved	None	None	Progress reports	

Mabitsi Internal Road (multi-year)		1.5 Km of roads to be constructed by June 2023	BS89	19,030,135.07	25 847 805,32	2.050km of road upgraded (Earthworks)	4.8 Km of roads constructed	4.8km of road surfaced	Not Achieved	The project did not reach completion at year end due to poor performance by the Contractor	The Contractor was given 14 days to complete the snag list work that was issued during the practical completion	Progress reports and completion certificate	
Dichoeung Internal Street		0.8km of road constructed by June 2023	BS75	6 529 102,21	7 032 839,79	New	0.8km of road constructed	0.8km of road constructed	Achieved	None	None	Progress report, completion certificate	
Rathoke Internal Street (multi-year)		Km of roads to be constructed by June 2023	BS64	829,239 .53	8 822 059,39	New	0.4 Km of road constructed	2km of Road Earthworks Constructed	Achieved	None	None	Progress reports	
Stormwater Ext:6		Km of stormwater constructed by June 2023	BS61	3 900 000.00	3 465 759.89	0.19km	0.7km of stormwater constructed	0.43km complete of pipe laid	Not Achieved	Hard rock on the pipeline route	Blasting and the project have been extended to the 27 th of July 2023	Completion Certificate	
Mokgwaneng Internal streets		Payment for the remainder of the design fees for Mokgwaneng Internal Road by June 2023	New	153 529.77	153 529.77	Detailed Designed report	Payment of the remainder of the design's fees	Payment for the Remainder of designs fees settled	Achieved	None	None	Fees Account and Proof of payment	

Mathukhuthela Internal streets		Payment for the remainder of the design fees for Mathukhuthela Internal Road by June 2023	New	766 608.18	766 608.18	Detailed Designed report	Payment of the reminder of the design's fees	Payment for the Remainder of designs fees settled	Achieved	None	None	Fees Account and Proof of payment	
Driefontein Internal streets		Payment for the remainder of the design fees for Driefontein Internal Road by June 2023	New	513 782.43	513 782.43	Detailed Designed report	Payment of the reminder of the design's fees	Payment for the Remainder of designs fees settled	Achieved	None	None	Fees Account and Proof of payment	
Uitvlucht Internal streets		Payment for the remainder of the design fees for Uitvlucht Internal Road by June 2023	New	730 161.37	730 161.37	Detailed Designed report	Payment of the reminder of the design's fees	Payment for the Remainder of designs fees settled	Achieved	None	None	Fees Account and Proof of payment	
Matlerekeng Internal streets		Payment for the remainder of the design fees for Matlerekeng Internal Road by June 2023	New	758 469.41	758 469.41	Detailed Designed report	Payment of the reminder of the design's fees	Payment for the Remainder of designs fees settled	Achieved	None	None	Fees Account and Proof of payment	

Mohlaotwane Internal Street		Payment for the remainder of the design fees for Mohlaotwane Internal Road by June 2023	New	214 565.00	0.00	Detailed Designed report	Payment of the reminder of the design's fees	Payment for the Remainder of designs fees not settled	Not Achieved	remaining design fees disputed	Dispute to be collaboratively resolved between the consultant and the Municipality by reaching a consensus on the final professional fee account settlement.	Fees Account and Proof of payment	
Matlala Ramoshebo Internal streets		Payment for the remainder of the design fees for Matlala Ramoshebo Internal Road by June 2023	New	708 654.91	708 654.91	Detailed Designed report	Payment of the reminder of the design fees	Payment for the Remainder of designs fees settled	Achieved	None	None	Fees Account and Proof of payment	
Light Delivery vehicle		No. of Light delivery vehicle purchased by June 2023	BS83	650 000 .00	650 000 .00	New	1 Light delivery vehicle purchased	1 Light delivery vehicle purchased	Achieved	None	None	Delivery notes and invoice	
STREETS		Kilometres of roads graded by June 2023	BS109	8 000 000.00	6 742 168.05	1622.51km	1500km	2278km	Achieved	None	None	Inspection report	
		M² of base and surface patched by June 2023	BS110			7657.14 m²	1300m²	6801.26 m²	Achieved	None	None	Inspection report	
		Kilometres of stormwater drains and channels cleaned by June 2023	BS111			55.751km	52.7 km	63.84km	Achieved	None	None	Inspection report	
		KM of surfaced roads marked by June 2023	BS111	340,379 .52	286 598.50	173.045km	172 km	154.57 km	Not Achieved	Unavailability of Road Marking Paints	Quicker procurement in future	Inspection report	Community Services

Maintenance of Municipal buildings	Facilities Maintenance Management	No. of municipal buildings maintained as per the approved municipal maintenance plan by June 2023	BS113	5 000 000.00	1 027 666.87	5	12	9	Not Achieved	SCM process stopped in November for the amendment of SCM regulation and slow procurement process	The Municipality to Speed up procurement process to allow for implementation	Final Inspection Reports, Approved Maintenance Plan & Invoices	Corporate Services
Landscaping & Parks development	Parks Management	No. of landscaping and park development project implemented by June 2023	BS136	500,000.00	0.00	0	1	0	Not Achieved	Tender not evaluated after closure	Speedup procurement processes	Final progress report	Community Services
Digital Speed Camera	Safety and Security	Number of Digital Speed camera procured by June 2023	BS 154	435 000.00	435 000.00	New	1 Digital speed camera purchased	1 Digital speed camera purchased	Achieved	None	None	Invoice and delivery note	
Refuse bins	Waste Management	Number of Bulk Refuse bins purchased by June 2023	BS128	950 000.00	825 000.00	New	5 Refuse bins purchased	5 Refuse bins purchased	Achieved	None	None	Delivery note and invoice	
Loosening of gravel at Landfill site		Number of reports on loosening of gravel at landfill site done by June 2023	BS130	216 320.00	168000.00	1	1 landfill report	1 landfill report	Achieved	None	None	Landfill report	

Waste Collection		Number of villages with access to a minimum level of basic waste collection by June 2023	New	Internal	Internal	3 villages per week 156 villages annually Elandskraal Leeuwfontein Leeuwfontein RDP 52 weeks	3 villages per week 162 annually Leeuwfontein Elandskraal Leeuwfontein RDP	3 villages per week 162 annually Leeuwfontein Elandskraal Leeuwfontein RDP	Achieved	None	None	Monthly signed waste collection reports/logbook / Work schedule	
		Number of households in Marble Hall with access to a minimum level of basic waste collection by June 2023 (once a week)		Internal	Internal	>/<915 h/h week (47580 h/h annually)	915 h/h week 49734 households annually	915 h/h week 49734 households annually	Achieved	None	None	Monthly signed waste collection reports/ Billing report	
		Number of Refuse containers placed in villages/and farms for access to refuse collection. (Once a week removal)		Internal	Internal	5/week (260 annually)	5/week 260 annually	4/week 208 annually	Not Achieved	Leeuwfontein bin removed	Correct bin location to be located to the correct spot.	Monthly signed waste collection reports/ Logbooks /schedule of work	
Fencing of cemeteries	Cemetery	No. of cemeteries fenced by June 2023	BS143	450 000.00	450 000.00	6	3 cemeteries fenced	3 cemeteries fenced	Achieved	None	None	Final handover certificate	

5.3 KPA 3: LOCAL ECONOMIC DEVELOPMENT

Strategic Objective A: Grow the economy and provide livelihood support.

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2020/2021	Annual Performance Targets 2022/2023					Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements	Challenges	Corrective Action		
LED Support	Local Economic Development	No. of training workshops conducted for SMME's by June 2023	LED01	Internal	Internal	4	4	4	Achieved	None	None	Reports and Attendance registers	Planning & Economic Development
LED forum		No. of quarterly LED forum meetings held by June 2023	LED02	62 704.00	48 042.00	4	4	4	Achieved	None	None	Minutes and Attendance Registers	
LED Summit		Hosting of annual LED Summit by 30 June 2023	LED03	128 189.00	101 234	1	1	1	Achieved	None	None	Reports and Attendance Register	
External Partnership		Breakfast Session with Farmers held by June 2023	New	Internal	Internal	New	1	1	Achieved	None	None	Invitation, Report and Attendance Register	
Effective CWP Local Reference Forum		No. of quarterly CWP Local Reference Forum meetings held by June 2023	LED06	Internal	Internal	4	4	4	Achieved	None	None	Minutes and Attendance Register	
EPWP Expense	EPWP	No. of EPWP job opportunities created through EPWP by 30 June 2023	LED07	1 496 586.00	1 492 843.00	145	84	84	Achieved	None	None	Appointment letters	
		No. of EPWP progress reports provided per quarter	New	Internal	Internal	New	4	4	Achieved	None	None	Quarterly reports submitted to the Department of Public Works	

Tourism Forum	Promotion of Tourism	No. of quarterly Tourism Forum meetings held by June 2023	LED08	Internal	Internal	2	2	2	Achieved	None	None	Reports and Attendance Registers	
LED Exhibitions	Local Economic Development	No. of LED Exhibitions conducted by June 2023	LED12	52 000.00	51 800	1	1	1	Achieved	None	None	Report and the register of Exhibitors	
LED Projects funding		No. of LED projects funded by June 2023	LED11	634 400.00	0.00	23	20	0	Not Achieved	The delays in the approval of the revised LED funding policy. The advertised and evaluations were complete, the site verifications were not completed by year end.	To finalise the site verifications and utilise budget for the 2023/2024 financial year.	Report and Attendance Register	
		No. of Reports on Status of LED funded projects compiled by June 2023.	New	Internal	Internal	1	2	2	Achieved	None	None	Reports submitted to Council Portfolio Committee	
Management of Informal Traders		No. of Quarterly Marble Hall Hawkers Forum meetings held by June 2023	New	Internal	Internal	4	4	4	Achieved	None	None	Minutes and attendance register	
		No. of business Licensing awareness workshop held by June 2023		Internal	Internal	New	2	2	Achieved	None	None	Invitation, Report and attendance register	

		No. of quarterly reports on the implementation of Limpopo Business Regulation Act by June 2023		Internal	Internal	2	4	4	Achieved	None	None	Reports submitted to Council Portfolio Committee	
Social Responsibility Programs		No. of quarterly reports submitted to Council with respect to the implementation of Social Labour Plan (SLP)/Corporate Social Investment (CSI) programmes of Mining Companies by June 2023	LED14	Internal	Internal	4	2	2	Achieved	None	None	Reports submitted to Council Portfolio Committee	

5.4 KPA 4: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Strategic Objective A: Develop and retain skilled and capacitated workforce.

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2020/2021	Annual Performance Targets 2022/2023					Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements	Challenges	Corrective Action		
Employment Equity	Institutional Development	No. of EE Committee meetings held by June 2023	MTOD01	Internal	Internal	4	4	4	Achieved	None	None	Invitation, minutes and Attendance registers	Corporate Services
Review of organizational structure		Review Organizational structure and align to the IDP and Budget by 30 June 2023		Internal	Internal	1	1	1	Achieved	None	None	Approved Organizational structure and council resolution	
Training Courses		No. of training committee meeting held by the 30 th of June 2023	MTOD03	Internal	Internal	New	4	4	Achieved	None	None	Invitation, Minutes and attendance register.	
		Number of workforces trained as per target of Workplace Skill Plan (WSP) by 30 June 2023		1 554 008,00	1 260 882.96	139	40	79	Achieved	None	None	Quarterly reports.	
Occupational Health and Safety	Workplace Health, Safety	No. of quarterly Workplace Health and Safety Forum meetings held by June 2023	MTOD 04	305 500.00	210 753.00	4	4	4	Achieved	None	None	Invitation, minutes and attendance register.	
		No. of Health and Safety policy developed/review by June 2023		Internal	Internal	1	1	0	Not Achieved	Policy Deferred back from LLF	Policy review Workshop	Reviewed Policy submitted to Council.	
Labour Forum	Labour Relations	No. of monthly Local Labour Forum (LLF) held as scheduled by June 2023	MTOD 08	Internal	Internal	10	12	11	Not Achieved	Non-adherence to meeting schedule	Adhere to planned meeting schedule	Invitation, Minutes and attendance registers.	

		% of disciplinary proceedings initiated in relation to reported matters on a quarterly basis.		Internal	Internal	100%	100%	100%	Achieved	None.	None.	Report and Attendance registers.	
Policies	Policies	No. of new / reviewed policies submitted to Council by June 2023	New	Internal	Internal	19	15	7	Not Achieved	Policies were deferred due to Councillors requesting a policy review workshop	Conduct a Policy review Workshop for Councillors.	Developed/ Reviewed Policy submitted to Council.	
Bursary fund: community members	Institutional Development	No. of annual community bursaries allocated by June 2023	MTOD 13	550 000.00	850 132.60	10	4	5	Not Achieved	Limited Budget.	The Municipality Budgeting effectively and reviewing the Community Bursary requirements.	Report and proof of registration.	
Bursary fund: staff		No. of annual staff bursaries allocated by June 2023	MTOD 14	550 000.00	567 565.86	29	15	15	Not Achieved	Employees not applying for Staff Bursary	Continuous awareness campaign with regard to employee's bursary.	Report and proof of registration.	
Top learners Awards		Number of reports for learners' awards conducted by June 2023	MTOD07	163 069.00	21 160.00	1	1	1	Achieved	None	None	Invitation, Top learners Awards report and Attendance registers	
Records management	Records management	No. of quarterly status reports in terms of the record management system submitted to the Municipal Manager by June 2023	MTOD15	Internal	Internal	4	4	4	Achieved	None	None	Quarterly report compiled.	

Customer care	Customer / Stakeholder Relationship Management	No. of quarterly Customer Complaint reports submitted to the Municipal Manager (inclusive of Premier & Presidential Hotline) by June 2023	New	Internal	Internal	4	4	4	Achieved	None	None	Quarterly reports Compiled.	
		No. of Batho Pele committee meetings held by 30 June 2023	New	Internal	Internal	10	10	10	Achieved	None	None	Invitation, Minutes and attendance register	
		No. of Batho Pele Outreach Event held by 30 June 2023	New	50 000.00	38 300	1	1	1	Achieved	None	None	Invitation, Event Report and Attendance Register	
Purchase of office furniture		% of office furniture procured by June 2023	MTOD19	300 000.00	301 478.40	100%	100%	100%	Achieved	None	None	Delivery note and Invoice	
Programming	ICT	No. of quarterly network maintenance conducted by June 2023	New	3 200 000.00	2,830,916.30	4	4	4	Achieved	None	None	Quarterly reports	
ICT Forums		No. of quarterly ICT steering committee meetings held in terms of the implementation of the ICT governance strategy and policy by June 2023	MTOD21	Internal	Internal	4	4	3	Not Achieved	Non-adherence to meeting schedule	Adhere to planned meeting schedule	Invitation, Minutes and attendance register	
Website Hosting		% of hosting and management of the website by SITA by June 2023	MTOD23	74 392.00	74 392.00	100%	100%	100%	Achieved	None	None	Quarterly reports	
Legal Service	Legal Services	% of Civil & Labour Litigations attended by 30 June 2023	MTOD 25	5 408 000.00	6 042 093.34	100%	100%	100%	Achieved	None	None	Quarterly reports	

		% of Service Level Agreements (SLA's) processed within the time frame of 30 days of the appointment of the service provider by 30 June 2023		0.00	0.00	100%	100%	100%	Achieved	None	None	Quarterly Report on SLA's.	
		% Employment Contracts processed within the time frame of 30 days from the date of appointment by 30 June 2023		0.00	0.00	100%	100%	100%	Achieved	None	None	Quarterly Report on Employment Contracts	
IDP Process	IDP	2023/2024 Final IDP tabled and approved by Council by the 31 st of May 2023	MTOD29	0.00	0.00	1	1	1	Achieved	None	None	Council Resolution	Office of the Municipal Manager
		2023/2024 IDP/Budget review Process Plan developed by 30th August 2022		0.00	0.00	1	1	1	Achieved	None	None	Council Resolution	
		Annual Strategic Lekgotla Planning session convened as scheduled by February 2023	MTOD30	471 207,00	471 207.00	1	1	1	Achieved	None	None	Minutes and attendance register	
Performance Assessments	Performance Management	No. of performance review for section 54/56 conducted by February 2023	MTOD31	Internal	Internal	2	2	2	Achieved	None	None	Section 54/56 Performance Assessments report	
Review performance management Framework		Reviewed Performance Management Framework by June 2023	MTOD33	Internal	Internal	1	1	1	Achieved	None	None	Reviewed performance management Framework	

5.5 KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

Strategic Objective: Become Financially Viable.

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2020/2021	Annual Performance Targets 2022/2023					Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements	Challenges	Corrective Action		
Revenue enhancement	Financial Management	% outstanding service debtors to revenue by the 30 June 2023 (GKPI)	FV02	Internal	Internal	15.92%	52%	67.25%	Achieved	None	None	Submitted Section 71 report.	Budget & Treasury Office
		% improvement in revenue enhancement by 30 June 2023		Internal	Internal	13.2%	12%	35.01%	Achieved	None	None	Billing reports	
		% of consumer payment received with respect to municipal services provided as compared to that billed by June 2023		Internal	Internal	>85%	>85%	>85%	Achieved	None	None	Billing collection report	
Creditors payments	Financial Accounting (Expenditure)	% of approved (compliant) invoices paid within 30 days by 30 June 2023	FV03	Internal	Internal	100%	100%	100%	Achieved	None	None	Approved (compliant) invoices register	
Compilation of annual and adjustment budget	Budget Management	Submission of MTRE Budget by the 31 May 2023	FV05	Internal	Internal	Approved Budget	Approved Budget	Approved Budget	Achieved	None	None	Submitted budget to Council	
Compilation of In Year reports	Financial Management	No. of quarterly section 52(d) MFMA reports submitted to the Mayor by June 2023	FV06	Internal	Internal	4	4	4	Achieved	None	None	Submitted Section 71 report	
		No. of monthly section 71 MFMA reports submitted to EXCO by June 2023		Internal	Internal	12	12	12	Achieved	None	None	Submitted Section 52(d) report	

		Section 72 (midyear) MFMA report submitted to the Mayor by June 2023		Internal	Internal	1	1	1	Achieved	None	None	Submitted Section 72 report	
		No. of MFMA checklists submitted per quarter as legislated		Internal	Internal	4	4	4	Achieved	None	None	MFMA checklists	
Implementatio n of SCM regulations and policies	Supply Chain Managemen t	No. of quarterly SCM procurement plan reports submitted to the Executive Committee by June 2023	FV07	Internal	Internal	4	4	4	Achieved	None	None	Quarterly SCM reports	
		No. of quarterly deviation reports submitted to the MM by June 2023		Internal	Internal	12	12	12	Achieved	None	None	Quarterly SCM reports	
GAMAP/GRAP Asset Register	Asset Managemen t	GRAP Compliance Register in place July 2023	FV08	Internal	Internal	1	1	1	Achieved	None	None	Fixed Assets Register	
Fleet Management		No. of Fleet Management reports submitted to Council by 30 June 2023	FV09	Internal	Internal	4	4	4	Achieved	None	None	Monthly Fleet Manageme nt report	
		Annual submission of the asset verification report to the MM by 30 Sept 2023		Internal	Internal	1	1	1	Achieved	None	None	Asset verification report	
Annual Financial Statement	Financial Managemen t	Draft Annual Financial Statements (AFS) submitted on or before the 31 August 2023	FV10	Internal	Internal	1	1	1	Achieved	None	None	Proof of submission from AG	

Financial Management Grant		% of FMG grant spent by June 2023	New	Internal	Internal	100%	100%	100%	Achieved	None	None	FMG report	
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5.6 KPA 6: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Strategic Objective: Sound Governance through effective oversight.

Project Name	Priority Programme	KPI	IDP Ref No	R 000's		Baseline 2020/2021	Annual Performance Targets 2022/2023					Portfolio of Evidence	Responsible Department
				Budget	Actual		Target	Actual	Achievements	Challenges	Corrective Action		
Special Programs	Transversal	No. of quarterly Special Programs held in terms of the (Elderly, Children, Disabled, Traditional Health Practitioners, LGBT, HIV/ Aids and other marginalised groups by June 2023	GG01	302 806,00	55 400.00	12	4	4	Achieved	None	None	Invitation, report and attendance register	Corporate Services
Public participation	Public Participation	No. of Public participation consultation held by 30th June 2023	GG02	376 449,00	480 792.52	12	2	2	Achieved	None	None	Invitation, Report and Attendance register	
	State of Municipal Address	State of Municipal Address conducted by June 2023	New	226 207,00	0.00	1	1	0	Not Achieved	Delivery services for 2021/22 did not meet expected results	Improve our service delivery performance and strategy	Invitation, Report and attendance register.	
Ward committee support	Ward Committee	No. of monthly Ward Committees meetings held by June 2023	GG03	2 880 000.00	682 500.00	112	192	192	Achieved	None	None	Report, and attendance register	
		Hosting of Annual Ward Committee Conference by June 2023		Internal	Internal	New	1	1	Achieved	None	None	Invitation, Report and attendance register	
		No. of annual Ward Committee operational plans submitted to Council by June 2023		Internal	Internal	0	1	1	Achieved	None	None	Annual ward committee report	

		No. of Ward Committee Training conducted by June 2023		601 00.00	0.00	New	1	1	Achieved	None	None	Invitation, Training Report & attendance register	
	Indigents	% of (indigents) households with access to free basic electricity services by 30 June 2023 (GKPI)		Internal	Internal	100%	100%	100%	Achieved	None	None	Indigent Register, Quarterly summary report and Eskom Invoices	
		No. of reports on reviewed indigent register compiled each quarter		Internal	Internal	4	4	4	Achieved	None	None	Reviewed indigent register Reports	
Mayoral programme: Youth development	Youth Development	No. of Youth programmes / initiatives implemented each quarter	GG04	447 921.00	447 921.00	4	4	4	Achieved	None	None	Invitation, Quarterly Youth reports and attendance register	
		No. of Youth strategy developed by June 2023		Internal	Internal	1	1	0	Not Achieved	Delayed for submission to council	Review the draft on time prior to submission for adoption in council	Council Resolution	
		Career Week hosted by June 2023		Internal	Internal	1	1	1	Achieved	None	None	Invitation, Report and Attendance register.	
Management of Municipal Media Platforms	Customer/ Stakeholder Relationship Management	No. of quarterly newsletters published by June 2023	GG05	359 084.00	359 084.00	4	4	4	Achieved	None	None	Published Newsletters	
		Number of reports generated on media platforms each quarter		0.00	0.00	4	4	4	Achieved	None	None	Municipal media platforms quarterly reports	

Council Functionality	Council Functionality	No. of ordinary Council meeting held by June 2023 as per the approved Calendar of Events	New	Internal	Internal	9	7	7	Achieved	None	None	Council Resolution, minutes and Attendance register	
		No. of Council meetings resolutions resolved within the prescribed timeframe of (3) months (Total organisation)		Internal	Internal	4	4	4	Achieved	None	None	Quarterly status report of Council resolutions resolved	
		No. of monthly EXCO meetings held by June 2023		Internal	Internal	12	12	12	Achieved	None	None	Notice, minutes and attendance register	
		No. of Section 79 Committee meetings held each quarter		Internal	Internal	4	12	12	Achieved	None	None	Minutes of Section 79 Committee meeting	
		No. of quarterly Compliance Register Reports submitted to Council by June 2023		Internal	Internal	4	4	4	Achieved	None	None	Quarterly Compliance Register Report	
MPAC functionality		No. of quarterly MPAC meetings held by June 2023	New	Internal	Internal	4	4	6	Achieved	None	None	Invitation, MPAC meeting reports and attendance register.	

		Submission of Oversight Report to Council by the 30th of March 2022		Internal	Internal	1	1	1	Achieved	None	None	Annual Performance Oversight Report	
Disaster Management Awareness	Disaster Management	Number of disaster awareness campaigns scheduled and held per ward by June 2023	GG09	261 053.00	14510 2.75	8	8	8	Achieved	None	None	Reports and attendance registers	Community Services
Mayor's cup	Sport and Recreation Arts and Culture	Number of mayors cup events held by June 2023	GG10	593 689	0	1	1	1	Achieved	None	None	Final report of Mayors cup	
Heritage Day celebration		Number of Heritage events held by June 2023	GG12	143 634.00	143 634.00	1	1	1	Achieved	None	None	Final report of Heritage celebration	
Beauty Pageant		Number of Beauty Pageant held by June 2023	GG17	140 485.00	0	1	1	0	Not Achieved	Poor planning	Restructuring of sports office	Final report of Beauty Pageant event	
Security Management Services	Security Services	% implementation of Security upgrade plan activities within prescribed timeframes	GG25	216 516,00	47900 .00	0%	100%	22%	Not Achieved	Tender closed and not evaluated	Improve line of procurement process	Security monitoring & Incident management reports	
		No. of Municipal Community halls safe-guarded		1 438 808,71		10	10	10	Achieved	None	None	Security monitoring & Incident management reports	
		No. of Security monitoring & Incident management reports complied each quarter		Internal	Internal	12	4	4	Achieved	None	None	Security monitoring & Incident management reports	

		No. of Security awareness/educational campaigns conducted each quarter		Internal	Internal	4	4	4	Achieved	None	None	Security management reports and Attendance registers	
		No. of Municipal Buildings Safe-guarded through contracted service provider each quarter		6 333 600,00	5 005 139.58	19	19	19	Achieved	None	None	Security management reports with attendance register.	
Performance Management	Performance Management	Submission of Final audited consolidated Annual Report 2021/2022 to Council on or before 28 January 2023	New	Internal	Internal	1	1	1	Achieved	None	None	Final consolidated Annual Report	Office of the Municipal Manager
		2022/2023 Adjusted Budget and 2022/2023 SDBIP approved by the mayor by the end of February 2023	New	Internal	Internal	1	1	1	Achieved	None	None	Copy of Adjusted Budget and SDBIP	
		Final 2023/2024 SDBIP approved by the mayor within 28 days after approval of Budget	New	Internal	Internal	1	1	1	Achieved	None	None	Copy of Final approved SDBIP	
Internal Audit	Risk Based audit	Internal Audit Policies reviewed by the Council by the 30 th of June 2023	GG18	Internal	Internal	3	3	3	Achieved	None	None	Council resolution	

		Strategic Internal Audit Plan and Annual Internal Audit Plan approved by Audit Committee by 30th June 2023		Internal	Internal	1	1	1	Achieved	None	None	3-year strategic audit plan and Annual Internal Audit Plan	
		Number of Internal Audit report submitted to the Audit Committee per quarter (the internal audit report will comprise of the audit reports due as per the approved annual audit plan)		2 321 430.00	2 321 430.00	4	12	12	Achieved	None	None	Quarterly Internal audit reports.	
		Number of Internal audit follow-up reports done per quarter		Internal	Internal	4	4	4	Achieved	None	None	Quarterly Internal audit follow-up reports	
Audit of Performance Information (AOPI)	Performance Audit	No. of AOPI audit reports compiled by June 2023	GG19	Internal	Internal	4	4	4	Achieved	None	None	Quarterly AoPI reports	
Operation Clean Audit (OPCA)	OPCA	Action Plan on issues raised by the Auditor General compiled and tabled to Council by January 2023	GG20	Internal	Internal	0	1	1	Achieved	None	None	Approved Action Plan	
		% of Auditor General matters resolved as per the approved Audit Action plan (Total organisation)		Internal	Internal	0%	100%	80%	Not Achieved	Slow implementation of the remedial actions	Fastrack the process implementing the remedial actions	Quarterly AG Action Plan report	

Audit & Performance Committee	Audit & Performance Committee	No. of quarterly Audit & Performance Committee Meetings held by June 2023	GG22	449 017.00	449 017.00	4	4	4	Achieved	None	None	Invitation, Minutes of the A&P Committee meetings with attendance register	
Anti-fraud awareness workshops/campaigns	Risk Management	Anti-fraud and Corruption Activity plan approved by 30th June 2023	GG23	Internal	Internal	1	1	1	Achieved	None	None	Anti-fraud and corruption activity plan	
		% execution per quarter of activities outlined in the Anti-fraud and corruption activity plan (Total Organisation)		Internal	Internal	100%	100%	100%	Achieved	None	None	Quarterly Risk management reports and activity reports	
		No. of quarterly anti-fraud and corruption awareness campaigns held by June 2023		Internal	Internal	4	4	4	Achieved	None	None	Invitation, Awareness presentation & Attendance registers	
Risk Management Committee		No. of quarterly Risk Committee Meetings held by June 2023	GG24	Internal	Internal	4	4	4	Achieved	None	None	Risk committee Agenda pack	
		No. of Risk Management reports submitted to the Audit Committee per quarter		Internal	Internal	4	4	4	Achieved	None	None	Quarterly Risk Report	

		% execution of Risk management plan within prescribed timeframes per quarter (Total organisation)		Internal	Internal	100%	100%	100%	Achieved	None	None	Quarterly Risk management reports	
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6. ANNUAL PERFORMANCE OF SERVICE PROVIDERS FOR 2022/2023 FINANCIAL YEAR

This report is prepared in accordance with Section 46(1) (a) of the Local Government Municipal Systems Act 32 of 2000 which requires that a municipality must prepare for each financial year a performance report reflecting the performance of the municipality and each of the service providers during the financial year.

Service /Project	Service Provider	Date appointed	End of the Contract	Revised completion date	Bid Amount	Expenditure	Performance Rating 1-5
Payroll	SAGE (VIP)	06/01/2011	Annual Contract	N/A	Schedule of rates	R 88412.50	4
Prepaid vending services	CONLOG	01/11/2021	Annual Contract	30/10/2024	Schedule of rates	R710 552.09	4
Banking Services	FNB	01/07/2017	30/06/2022 Extension	N/A	Schedule of rates	R 211281.76	4
Fleet Management	Absa fleet	2012/07/01	Month to month	N/A	N/A	R 8 988 529	4
Quarterly Maintenance of Server Room and Fire Detectors in Registry.	Multinet Systems Pty Ltd	10 February 2022	01 March 2025	N/A	R200 159.80	R35,337.35	5
Offsite Document Archiving.	Ironmountain (Pty) Ltd, formerly (Docufile Pty Ltd)	15 May 2014	Month to Month	N/A	Monthly cost: R1343.66	R6302.13	5
Purchase of Office Furniture.	Lesh M Ditributors and Projects Pty Ltd	02 March 2021	01 March 2023	N/A	R415155.50	R301 478.40	5
	MIT Pty Ltd	02 March 2021	01 March 2023	N/A	R300673.00	R0	3
Mabitsi Internal Road (multi-year)	Ntshiana trading Enterprise	20/12/2021	14/04/2022	23/06/2023	19,030,135.07	24,617,692.84	2
	Loato Engineers	12/08/2020	12/08/2023	N/A		1,230,112.48	2

Service /Project	Service Provider	Date appointed	End of the Contract	Revised completion date	Bid Amount	Expenditure	Performance Rating 1-5
Regae bus route (multi-year)	Maunyatla Trading Enterprise	28/01/2022	23/08/2022	N/A	9,621,335.87	8,882,676.79	4
	Uranus Consulting	12/08/2020	12/08/2023	N/A		677,977.48	4
Morarela Access Road	T3 Consulting	12/08/2020	12/08/2023	N/A	829,239.53	515,774.35	3
	Ecotroopers Construction	02/02/2023	31/10/2023	N/A		4,633,317.27	2
Rathoke Internal Street	Morula Consulting	12/08/2020	12/08/2023	N/A	829,239.53	480,241.02	3
	Jan Maditsi Construction	8/12/2022	8/09/2023	N/A		8,341,818.37	4
Dichoeung Internal Street	Kago Consulting	12/08/2020	12/08/2023	N/A	6,529 102,21	751,993.92	3
	NJ Nkosana Business Enterprise	05/10/2022	22/02/2023	21/04/2023		6,280,845.87	3
Leeuwfontein sports complex	High point Trading	10/11/2020	31/07/2022	N/A	R 2 000 000.00	1 385 703,78	2
Leeuwfontein sports complex	High point Trading	10/11/2020	31/07/2022	N/A	R 2 000 000.00	R1,081,854.23	2
EPMLM8/3/437 Transformer Maintenance- Oil purification	Jusben Engineering Services	26/01/2023	26/05/2023	N/A	R 1 312 690	R 1 112 900	3
EPMLM8/03/408 11kV Ring Main Unit Maintenance	Jusben Engineering Services	13/05/2022	13/08/2022	31/08/2022	R 1 043 478	R 933 273	3
EPMLM8/3/440 Substation Audit and testing	115 Electrical Solutions	15/02/2023	15/05/2023	N/A	R 1 744 261	R 1 690 682	3
EPMLM8/03/409 Replace 370m PILC 11kV Cable	Kingki Electrical Contractor	06/05/2022	06/09/2022	N/A	R 1 279 102	R 1 135 930	3
EPMLM8/3/436 Supply and Delivery of electricity meters	Mumy and Sons Projects and Construction	10/02/2023	10/05/2023	N/A	R 220 737	R 220 737	3
EPMLM8/3/419 Replacement of 630kVA mini substation (re-advert)	TM Consortium	23/03/2023	23/07/2023	N/A	R 1 542 807	R 0.00	0
EPMLM8/3/424 Supply and installation of a 275m old 35mm PILC cable from Erf 812 to 1/900	TM Consortium	05/01/2023	05/04/2023	15/05/2023	R 724 286	R 426 496	1
EPMLM8/03/ Install 220kVA Stand-by Generator	TM Consortium	26/09/2022	10/02/2023	N/A	R 1 040 867	R 998 826	3
EPMLM8/3/416 Supply and installation of high mast lights at Matseding	Sekankoe Engineering	12/10/2022	27/01/2023	N/A	R 1 375 242	R 1 274 000	4
EPMLM8/3/417 Supply and installation of high mast lights at Doornspruit	Ntlepo Corporate / Manyoka JV	29/11/2022	15/03/2023	09/06/2023	R 2 528 880.00	R 2 346 598	1
EPMLM8/3/439 Supply and installation of high mast lights at Moganyaka	Green 8 Trading	24/04/2023	26/07/2023	N/A	R 1 755 021	R 443 916	2
Municipal Website Maintenance	SITA	1/July/2019	30 June 2022	1 June 2022	Quarterly cost: R 16,445.21	R 0.0	5

Service /Project	Service Provider	Date appointed	End of the Contract	Revised completion date	Bid Amount	Expenditure	Performance Rating 1-5
Telephone and VPN Connection	Telkom SA	14 /04/2011	Month to month	01/31/2024	Quarterly Cost R 263,078.68	R 1 072, 314.00	5
Maintenance Municipal wireless Network	HCIT	10/01/2012	Month to month	N/A	Quarterly cost: R 120 750,00	R 483 000.00	5
ICT Support and Maintenance	IT Iqhazululo	07/01/2013	Month to month	N/A	Quarterly cost: R 82 800.00	R 331 400.00	5
Security Management Services	Mabotwane Security Services	24 August 2020	30 September 2023	N/A	R24 453 574.60	R18 384 955.32	2
Traffic Contravention System	Dunamis Emporium	14 August 2021	31 December 2024	N/A	R724 504.85	R497 490.00	3
Newsletter production	Motlatsi Networx	31 January 2023	30 March 2023	N/A	R359 084.00	R359 084.00	3

7. DESCRIPTION OF PERFORMANCE SCORING

Level	Terminology	Description
5	Outstanding performance	Performance far exceeds the standard expected
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job
3	Fully effective	Performance fully meets the standards expected in all areas of the job
2	Not fully effective	Performance is below the standard required for the job in key areas
1	Unacceptable performance	Performance does not meet the standard expected for the job

APPROVAL

M.E. MOROPA
MUNICIPAL MANAGER

Date:



Ephraim Mogale Local Municipality
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
Published 31 August 2023

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	South African Category C Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
Nature of business and principal activities	Provision of basic services in terms of Local Municipality function as defined by the Municipal Structures Act. (Act no 117 of 1998) "
Council	
Mayor	Cllr Moimana GMH
Speaker	Cllr Lentsoane R
Chief Whip	Cllr Magane L
Traditional Leaders	Kgoshi-Lehwelele-Matlala M Kgoshi Matlala RD Kgoshi Rahlagane MP Kgoshi Kekana MF
Councillors	Cllr Moimana GMH(Mayor) Cllr Lentsoane R(Speaker) Cllr Magane L(Chief Whip) Cllr Ramphela RM(Exco member) Cllr Jacobs PR(Exco member) Cllr Tlaka ME(Exco member)-deceased Cllr Sedibane FS(Exco member) Cllr Mashiane SM(Exco member) Cllr Tshiguvho EM(Exco member) Cllr Aphane KM Cllr Mello MF-(deceased) Cllr Thobejane PM Cllr Kutu TC Cllr Sebothoma KW Cllr Lekoatsipa LR Cllr Magatla NL Cllr Seloma RM Cllr Mahubane SE Cllr Maphopha MM Cllr Nkoana TP Cllr Phahlamohlaka T Cllr Mokwana BZ Cllr Mmamahlako K Cllr Mogale T Cllr Letsela NS Cllr Dries P Cllr Makola ML Cllr Mpe JL-(deceased) Cllr Modipa SR Cllr Mmeshi SJ Cllr Maelane KM Cllr Mmanaswe TM Cllr Mabaso T Cllr Dries P Cllr Mashiane SM Cllr Moela JM

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

General Information

	Cllr Moela JM
Grading of local authority	Grade 2
Capacity of local authority	Low Capacity
Municipal demarcation code	LIM 471
Accounting Officer	Mr M Moropa from 2 May 2023 to date Mrs M Rampedi (Acting from 11 November 2022 to 30 April 2023) Mrs ST Matladi from 2 August 2021 to 9 November 2022
Chief Finance Officer (CFO)	Mr TT Modisane (CFO) from 2 May 2023 to date MR J Madisha(Acting CFO) from 6 March 2023 to 30 April 2023 MR K Mabija (Acting CFO) from 1 July 2022 to 28 February 2023
Registered office	No. 13 Ficus street Civic centre Marble Hall Limpopo 0450
Business address	No. 13 Ficus street Civic centre Marble Hall Limpopo 0450
Postal address	P.O Box 111 Marble Hall Limpopo 0450
Bankers	First National Bank (Primary bank account) ABSA Bank - VBS - Investments - in liquidation
Auditors	Auditor General South Africa (AGSA), Limpopo Business Unit. Enquiries:Gerhard Ordendaal . Email:godendaal@agsa.co.za
Attorneys	Popela Maake Inc Attorneys Khumalo Masondo Attorneys Inc Mphoke PK Magane Inc Mohale Inc NJ Morero Inc Ndaba H.E Incorporated Popela Maaka Sibeko Inc Attorneys Dabishi Nthambeleni Inc Mt Makwela Inc Raphela Attorneys Inc Mmakola Matsimela Inc

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

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The reports and statements set out below comprise the Annual Financial Statements presented to the provincial legislature:

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Abbreviations

GRAP	Generally Recognised Accounting Practice
WCA	Workmen's Compensation Act
MPAC	Municipal Public Accounts Committee
SCM	Supply Chain Management
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund
WCA	Workers Compensation Assistance
VAT	Value Added Tax
AGSA	Auditor General of South Africa
PAYE	Pay as you earn
MFMA	Municipal Finance Management Act
MSCOA	Municipal Standard Chart of Accounts
EPWP	Expanded Public works programme
PPE	Property Plant and Equipment
SDL	Skills Development Levy

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

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

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

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

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

The external auditors are responsible for auditing and reporting on the Municipality's Annual Financial Statements. The Annual Financial Statements have been examined by the Municipality's external auditors and their report is presented as part of these financial statements.

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in notes to these annual financial statements are within the upper limits of the framework envisaged 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 pages 9 to 94 which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed by:

Moropa M E
Accounting Officer

Thursday, 31 August 2023

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE FOR THE YEAR ENDED 30 JUNE 2023

The report herein provides the year-end report for the Audit and Performance Committee (herein referred to as "the Audit Committee") as of 30 June 2023.

BACKGROUND AND STATUTORY REQUIREMENTS

The purpose of this report is to communicate to the council the audit committee's progress in carrying out its oversight responsibilities in terms of section 166 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003, as amended) (MFMA), read with circular 65 published by the National Treasury for the year ended 30 June 2023.

The audit committee was established in terms of section 166 of the MFMA which requires every municipality to establish an independent audit committee, which must advise the municipal council, political office bearers, accounting officer and management staff of the municipality as well as the accounting officer and the management staff of the municipal entity, on matters relating to internal financial controls and internal audits, risk management, accounting policies, the adequacy, reliability and accuracy of financial reporting and information, performance management, effective governance, compliance with the MFMA, the annual Division of Revenue Act (DoRA) and any other applicable legislation, and any other issues referred to it by the municipality.

The audit committee has adopted its terms of reference (Audit and Performance Committee Charter) which is regularly reviewed and approved by the council. The audit committee is pleased to present its report for the financial year ended 30 June 2023.

AUDIT AND PERFORMANCE COMMITTEE MEMBERS AND ATTENDANCE

The audit committee comprises five members, including the chairperson, Mr LM Malapela. In terms of section 166(4)(b) of the MFMA, the audit committee must meet at least four times a year. During the financial year ended 30 June 2023, the audit committee met eleven (11) times. The table below shows the attendance of these meetings.

NAME OF THE MEMBER	POSITION	DATE OF APPOINTMENT	QUALIFICATIONS	ORDINARY MEETINGS	SPECIAL MEETINGS
Mr. LM Malapela	Chairperson	01 November 2020	CFE Master of Philosophy (MPhil: Internal Auditing) Post Graduate Diploma: Internal Auditing CIA & CCSA BTech-Internal Auditing National Diploma Internal Auditing	4	6
Adv. GT Moeng	Member	01 November 2020	Master of Business Leadership Post Graduate Programme in Executive Development Advance Management Development Programme L.L.B Degree B. Luris Degree	4	6

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

NAME OF THE MEMBER	POSITION	DATE OF APPOINTMENT	QUALIFICATIONS	ORDINARY MEETINGS	SPECIAL MEETINGS
Mr. ML Mokwena	Member	01 November 2020	Certificate in Municipal Finance Certificate in real estate Articles of Training BCom Accounting	4	6
Mr. VK Chuene	Member	01 November 2020	Municipal Financial Development Managing Integrated Development for Service Delivery B-tech in Internal Auditing National Diploma in Internal Auditing	4	6
Mr. MA Mmapheto	Member	01 November 2020	ND: Internal Audit, B Tech: Internal Audit, Post Graduate Diploma: Internal Audit	4	6

Members of the audit committee held meetings with the municipal manager as the accounting officer, senior management of the municipality, the internal audit function, and the external auditors, collectively and individually, on matters related to governance, internal control, and risk in the municipality, throughout the reporting period. The committee also held a meeting with the honorable mayor and reported to council on governance, internal control, risk, performance and financial information and other relevant matters concerning the municipality. The Chief Audit Executive has unrestricted access to the chairperson of the audit committee.

DISCHARGE OF THE AUDIT COMMITTEE RESPONSIBILITIES

REVIEW AND EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

One of the primary responsibilities of the Audit Committee is the review and evaluation of the Annual Financial Statements. The committee reviewed the 2022/23 Annual Financial Statements prior to submission to the Auditor General South Africa on 31 August 2023.

These Annual Financial Statements are prepared by management in accordance with the South African Standards of Generally Recognized Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No 12 of 2009) (DORA).

The committee reviewed the quarterly financial reports issued to council during the financial year and continues to provide oversight over the financial controls in preparation of the annual financial statements. Management is responsible for the preparation of the annual financial statement and should continue to strengthen the controls to ensure that they are prepared in accordance with the applicable accounting frameworks and are free from misstatements and errors

INTERNAL AUDIT

The accounting officer is obliged, in terms of section 165 of the MFMA, to ensure that the municipality has a system of internal audit under the control and direction of the audit committee. The Internal Audit function of Ephraim Local Municipality is established in the Office of the Municipal Manager, and it discharges its mandate in terms of the approved Internal Audit Charter.

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

During the year, the audit committee reviewed and approved the internal audit charter, risk based internal audit plan, internal audit methodology, project audit reports and the quarterly internal audit reports to the audit committee.

Internal Audit implemented all the planned assurance engagements for the 2022/23 financial year. The internal audit function found that the control environment was effective; however, some specific control weaknesses were identified on asset management, supply chain management and project management, for which recommendations were made for improvement.

The audit committee is satisfied that the internal audit function has properly discharged its functions and responsibilities during the year under review. The audit committee is however concerned with the external quality assurance review that was not performed, the external assessment is required to be performed at least every five years by an independent reviewer or review team to maintain conformance with the International Standards for the Professional Practice of Internal Auditing.

EFFECTIVENESS OF INTERNAL CONTROLS

In line with section 62 (c) (ii) of the MFMA, Internal Audit provides the Audit Committee and Management with reasonable assurance that the internal controls are adequate and effective. This is achieved by an approved risk-based internal audit plan, Internal Audit assessing the adequacy of controls mitigating the risks and the Audit Committee monitoring implementation of corrective actions.

The audit committee has considered the work performed by Internal Audit on a quarterly basis and has reviewed the findings by the Auditor-General on internal controls for the year ended 30 June 2023 and is concerned with the inadequate responses provided by management to the audit findings and the slow implementation of the municipal audit action plan.

The audit committee is further concerned about capital projects which goes beyond its budgeted costs resulting in budget overruns and wasteful expenditure.

The Municipality should further look at ICT governance/steering committee in that it should be chaired by external chairperson who is ICT expert.

RISK MANAGEMENT

The audit committee is responsible for the oversight of the risk management function. The risk management committee is established and reports to the audit committee on its activities in assisting the municipality with risk management. A member of the audit committee currently serves in the risk management committee as the independent chairperson and is appointed in writing by the accounting officer.

The Municipality has an effective Risk Management Function that is headed by Risk Officer who reports to the Municipal Manager and the Risk Management Committee. The audit committee has reviewed the risk register and the reports from the Risk Management Committee and is generally satisfied with the maturity of the risk management process.

PERFORMANCE MANAGEMENT

The audit committee has reviewed and considered the in-year performance reports and performance results reported by management in the quarterly and mid-term performance reports. Considerable improvements were noted in the effectiveness of the processes and the quality of information reported; however, challenges are still experienced with the reliability of information reported and the lack of portfolio of evidence to substantiate the reported performance.

The Audit Committee is pleased that the internal audit function reviewed the quality of the performance targets and indicators and reviewed the alignment of the IDP, Budget and the SDBIP before final submission to council and continues to assist in verifying the reported performance against the supporting evidence. The audit committee continues to monitor the implementation of the municipal planned activities through the review of the quarterly performance reports and budget implementation reports.

CONCLUSION

The audit committee acknowledged the co-operation and assistance by the Ephraim Mogale Local Municipality for coordinating the activities of the Committee. They also acknowledged the commitment of the Municipal Manager and Management of Ephraim Mogale Local Municipality in strengthening corporate governance and in maintaining the unqualified audit opinion with findings.

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

The audit committee further acknowledged the commitment of good governance led by the new Honorable Mayor and his new Council and further express gratitude to the Chief Audit Executive and for the support and commitment to the work of the audit committee.

We remain confident that all recommendations that have been made by the Internal Audit and Auditor General of South Africa shall continue to receive necessary attention of management and the council with the quest to achieve clean audit outcomes.

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

Mr. LM Malapela

Chairperson of Audit and Performance Committee

Date

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

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

Net surplus of the municipality was R 68 302 358 (2022: surplus R 46 771 463) as restated. The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and delivery of municipal services to the community.

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

2. Going concern

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 ability of the municipality to continue as a going concern is certain for the foreseeable medium-term revenue and expenditure framework and medium-term budget periods as submitted to National Treasury. The ability of the municipality to continue as a going concern is certain for the foreseeable medium-term revenue and expenditure framework and medium-term budget periods as submitted to the National Treasury. The only significant uncertainty is that the Accounting Officer has to resolve the possible outcome of the VBS mutual bank being placed under administration which may restrict expansion and capital projects funded by the municipality's own funds.

3. Subsequent events

The accounting officer has not identified events after reporting date as in GRAP 14 guidelines.

4. Accounting policies

The Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

5. Accounting Officer

The Accounting Officer of the Municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Moropa M	South African	Appointed Tuesday, 02 May 2023, to date
Rampedi M	South African	M Rampedi (Acting from 11 November 2022 to 30 April 2023)

6. Council , Mayor and Internal Audit

Councillors

The councillors: Retain full control over the municipality, its plans and strategy;

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

Acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

- is of a unitary structure comprising;
- Mayor
- Speaker
- Executive committee councillors, and
- Councillors.

Mayor

The roles of the Mayor and Accounting Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and Mayor performs their oversight role and duties in terms of the prescribed legislation and delegated authorities

Internal Audit

The municipality had one full time internal auditor for the year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	11	36 704 040	37 144 321
Receivables from non-exchange transactions	5&6	1 457 457	1 259 045
VAT receivable	9&10	1 938 255	3 610 551
Consumer debtors from exchange transactions	7	29 186 207	25 694 556
Consumer debtors from non exchange transactions	7	48 224 986	46 278 614
Cash and cash equivalents	4	318 629 848	263 739 154
		436 140 793	377 726 241
Non-Current Assets			
Investment property	12	78 210 561	72 685 061
Property, plant and equipment	13	876 167 568	844 820 784
Heritage assets	14	170 430	149 510
Eskom Deposits	8	12 950 925	12 273 853
		967 499 484	929 929 208
Total Assets		1 403 640 277	1 307 655 449
Liabilities			
Current Liabilities			
Finance lease obligation	56	7 619 435	-
Payables from exchange transactions	16	62 664 955	54 023 984
Consumer deposits	17	1 342 905	1 382 698
Employee benefit obligation	20	573 893	1 308 728
Unspent conditional grants and receipts	18	-	3 025
		72 201 188	56 718 435
Non-Current Liabilities			
Finance lease obligation	56	17 602 435	-
Employee benefit obligation	20	18 880 390	24 409 333
Provisions	19	29 177 473	29 051 241
		65 660 298	53 460 574
Total Liabilities		137 861 486	110 179 009
Net Assets		1 265 778 791	1 197 476 440
Reserves			
Revaluation reserve		149 510	149 510
Accumulated surplus		1 265 629 294	1 197 326 922
Total Net Assets		1 265 778 804	1 197 476 432

* See Note 57 & 49

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		113 901	340 260
Service charges	21	71 016 163	74 154 944
Rental of facilities and equipment		218 431	140 479
Agency fees	57	5 687 860	6 158 552
Other income	22	2 922 443	661 309
Interest received	23	16 628 712	3 995 588
Total revenue from exchange transactions		96 587 510	85 451 132
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	40 952 458	41 719 105
Basic Electricity levy		10 309 528	9 813 881
Interest on outstanding receivable balances	23	8 649 757	6 717 566
Transfer revenue and other receipts			
Government grants & subsidies	25	240 057 025	200 969 998
Fines, Penalties and Forfeits		531 277	398 227
Total revenue from non-exchange transactions		300 500 045	259 618 777
Total revenue		397 087 555	345 069 909
Expenditure			
Employee related costs	26	(102 065 801)	(91 670 608)
Remuneration of councillors	27	(13 928 800)	(13 521 422)
Repairs and Maintenance		(14 948 707)	(11 571 388)
Depreciation and amortisation	28	(56 864 343)	(52 784 567)
Finance costs	29	(6 369 225)	(4 998 221)
Operating Lease Expense	51	(1 387 365)	(1 810 851)
Debt Impairment	30	(14 128 413)	(15 493 515)
Impairment of assets	13	(4 925 871)	-
Bulk purchases	31	(46 859 516)	(48 276 043)
Contracted services	32	(28 884 848)	(21 790 340)
Grants and Subsidies	52	(2 517 326)	(2 416 126)
General Expenses	33	(50 960 532)	(43 354 631)
Total expenditure		(343 840 747)	(307 687 712)
Operating surplus		53 246 808	37 382 197
Profit / (Loss) on disposal of fixed assets	13	703 377	(1 168 415)
Fair value adjustments	34	5 120 450	4 860 060
Actuarial Gain / (Loss)	20	9 474 162	(414 779)
Inventories losses/write-downs	11	(242 439)	-
Financial assets impairment reversal	15	-	6 112 400
		15 055 550	9 389 266
Surplus for the year		68 302 358	46 771 463

* See Note 57 & 49

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2021 as restated*	138 859	1 150 555 459	1 150 694 318
Changes in net assets			
Surplus for the year	-	46 771 463	46 771 463
Changes in revaluation surplus	10 651	-	10 651
Total changes	10 651	46 771 463	46 782 114
Balance at 01 July 2022 as restated*	149 510	1 197 326 936	1 197 476 446
Changes in net assets			
Surplus for the year	-	68 302 358	68 302 358
Total changes	-	68 302 358	68 302 358
Balance at 30 June 2023	149 510	1 265 629 294	1 265 778 804
Note(s)	49		

* See Note 57 & 49

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Government grants and subsidies	125	240 054 000	200 970 001
Services	21	121 908 299	125 874 842
Interest income	23	13 953 542	2 886 111
Other receipts	22	3 036 344	1 001 569
		378 952 185	330 732 523
Payments			
Employee costs	26	(114 535 113)	(103 138 343)
Suppliers	16	(137 981 668)	(148 990 795)
Finance costs		(274 277)	-
		(252 791 058)	(252 129 138)
Net cash flows from operating activities	36	126 161 127	78 603 385
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(70 167 420)	(64 247 080)
Purchase of investment property	12	(425 970)	-
Deposit (Security held in advance) movement	8	(677 072)	(3 317 866)
Net cash flows from investing activities		(71 270 462)	(67 564 946)
Net increase/(decrease) in cash and cash equivalents		54 890 665	11 038 439
Cash and cash equivalents at the beginning of the year		263 739 154	252 700 715
Cash and cash equivalents at the end of the year	4	318 629 819	263 739 154

* See Note 57 & 49

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	413 197	-	413 197	113 901	(299 296)	1
Service charges	89 882 000	(3 019 000)	86 863 000	71 016 163	(15 846 837)	2
Rental of facilities and equipment	179 000	(1 000)	178 000	218 431	40 431	3
Agency fees	5 566 000	-	5 566 000	5 687 860	121 860	4
Other income	677 157	-	677 157	2 922 443	2 245 286	5
Interest received	1 834 000	7 666 000	9 500 000	16 628 712	7 128 712	6
Total revenue from exchange transactions	98 551 354	4 646 000	103 197 354	96 587 510	(6 609 844)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	46 134 000	(3 600 000)	42 534 000	40 952 458	(1 581 542)	7
Surcharges and Taxes	-	-	-	10 309 528	10 309 528	2
Interest on outstanding receivable balances	8 464 627	-	8 464 627	8 649 757	185 130	6

Transfer revenue

Government grants & subsidies	183 236 000	-	183 236 000	240 057 025	56 821 025	8
Fines, Penalties and Forfeits	156 576	-	156 576	531 277	374 701	10

Total revenue from non-exchange transactions	237 991 203	(3 600 000)	234 391 203	300 500 045	66 108 842	
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Total revenue	336 542 557	1 046 000	337 588 557	397 087 555	59 498 998	
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Expenditure

Employee related costs	(111 678 000)	(298 000)	(111 976 000)	(102 065 801)	9 910 199	11
Remuneration of councillors	(17 386 000)	(641 000)	(18 027 000)	(13 928 800)	4 098 200	12
Depreciation and amortisation	(60 555 000)	350 000	(60 205 000)	(56 864 343)	3 340 657	13
Finance costs	(2 000 000)	-	(2 000 000)	(6 369 225)	(4 369 225)	14
Operating Lease Expense	(2 470 294)	-	(2 470 294)	(1 387 365)	1 082 929	15
Debt Impairment	(15 128 000)	-	(15 128 000)	(14 128 413)	999 587	16
Impairment of Assets	-	-	-	(4 925 871)	(4 925 871)	13
Repairs and maintenance	(20 034 035)	(4 536 999)	(24 571 034)	(14 948 707)	9 622 327	17
Bulk purchases	(55 482 000)	2 482 000	(53 000 000)	(46 859 516)	6 140 484	18
Contracted Services	(32 910 965)	(7 712 001)	(40 622 966)	(28 884 848)	11 738 118	19
Grants and Subsidies	(2 549 274)	-	(2 549 274)	(2 517 326)	31 948	20
General Expenses	(53 051 432)	(1 865 000)	(54 916 432)	(50 960 532)	3 955 900	21

Total expenditure	(373 245 000)	(12 221 000)	(385 466 000)	(343 840 747)	41 625 253	
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Operating surplus	(36 702 443)	(11 175 000)	(47 877 443)	53 246 808	101 124 251	
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Gain on disposal of assets and liabilities	-	-	-	703 377	703 377	22
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Fair value adjustments	-	-	-	5 120 450	5 120 450	23.1
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Actuarial gains/losses	-	-	-	9 474 162	9 474 162	23
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Inventories losses/write-downs	-	-	-	(242 439)	(242 439)	
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Ephraim Mogale Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	-	-	-	15 055 550	15 055 550	
Surplus before taxation	(36 702 443)	(11 175 000)	(47 877 443)	68 302 358	116 179 801	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(36 702 443)	(11 175 000)	(47 877 443)	68 302 358	116 179 801	
Reconciliation						

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	35 770 000	(101 000)	35 669 000	36 704 040	1 035 040	24
Receivables from non-exchange transactions	-	-	-	1 457 457	1 457 457	26
VAT receivable	-	-	-	1 938 255	1 938 255	27
Consumer debtors	70 352 000	(6 620 000)	63 732 000	77 411 193	13 679 193	28
Cash and cash equivalents	172 009 000	7 666 000	179 675 000	318 629 848	138 954 848	30
	278 131 000	945 000	279 076 000	436 140 793	157 064 793	

Non-Current Assets

Investment property	62 386 000	-	62 386 000	78 210 561	15 824 561	31
Property, plant and equipment	841 753 000	1 185 000	842 938 000	876 167 568	33 229 568	32
Intangible assets	(1 468 000)	350 000	(1 118 000)	-	1 118 000	32.2
Heritage assets	-	-	-	170 430	170 430	33
Eskom Deposits	126 000	-	126 000	12 950 936	12 824 936	
	902 797 000	1 535 000	904 332 000	967 499 495	63 167 495	

Total Assets	1 180 928 000	2 480 000	1 183 408 000	1 403 640 288	220 232 288	
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Liabilities

Current Liabilities

Finance lease obligation	-	-	-	7 619 435	7 619 435	25
Payables from exchange transactions	176 365 000	21 891 000	198 256 000	62 664 955	(135 591 045)	34
Consumer deposits	1 467 000	(2 934 000)	(1 467 000)	1 342 905	2 809 905	35
Employee benefit obligation	-	-	-	573 893	573 893	
Provisions	592 000	(1 184 000)	(592 000)	-	592 000	37
	178 424 000	17 773 000	196 197 000	72 201 188	(123 995 812)	

Non-Current Liabilities

Finance lease obligation	-	-	-	17 602 435	17 602 435	21
Employee benefit obligation	-	-	-	18 880 390	18 880 390	38
Provisions	50 947 000	-	50 947 000	29 177 473	(21 769 527)	38
	50 947 000	-	50 947 000	65 660 298	14 713 298	

Total Liabilities	229 371 000	17 773 000	247 144 000	137 861 486	(109 282 514)	
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Net Assets	951 557 000	(15 293 000)	936 264 000	1 265 778 802	329 514 802	
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Net Assets

Net Assets

Reserves

Revaluation reserve	31 973 000	-	31 973 000	149 510	(31 823 490)	39
Accumulated surplus	919 584 000	(15 293 000)	904 291 000	1 265 629 292	361 338 292	39
Total Net Assets	951 557 000	(15 293 000)	936 264 000	1 265 778 802	329 514 802	

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Services	119 525 000	-	119 525 000	121 908 299	2 383 299	40
Government grants and subsidies	221 057 000	-	221 057 000	240 054 000	18 997 000	40
Interest income	-	-	-	13 953 542	13 953 542	27
Other receipts	8 827 000	-	8 827 000	3 036 344	(5 790 656)	40
	349 409 000	-	349 409 000	378 952 185	29 543 185	

Payments

Employee costs	-	-	-	(114 535 113)	(114 535 113)	40
Suppliers	(295 748 000)	-	(295 748 000)	(137 981 639)	157 766 361	40
Finance costs	(2 000 000)	-	(2 000 000)	(274 277)	1 725 723	26
	(297 748 000)	-	(297 748 000)	(252 791 029)	44 956 971	

Net cash flows from operating activities	51 661 000	-	51 661 000	126 161 156	74 500 156	
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Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	-	(70 167 420)	(70 167 420)	41
Proceeds from sale of investment property	-	-	-	(425 970)	(425 970)	
Deposit (Security held in advance) movement	-	-	-	(677 072)	(677 072)	
Net cash flows from investing activities	-	-	-	(71 270 462)	(71 270 462)	
Net increase/(decrease) in cash and cash equivalents	51 661 000	-	51 661 000	54 890 694	3 229 694	
Cash and cash equivalents at the beginning of the year	190 092 000	-	190 092 000	263 739 154	73 647 154	43
Cash and cash equivalents at the end of the year	241 753 000	-	241 753 000	318 629 848	76 876 848	
Reconciliation						

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

2. Presentation of Annual Financial Statements

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

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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 are disclosed below.

These accounting policies are consistent with the previous period.

1.1 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

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1.2 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 judgments 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 judgments include:

Receivables

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

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Municipality is the current bid price.

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

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Goodwill is tested on an annual basis for impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Residual values ,useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives, residual values and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits and other long-term benefits

The present value of the post retirement and long-term benefit obligations depend 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 and long-term benefit 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 post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government 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 or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

On receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Budget Information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements

Material Losses

Material losses are losses that occur due to factors other than normal production and utilisation and are regarded as material if their omission or misstatement will affect the decisions made by users of the information. The losses disclosed include that of technical losses and non-technical losses related to water. Losses that occur due to normal production and utilisation are classified as production costs and factored into the municipality's tariffs. They, therefore, do not constitute material losses. If actual production and utilisation losses exceed the normal budgeted production and utilisation losses factored into the tariff, this difference is considered material losses

Service Charges

Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis..

Going Concern

Management considers key financial metrics and approved medium-term budgets, together with the municipality's dependency on the grants from national and provincial government, to conclude that the going concern assumptions used in the compilation of its annual financial statements, is appropriate

Residual value of property, plant and equipment

Management has determined that none of its infrastructure assets have an active market value, and the value of the amount at the end of their useful lives would therefore be insignificant

Useful lives of property, plant and equipment and investment property held at cost

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets are also based on management judgements on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time

Operating lease commitments .

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received or paid under operating leases are recognised in statement of financial performance on a straight-line basis over the period of the lease

Other

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.3 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.

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.

Fair value

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

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.

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

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

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

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

- Managements' intended usage of the property; and
- the extent to which it is owner occupied.

1.4 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 are 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.

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality 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 spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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 depreciated over the expected useful lives to the estimated residual value. The depreciation charge for each period is recognised in surplus or deficit. Small assets with cost or deemed cost of less than R1000 will not be subject to perpetual restatement of useful life. Management indicated that due to the nature of these items like chairs and dustbins, once the initial depreciation period has passed it will be deemed to be fully used and any further use to be incidental by nature and that asset values should not be attached to these high risk incidental benefits.

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

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Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Property, plant and equipment (continued)

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

Item - Average useful life	Depreciation method	Average Useful Life
Buildings	Straight line	10-30 years
Community assets	Straight line	5-25 years
Infrastructure assets	Straight line	2-100 years
IT equipment	Straight line	5 -15 years
Land	Straight line	Indefinite
Motor vehicle	Straight line	7-15 years
Office equipment	Straight line	5-15 years
Plant and machinery	Straight line	2-15 years
Leased assets	Straight line	3-10 years

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 in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the 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 discloses relevant information relating to assets under construction or development, in the notes to the financial statements refer note 13.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

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

The related asset is measured using the cost model:

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

1.6 Heritage assets

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.

The municipality recognises heritage assets 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 can be measured reliably.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 14 - Heritage assets.

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1.6 Heritage assets (continued)

Heritage assets are initially measured at cost.

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

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

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

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

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

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

The municipality derecognised heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

1.7 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.

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

Receivables from exchange transactions
Receivables from non exchange transactions
Consumer debtors
Eskom deposits
Cash and cash equivalents
VAT Receivable

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

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

Class

Payables from exchange transactions
Consumer deposits

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

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Accounting Policies

1.7 Financial instruments (continued)

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.

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1.7 Financial instruments (continued)

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.

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.
- Financial instruments at amortised 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 municipality 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 will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the 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.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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.

The provision for bad debt amount will be an accumulative expression of a percentage of the amount of the debt occurrence at a certain ageing category and an amount that represents an accumulation of individual debt amounts.

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, The impairment for the receivables is calculated based on historical collection rate ratios.

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 by adjusting an allowance account. The reversal does not result in the 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.

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1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognised financial assets using trade date accounting.

The entity derecognised 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 :
 - derecognised the asset; and
 - recognises 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.

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.

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).

1.8 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.

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 municipality and the transaction amount can be measured reliably.

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1.8 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

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

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

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

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;

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Accounting Policies

1.8 Statutory receivables (continued)

- 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 municipality:
 - derecognised the receivable; and
 - recognises 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 municipality 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.

1.9 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.

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.

Inventory - unsold property held for sale

Unsold properties that was approved for sale by the Council is held as inventory. The properties previously held as investment property at market value is transferred in terms of GRAP 16 and GRAP 12 at market value as the deemed cost of the individual properties. The market value is then considered to be the deemed cost are then considered as the carrying value of the item from the date transferred to unsold properties held for sale. 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.

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1.9 (continued)

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.

1.10 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.11 Employee benefits

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:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered services to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

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Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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 recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The 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;
- actuarial gains and losses;
- past service cost.

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.

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.

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1.11 Employee benefits (continued)

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 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.

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 long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine is the present value of the obligations.

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 recognises 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;
- actuarial gains and losses, which shall all be recognised immediately.

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1.11 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the municipality 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.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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1.12 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

Where the related asset is measured using the cost model:

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

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

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

1.13 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

1.14 Accounting by principals and agents

Identification

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

Identifying whether an entity is a principal or an agent

The assessment of whether the 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 municipality re-assesses whether it act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgements in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

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Accounting Policies

1.14 Accounting by principals and agents (continued)

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.

1.15 Revenue from exchange transactions

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.

Unclaimed Deposits

The following procedure will be followed prior to write off of unclaimed deposits

Should unclaimed monies not be claimed within a period of Three (3) years the monies will be written off from the register to accumulated surplus.

The following process must be followed before any monies are receipted in accumulated surplus:

The register will be advertised in the media in terms of section 21A of the Systems Act, Act 32 of 2000 that it will lie open for public inspection.

Such register must lie open for a period of a months

The register will be made available for inspection at the main municipal buildings.

The prescribed form must be completed with documentary proof should any monies be claimed by a customer or creditor.

After a 54 month period a report will be submitted to Council on the unclaimed monies to be written off from the register and be transferred to accumulated surplus

Measurement

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

Sale of goods

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

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Accounting Policies

1.15 Revenue from exchange transactions (continued)

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 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 surveys of work performed.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest 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.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the 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.

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.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with 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.

Measurement

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

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

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Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Property rates

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

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

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

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

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

Transfers

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.

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

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

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Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses 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 on receipt probable that the economic benefits or service potential associated with the transaction 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 programme 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.

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 Act becomes effective, which-ever is earlier. When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

Concessionary loans received

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

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1.16 Revenue from non-exchange transactions (continued)

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

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

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 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 municipality assesses the classification of each element separately.

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 municipality's incremental borrowing rate.

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 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. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

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.

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

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Accounting Policies

1.19 Leases (continued)

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.

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

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

1.20 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.21 Comparative figures

Reclassification of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (MSCOA). The reclassifications have no impact on the net asset value of the municipality

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 47.

1.22 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.23 Unauthorised expenditure

Unauthorised expenditure in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), of the MFMA and include –

- a) Overspending of the total amount appropriated in the municipality's approved budget;
- b) Overspending of the total amount appropriated for a vote in the approved budget;
- c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation" otherwise than in accordance with any conditions of the allocation; or
- f) A grant by the municipality otherwise than in accordance with this Act.

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Accounting Policies

1.23 Unauthorised expenditure (continued)

All expenditure relating to operational unauthorised expenditure is initially recognised as an expense in the statement of financial performance in the 10 months that the expenditure was incurred. The expenditure relating to capital expenditure is initially recognised as an asset in the statement of financial position in the year the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense or asset, and where council resolves on recovery, it is subsequently accounted for as revenue in the statement of financial performance and debtors in the statement of financial position. When the payment is subsequently received, the payment is receipted against the debtor.

For operational expenditure and capital assets the amounts are recognised excluding VAT.

The unauthorised expenditure note to the financial statements is disclosed excluding VAT.

1.24 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.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

1.26 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

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Accounting Policies

1.27 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.28 Related parties

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

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.

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.

1.29 Events after reporting date

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

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

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses 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.

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Figures in Rand

2023

2022 Restated

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised 2021): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	Date not yet communicated	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	03 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	Date not yet communicated	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	63
Bank balances	318 629 848	263 739 091
	318 629 848	263 739 154

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates.

During the 2018 financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank then placed VBS Mutual bank under curatorship in 2018. The Municipality had a short-term deposit of R 83 658 548. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits were not guaranteed. The Municipality then impaired the total investment of R 83 658 548 since there was no future cash flow expected from the VBS Mutual bank. The letter issued by the curator on the 11th March 2018 stated that the bank will cease to accrue further interest as at the date it has been placed under curatorship. As such the R83 658 548 has been determined using a straight line method to accrue interest since end of February and 11 March 2018. The municipality did not receive any confirmation from the curator, and it was confirmed that the investment should be fully Impaired or written off for the financial year ending 30 June 2020. No additional information was received from the Provincial Government and the curator of the VBS Mutual Bank until during 2022 financial year when part of the investment was recovered. Management assessed the impairment and concluded that the full balance of the impairment is still valid and applicable for the 2021/2022 and 2022/2023 financial years

The VBS curator transferred an amount of R6 112 400.00, into the municipality's account on the 4th of February 2022 .

Credit rating

AAA	318 629 848	263 739 091
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
First National Bank-Cheque Account	318 615 064	263 734 318	252 705 563	318 629 848	263 739 091	252 705 588
Cash on hand	-	-	3 770	-	82	-
Total	318 615 064	263 734 318	252 709 333	318 629 848	263 739 173	252 705 588

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables		
Gross balances		
Receivables- other	660 366	660 366
Fines	7 377 566	6 960 766
	8 037 932	7 621 132
Less: Allowance for impairment		
Receivables- other	(660 366)	(660 366)
Fines	(6 835 300)	(6 235 763)
	(7 495 666)	(6 896 129)
Net balance		
Fines	542 266	725 003
Traffic Fines		
0-30 Days	50 700	34 750
31-60 days	72 750	6 250
61-90 days	86 750	29 250
91-120 plus	7 167 365	6 890 516
less allowance for impairments	(6 835 299)	(6 235 763)
	542 266	725 003
Operational Debtors		
> 365 days	660 368	660 366
Reconciliation of allowance for impairment		
Balance at beginning of the year	(6 896 128)	(5 981 588)
Contributions to allowance	(599 538)	(914 540)
	(7 495 666)	6 896 128
6. Receivables from non-exchange transactions		
Unauthorised debit orders	410 065	134 063
Staff Debtors	399 979	399 979
Department of transport(Licensing)	105 147	-
Fines	542 266	725 003
	1 457 457	1 259 045

Receivables from non-exchange transactions pledged as security

None of the receivables were pledged as security.

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Traffic fines	542 266	725 003
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Figures in Rand	2023	2022
7. Consumer debtors		
Gross balances		
Rates	109 809 930	105 022 760
Electricity	8 843 759	8 982 860
Refuse	9 370 782	7 762 260
Basic electricity - Non Exchange	9 540 872	8 363 748
Other	52 087 769	44 832 399
	189 653 112	174 964 027
Less: Allowance for impairment		
Rates	(65 825 108)	(62 579 018)
Electricity	(3 472 217)	(3 467 942)
Refuse	(6 353 628)	(5 177 893)
Basic electricity - Non Exchange	(5 300 708)	(4 528 874)
Other	(31 290 258)	(27 237 130)
	(112 241 919)	(102 990 857)
Net balance		
Rates	43 984 822	42 443 742
Electricity	5 371 542	5 514 918
Refuse	3 017 154	2 584 367
Basic electricity - Non Exchange	4 240 164	3 834 874
Other	20 797 511	17 595 269
	77 411 193	71 973 170
Included in above is receivables from exchange transactions		
Electricity	5 371 543	5 514 919
Refuse	3 017 154	2 584 368
Other	20 797 511	17 595 269
	29 186 208	25 694 556
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	43 984 822	42 443 742
Basic electricity - non exchange	4 240 164	3 834 874
	48 224 986	46 278 616
Net balance	77 411 194	71 973 172
Rates		
Current (0 -30 days)	3 071 305	3 323 892
31 - 60 days	1 768 199	1 820 098
61 - 90 days	1 717 903	1 751 691
91 - 365 days	103 252 521	98 127 077
>365 days	(65 825 106)	(62 579 016)
	43 984 822	42 443 742

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Figures in Rand	2023	2022
7. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	3 160 953	3 436 728
31 - 60 days	177 985	133 717
61 - 90 days	134 342	83 279
91 - 365 days	5 370 478	5 329 137
>365 days	(3 472 216)	(3 467 943)
	5 371 542	5 514 918
Refuse		
Current (0 -30 days)	372 238	361 570
31 - 60 days	172 601	165 817
61 - 90 days	153 303	148 124
91 - 365 days	8 672 360	7 086 469
>365 days	(6 353 348)	(5 177 613)
	3 017 154	2 584 367
Basic electricity - non exchange		
Current (0 -30 days)	701 905	693 798
31 - 60 days	231 593	257 883
61 - 90 days	220 773	188 134
91 - 365 days	8 386 600	7 223 932
>365 days	(5 300 707)	(4 528 873)
	4 240 164	3 834 874
Other		
Current (0 -30 days)	1 876 195	1 682 850
31 - 60 days	1 200 288	879 746
61 - 90 days	1 166 221	835 516
91 - 365 days	47 845 022	41 434 245
>365 days	(31 290 215)	(27 237 088)
	20 797 511	17 595 269

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7. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	2 301 249	2 263 113
31 - 60 days	1 102 697	1 021 957
61 - 90 days	994 028	879 580
91 - 365 days	54 858 085	49 690 479
	59 256 059	53 855 129
Less: Allowance for impairment	(35 787 574)	(32 190 789)
	23 468 485	21 664 340
Industrial/ commercial		
Current (0 -30 days)	6 826 825	7 202 567
31 - 60 days	2 426 705	2 225 126
61 - 90 days	2 377 738	2 117 148
91 - 365 days	117 834 767	109 110 975
	129 466 035	120 655 816
Less: Allowance for impairment	(75 940 775)	(70 568 582)
	53 525 260	50 087 234
National and provincial government		
Current (0 -30 days)	54 523	33 158
31 - 60 days	21 265	10 179
61 - 90 days	20 776	10 017
91 - 365 days	834 130	399 407
	930 694	452 761
Less: Allowance for impairment	(513 556)	(231 472)
	417 138	221 289
Total		
Current (0 -30 days)	9 182 598	9 498 839
31 - 60 days	3 550 667	3 257 262
61 - 90 days	3 392 542	3 006 745
91 - 365 days	173 526 983	159 200 861
	189 652 790	174 963 707
Less: Allowance for impairment	(112 241 597)	(102 990 537)
	77 411 193	71 973 170
-102		
Total	(112 241 919)	(102 990 857)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(102 990 857)	(91 016 955)
Contributions to allowance	(9 251 062)	(11 973 902)
	(112 241 919)	(102 990 857)

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7. Consumer debtors (continued)

Statutory Receivables - Rates

Property rates is tax levied in terms of Local Government Property Rates Act, Act No. 6 of 2004. The Act empowers the municipality to adopt by-laws to give effect to the implementation of its rates policy i.e., levying of property rates on all rateable property in its area (except as provided otherwise within law).

The municipality recognise statutory receivables using GRAP 23 at their transaction amount per approved tariffs through billing.

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

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) any amounts derecognised

The municipality derecognise a statutory receivable, or a part thereof, when the rights to the cash flows from the receivable are settled, expire or are waived.

Statutory receivables - Property rates balances

Property rates receivables	43 984 822	42 443 742
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Consumer debtors additional information

Consumer debtors accounts are required to be settled after 30 days, interest is charged after this date at a rate of prime plus 2%. The fair value of trade and other receivables approximates their carrying amounts.

8. Eskom Deposits

Eskom Deposit	12 950 925	12 273 853
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A security deposit is held by Eskom who is the bulk electricity supplier of the municipality. Eskom pays interest on the security deposit annually and it is held as a security for payment of the Eskom accounts of the municipality.

9. VAT - Basis

The Municipality is registered on the Cash basis for Value Added Tax.

10. VAT receivable

VAT receivables	1 938 255	3 610 551
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VAT receivable is a statutory receivable per GRAP 108.

In terms of the VAT Act, 1991 (Act No. 89 of 1991) and its amendments, municipalities must be VAT registered and must declare Output tax on the taxable supply of goods and services and claim Input tax credits on expenses incurred in the course or furtherance of the enterprise (the taxable supplies).

That VAT balance accumulates every time the municipality transact in taxable supplies.

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9. VAT - Basis (continued)

The transaction amount is determined by multiplying the standard-rated supplies by 15% and Zero-rated supplies by 0%.

statutory receivable are impaired only when SARS reduces an assessment, and the municipality objection is denied by SARS.

here are no VAT balances that are past due as at year end.

The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means; and are settled in cash or another financial asset. Some examples of statutory receivables include those receivables related to property taxes, fines for breaches of legislation, levies. Statutory receivables are also known as compulsory transactions

11. Inventories

Consumables	774 040	1 214 321
Unsold Properties Held for Resale	35 930 000	35 930 000
	36 704 040	37 144 321

Inventory classification - Consumables, are held in stock for use in the municipalitie's day to day operations. This is then drawn from the account on a needs basis. Unsold Properties - Held for Resale are unsold stands which are held in inventory as the Council resolved to sell the stands in Extension 6. These stands are available for sale and due processes are being put in place for the sale thereof. These stands were transferred from investment properties during the 2018/2019 financial year. No inventory was written down during the year under review

Valuation of Inventory

Inventory are valued on the principle of the Weighted Average Costing as stated in the inventory register, such cost to be determined with every receipt and issue of stock.

Municipality inventory is not pledged as security for any Liabilities.

Inventory Movement for the Year - Consumables

Opening balance		1 214 321	1 285 943
Issues		(1 180 920)	(942 501)
Returns		17 629	2 911
Write off	31	(234 442)	-
Purchases		957 452	867 968
Closing balance		774 040	1 214 321

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12. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property land	78 210 561	-	78 210 561	72 685 061	-	72 685 061

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property land	72 685 061	5 525 500	78 210 561

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property land	67 825 001	4 860 060	72 685 061

Pledged as security

None of the investment property has been pledged as security.

There are no restrictions on the realisability of investment property or the remittance of the revenue and proceeds of disposal. The municipality does not have any contractual obligation to purchase, construct or develop investment property or for repair, maintenance or enhancement as at the end of the period under review. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2023. Valuations were performed by an independent valuer, Montani Property Valuers, as registered professional valuer's, that are not connected to the municipality and have recent experience in location and category of the investment property being valued. Montani Property Valuers is registered as - Authorised Property valuer's as per Section 22 of the Property valuer's Profession Act 2000 (No 47 of 2000) Registered with the SA Council for the Property Valuation Profession (SACPVP).

Rental revenue from investment property	218 431	140 479
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13. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 975 219	-	5 975 219	5 975 219	-	5 975 219
Buildings	38 990 006	(17 209 328)	21 780 678	38 967 956	(15 708 514)	23 259 442
Plant and machinery	42 030 488	(27 831 317)	14 199 171	40 745 053	(24 977 716)	15 767 337
Motor vehicles	8 870 918	(5 989 331)	2 881 587	8 398 601	(5 429 285)	2 969 316
Office equipment	7 490 292	(5 186 886)	2 303 406	7 316 607	(4 810 761)	2 505 846
IT equipment	3 791 083	(2 449 141)	1 341 942	3 766 439	(2 167 481)	1 598 958
Infrastructure	1 216 566 584	(537 640 035)	678 926 549	1 123 802 353	(484 971 012)	638 831 341
Community	72 116 745	(10 286 225)	61 830 520	53 363 350	(7 966 726)	45 396 624
Work in progress	60 532 727	-	60 532 727	104 504 517	-	104 504 517
Leased assets	25 814 273	(204 931)	25 609 342	-	-	-
Landfill	7 384 103	(6 597 676)	786 427	10 162 082	(6 149 898)	4 012 184
Total	1 489 562 438	(613 394 870)	876 167 568	1 397 002 177	(552 181 393)	844 820 784

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13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Changes in Landfill site valuation	Other changes, movements	Depreciation	Impairment loss	Total
Land	5 975 219	-	-	-	-	-	-	-	5 975 219
Buildings	23 259 442	22 050	-	-	-	-	(1 300 142)	(200 672)	21 780 678
Plant and machinery	15 767 337	1 285 435	-	-	-	293 152	(3 130 480)	(16 273)	14 199 171
Motor vehicles	2 969 316	780 295	(36 947)	-	-	-	(831 077)	-	2 881 587
Office equipment	2 505 846	436 924	(63 893)	-	-	59 898	(635 369)	-	2 303 406
IT equipment	1 598 958	235 843	(39 907)	-	-	11 777	(464 729)	-	1 341 942
Infrastructure	638 831 341	1 597 785	(285 226)	91 564 429	-	136 806	(48 411 538)	(4 507 048)	678 926 549
Community	45 396 624	1 955 428	-	16 797 963	-	-	(2 117 617)	(201 878)	61 830 520
Work in progress	104 504 517	64 390 600	-	(108 362 390)	-	-	-	-	60 532 727
Leased assets	-	25 814 273	-	-	-	-	(204 931)	-	25 609 342
Landfill	4 012 184	-	-	-	(2 955 669)	-	(270 088)	-	786 427
	844 820 784	96 518 633	(425 973)	2	(2 955 669)	501 633	(57 365 971)	(4 925 871)	876 167 568

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13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Changes inLandfill sitevaluatio n	Depreciation	Total
Land	5 975 219	-	-	-	-	-	5 975 219
Buildings	24 316 505	241 388	(5 251)	-	-	(1 293 200)	23 259 442
Plant and machinery	14 221 925	4 545 548	(67 689)	-	-	(2 932 447)	15 767 337
Motor vehicles	3 458 032	775 974	(329 779)	-	-	(934 911)	2 969 316
Office equipment	2 831 431	383 512	(86 493)	-	-	(622 604)	2 505 846
IT equipment	1 863 978	287 181	(92 317)	-	-	(459 884)	1 598 958
Infrastructure	610 517 254	880 351	(586 885)	72 374 840	-	(44 354 219)	638 831 341
Community	46 442 017	694 135	-	-	-	(1 739 528)	45 396 624
Work in progress	120 086 376	59 664 458	-	(75 246 317)	-	-	104 504 517
Leased assets	(1)	-	-	-	-	-	(1)
Landfill	5 880 002	-	-	-	(1 420 040)	(447 778)	4 012 184
	835 592 738	67 472 547	(1 168 414)	(2 871 477)	(1 420 040)	(52 784 571)	844 820 783

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13. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed taking longer to complete

Below is a list of projects which are taking long to complete.

Project name	Commencement date	Property, plant and equipment class	Reason for taking longer	2023	2022
Stormwater EXT:6	2018/06/30	Infrastructure	Multiyear project, there was delay due to underperformance by contractors.	21 465 647	17 058 580
Morarela Internal Road	2021/06/30	Infrastructure	Multiyear project, it is within the set time frames.	7 434 959	2 957 488
Tshikanoshi Sports Complex	2021/06/30	Community	Multiyear project, it is within the set time frames.	5 013 938	5 013 938
Mohlalaotwane	2021/06/30	Infrastructure	Completed and Transferred	-	1 843 203
-	-	-	-	33 914 544	26 873 209

No portion of Property Plant and Equipment has been pledged as security for Liabilities, other than obligation under finance leases.

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	57 982 321	46 522 196	104 504 517
Additions/capital expenditure	62 927 490	1 463 112	64 390 602
Transferred to completed items	(91 564 428)	(16 797 961)	(108 362 389)
	29 345 383	31 187 347	60 532 730

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	83 909 651	36 176 724	120 086 375
Additions/capital expenditure	49 318 987	10 345 472	59 664 459
Transferred to completed items	(75 246 317)	-	(75 246 317)
	57 982 321	46 522 196	104 504 517

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Infrastructure	9 446 341	6 542 102
Vehicles	3 412 280	3 215 414
Buildings	1 126 010	1 102 938
IT Equipment	93 200	148 331
Community Assets	392 247	470
Plant and Equipment	476 531	562 134
Office Equipment	2 098	-
	14 948 707	11 571 389

During the year no instances of delayed maintenance was identified that would have an effect on the lifespan or capacity of any asset.

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13. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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14. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Sculptures	83 080	-	83 080	77 990	-	77 990
Artefacts	500	-	500	500	-	500
Mayoral chains	86 850	-	86 850	71 020	-	71 020
Total	170 430	-	170 430	149 510	-	149 510

Reconciliation of heritage assets 2023

	Opening balance	Revaluation increase/(decrease)	Total
Sculptures	77 990	5 090	83 080
Artefacts	500	-	500
Mayoral chains	71 020	15 830	86 850
	149 510	20 920	170 430

Reconciliation of heritage assets - 2022

	Opening balance	Revaluation increase/(decrease)	Total
Sculptures	73 360	4 630	77 990
Artefacts	500	-	500
Mayoral chains	64 999	6 021	71 020
	138 859	10 651	149 510

Pledged as security

None of the Heritage assets of the municipality was pledged as security.

Revaluations

Mayoral chains & sculptures

Heritage assets held by the municipality have an unlimited lifespan. The materials utilised in the manufacturing process are the true value of these items and the municipality valued these materials on the following.

The mayoral chains were valued by independent valuers, Messer's Benjamin Jewellers of Groblersdal, the effective date being 30 June 2023. The valuations were performed utilising standards set by the Jewellery Council of South Africa of which the company is a member of.

The sculptures (memorial stones) were valued by the independent valuers, Messer's van Wyk Tombstones of Marblehall on a replacement cost value. The effective date of valuation being 30 June 2023. These items were valued utilising cost effective methods as they are relatively low value items and management deemed these valuations fair and reasonable for the items disclosed.

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15. Other financial assets

Residual interest at cost

VBS Investment	77 546 148	77 546 148
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During the 2018 financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank then placed VBS Mutual bank under curatorship in 2018. The Municipality had a short-term deposit of R 83 658 548. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits were not guaranteed. The Municipality then impaired the total investment of R 83 658 548 since there was no future cash flow expected from the VBS Mutual bank. The letter issued by the curator on the 11th March 2018 stated that the bank will cease to accrue further interest as at the date it has been placed under curatorship. As such the R83 658 548 has been determined using a straight line method to accrue interest since end of February and 11 March 2018. The municipality did not receive any confirmation from the curator, and it was confirmed that the investment should be fully Impaired or written off for the financial year ending 30 June 2020. No additional information was received from the Provincial Government and the curator of the VBS Mutual Bank until during 2022 financial year when part of the investment was recovered amounting to R6 112 400. The recovered amount has led to impairment reversal in the financial year 2021/2022. Management assessed the impairment and concluded that the full balance of the impairment is R77 546 148 still for the 2021/2022 and 2022/2023 financial years.

	77 546 148	77 546 148
Impairment	(77 546 148)	(77 546 148)

16. Payables from exchange transactions

Trade payables	16 542 345	12 023 905
Accrued leave	12 722 605	11 756 024
Accrued 13th cheque	2 069 558	1 773 988
Retentions	21 965 487	19 904 764
Credit balances on receivables	4 066 022	4 030 258
Accrued salaries	338 064	652 445
Other creditors - Library and Town Hall deposits	237 655	273 036
Unallocated deposit account	4 656 017	3 414 784
License and Motor vehicle agency function	67 202	194 780
	62 664 955	54 023 984

17. Consumer deposits

Electricity	1 342 905	1 382 698
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On application for the provision of municipal services the prescribed consumer deposit shall be paid. The minimum deposit payable is determined annually by the council and is contained in the tariff book produced annually.

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18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Energy Efficiency and Demand Side Management Grant	-	3 025
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See note 25 for reconciliation of grants from National/Provincial Government.

19. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Interest Charge Annual	Change in discount factor	Total
Environmental rehabilitation	29 051 241	3 081 901	(2 955 669)	29 177 473

Reconciliation of provisions - 2022

	Opening Balance	Interest Charge Annual	Change in discount factor	Total
Environmental rehabilitation	28 000 644	2 470 637	(1 420 040)	29 051 241

Environmental rehabilitation provision

The environment rehabilitation provision relates to the decommissioning and rehabilitation of the landfill site situated on part of portion 476 of the Farm Loskop-Noord.

The 2023 valuations were performed by Environmental and Sustainability Solutions cc.

Consumer Price Index (CPI):

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date¹⁵. The average of the CPI for the last three months amounted to 6.1716%.

Discount rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used.

For this landfill the rate associated with the maximum period of 10 years was used, i.e. 4% above CPI.

Key financial assumptions used Assumption 2022-2023

CPI 6.1716%, Discount rate 11.421%, Net effective discount rate 5.25%

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20. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The employer's post-employment benefit health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. The liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

The effective date of the Actuarial valuations was Friday, 30 June 2023. Valuations were performed by an independent Actuary, One Pangaea Expertise and Solutions, as registered valuers, affiliated to Actuarial Society of South Africa and are not connected to the Municipality

Long service awards

According to the rules of the long service awards scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to cash allowances calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded-Medical Aid Benefit	(14 895 514)	(20 666 261)
Present value of the defined benefit obligation-partly or wholly funded-Long ServiceAward	(4 558 767)	(5 051 798)
	(19 454 281)	(25 718 059)
Non-current liabilities	(18 880 390)	(24 409 333)
Current liabilities	(573 893)	(1 308 728)
	(19 454 283)	(25 718 061)

Net expense of the defined benefit obligation (medical aid) recognised in the statement of financial performance

Current service cost	1 060 549	846 438
Interest cost	2 534 639	2 166 551
Actuarial (gains) losses	(8 969 482)	485 461
	(5 374 294)	3 498 450

Changes in the present value of the long service award obligation are as follows:

Opening balance	5 051 798	4 617 046
Contributions by Employer-(Benefits paid)	(912 275)	(248 058)
Net Expense -Contributions and Value adjustments	339 986	682 810
	4 479 509	5 051 798

Net expense of the long service award recognised in the statement of financial performance

Current Year Service Costs	445 516	428 459
Expected return-Interest Charge	478 408	361 033
Actuarial gains (losses)	(504 680)	(70 682)
Contributions by employer	(912 275)	(248 058)
	(493 031)	470 752

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20. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate used-Post employment continued medical aid benefit	14,04 %	12,41 %
Discount rates used-Long service leave provision benefit	10,6%	10,41%
Normal Salary rate increase	6,32 %	7,73 %
Medical cost trend rates	9,52%	8,94%
General earning inflation rate (long-term)	5,32 %	6,88 %

Other assumptions

Assumed healthcare cost trends and general earnings rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost-medical aid benefit	2 183 628	2 193 768
Effect on the aggregate of the service cost and interest cost-long service leave benefit	435 575	879 544
Effect on the aggregate of the service cost and interest cost-medical aid-discount rate	1 817 706	2 713 491
Effect on the aggregate of the service cost and interest cost-long service leave benefit-discount rate	493 172	894 123

Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
Defined benefit obligation	14 895 514	20 666 261	18 130 832	14 673 000	17 509 058
Plan assets	4 558 767	5 051 798	4 617 046	4 118 000	3 615 778

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

21. Service charges

Sale of electricity	65 099 166	68 500 091
Solid waste - Refuse removal	5 916 997	5 654 853
	71 016 163	74 154 944

22. Other income

Sundry income	2 551 366	292 743
Recoveries	257 528	207 659
Fees	113 549	120 362
Claims of skills development	-	40 545
	2 922 443	661 309

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23. Interest received		
Interest from exchange on outstanding receivable balances	2 675 170	1 109 477
Interest from non-exchange on outstanding receivable balances	8 649 757	6 717 566
Interest on cash and cash equivalents	13 445 760	2 624 174
Interest on investments	507 782	261 937
	25 278 469	10 713 154

24. Property rates

Rates received

Agricultural	17 839 547	16 858 869
Business and commercial	11 455 127	11 913 527
Residential	7 325 501	8 884 590
State owned	4 332 283	4 062 119
	40 952 458	41 719 105

Valuations

Agricultural	1 801 053 647	1 768 393 647
Business and commercial	456 437 000	464 977 000
Educational	16 302 000	16 302 000
Municipal	26 403 500	26 403 500
Public service infrastructure	16 974 100	16 974 100
Religious	25 500 000	25 500 000
Residential	771 577 000	765 507 000
State owned	849 502 000	875 502 000
Vacant	117 105 450	132 334 450
	4 080 854 697	4 091 893 697

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Manna Holdings Pty (Ltd) is an independent registered valuers company and performed the valuation in terms of all the legal requirements.

Rates are levied on a month to month basis.

25. Government grants and subsidies

Operating grants

Equitable share	178 826 000	162 471 000
Financial Management Grant	3 100 000	3 100 000
Expanded Public Works Programme Grant	1 310 000	1 195 000
Energy Efficiency and Demand Side Management Grant	25	4 014 998
	183 236 025	170 780 998

Capital grants

Municipal Infrastructure Grant	56 821 000	30 189 000
	240 057 025	200 969 998

Conditional and Unconditional

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25. Government grants and subsidies (continued)

Included in above are the following grants and subsidies received:

Conditional grants received	42 231 000	38 498 998
Unconditional grants received	128 751 000	162 471 000
	170 982 000	200 969 998

Municipal Infrastructure Grant

Current-year receipts	56 821 000	35 189 000
Withheld	-	(5 000 000)
Conditions met - transferred to revenue	(56 821 000)	(30 189 000)
	-	-

This grant is for the provision of Municipal Infrastructure. The R5 000 000 MIG Grant was withheld due to non performance

Financial Management Grant

Current-year receipts	3 100 000	3 100 000
Conditions met - transferred to revenue	(3 100 000)	(3 100 000)
	-	-

The grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Programme Grant

Current-year receipts	1 310 000	1 195 000
Conditions met - transferred to revenue	(1 310 000)	(1 195 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The grant is intended to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme Guidelines.

Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	3 022	3 022
Current-year receipts	-	4 014 997
Conditions met - transferred to revenue	-	(4 014 997)
Other-Repayment	(3 022)	-
	-	3 022

Conditions still to be met - remain liabilities (see note 17).

The Programme supports Municipalities in their efforts to reduce electricity consumption optimising use of energy..

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26. Employee related costs		
13th Cheque	5 140 685	4 324 255
Acting allowances	472 538	1 497 020
Basic	61 309 057	53 164 315
COVID 19 Allowance	2 066	779 233
Current service cost - Post employment medical aid incentive scheme	1 060 549	846 438
Current service cost - long service awards bonus	445 516	428 459
Defined contribution plans	11 785 981	10 443 663
EPWP Salaries	1 358 111	1 510 266
Group life insurance	219 949	196 945
Housing benefits and allowances	209 445	212 376
Leave pay provision charge	2 166 946	3 086 724
Medical aid - company contributions	3 439 138	3 080 393
Other payroll levies Bargaining Council	33 199	28 963
Overtime payments	2 736 283	2 729 824
Short term benefit - Cellphone allowances	1 044 580	916 168
Standby allowance	463 653	461 826
Travel, motor car, accommodation, subsistence and other allowances	9 513 176	7 213 470
UIF	494 742	453 289
WCA	170 187	296 981
	102 065 801	91 670 608

Remuneration Municipal Manager: Moropa M

Annual Remuneration	126 493	-
Contributions to UIF, Medical and Pension Funds	19 186	-
Other Allowances	4 495	-
Travel and Subsistence Allowance	23 122	-
SALGA	22	-
SDL	1 394	-
	174 712	-

Remuneration Municipal Manager: Matladi S

Annual Remuneration	337 660	738 496
Annual Bonus	43 960	-
Contributions to UIF, Medical and Pension Funds	64 317	148 300
Leave Pay	65 412	-
Other Allowances	9 716	27 768
Travel and Subsistence Allowance	47 419	135 990
SALGA	43	113
SDL	4 792	-
	573 319	1 050 667

Remuneration of acting Position - Municipal Manager -Rampedi M

Acting Allowance	18 444	-
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26. Employee related costs (continued)

Remuneration of acting Position - Municipal Manager - Phaahla MH

Acting Allowance	-	36 888
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Person acted for the period 1 October 2020 to 06 August 2021

Remuneration of Director Community Services-M Phaahla

Annual Remuneration	-	213 123
Annual Bonus	-	42 916
Leave Pay	-	107 866
Contributions to UIF, Medical and Pension Funds	-	62 459
Travel and Subsistence Allowance	-	3 903
Other Allowances	-	8 056
SALGA	-	41
	-	438 364

Remuneration Director Community Services-Maphutha Mashaba MY

Annual Remuneration	643 975	-
Travel and Subsistence Allowance	135 149	-
Contributions to UIF, Medical and Pension Funds	94 898	-
Other Allowances	20 637	-
SALGA	130	-
SDL	7 242	-
	902 031	-

Remuneration of acting Position - Director Community Services-Badenhorst C

Acting Allowance	-	53 500
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Person acted for the period 1 December 2021 to 30 May 2022

Remuneration of acting position- Director Community Services- Mashishi M

Acting Allowance	-	9 580
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Person acted for the period 1 to 30th June 2022

Remuneration of Chief Financial Officer - Modisane T

Annual Remuneration	107 329	-
Contributions to UIF, Medical and Pension Funds	15 816	-
Other Allowances	3 439	-
Travel and Subsistence Allowance	23 515	-
SALGA	22	-
SDL	1 206	-
	151 327	-

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26. Employee related costs (continued)

Remuneration of acting Position - Chief Financial Officer - Mabija K

Acting Allowance	76 644	9 580
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Person acted from 1 august 2022 to 28 February 2023

Remuneration of acting Position - Chief Financial Officer - Madisha MSJ

Acting Allowance	20 648	102 436
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Person acted from 6 March 2023 to 30 April 2023 and 1 July 2020 to 30 May 2022

Remuneration of Director Corporate Services: Rampedi M

Annual Remuneration	759 636	-
Travel and Subsistence Allowance	216 984	-
Contributions to UIF, Medical and Pension Funds	116 166	-
Other Allowances	22 561	-
SALGA	130	-
SDL	9 075	-
	1 124 552	-

Remuneration of acting position Director Corporate Services: Molefe D

Acting Allowance	-	9 916
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Person acted for the period 1 to 30th June 2022

Remuneration of acting position Director Corporate Services: Makua N

Acting Allowance	-	57 267
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Person acted for the period from 1 November 2021 to 30 April 2022

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26. Employee related costs (continued)

Remuneration of Director Planning : Tjebane P

Annual Remuneration	550 939	-
Contributions to UIF, Medical and Pension Funds	86 990	-
Travel and Subsistence Allowance	135 907	-
Other Allowances	18 917	-
SALGA	119	-
SDL	6 261	-
	799 133	-

Remuneration of acting Director Planning and Development : Uwane MS

Acting Allowance	-	99 784
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Person acted for the period 1 July 2021 to 30 May 2022

Remuneration Director of Infrastructure-Mashile P

Annual Remuneration	498 255	686 001
Leave Pay	107 866	-
Travel and Subsistence Allowance	-	15 774
Contributions to UIF, Medical and Pension Funds	108 833	167 762
SALGA	86	124
Other Allowances	13 758	25 251
SDL	6 316	-
	735 114	894 912

Remuneration of Acting Position Director of Infrastructure- Durie J

Acting Allowance	10 738	-
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The Person acted from 1 June 2023 to date

Remuneration of Acting Position Director of Infrastructure - Ramatselela T

Acting Allowance	99 088	-
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The Person acted from 1 August 2022 to 31 May 2023

27. Remuneration of councillors

Mayor	939 590	666 980
Speaker	761 223	750 448
Chief Whip	427 960	264 850
Executive Councillors	2 878 502	2 478 299
Councillors	8 921 525	9 363 755
	13 928 800	13 524 332

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27. Remuneration of councillors (continued)

Remuneration of Councillors

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution. Refer to note 39 for the detailed breakdown of councillors' remuneration.

28. Depreciation and amortisation

Property, plant and equipment	56 864 343	52 784 567
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29. Finance costs

Finance leases	274 277	-
Landfill site	3 081 901	2 470 637
Post-retirement medical aid benefit	2 534 639	2 166 551
Long service awards	478 408	361 033
	6 369 225	4 998 221

30. Debt impairment

Debt incentive write-off/discount	4 277 815	-
Contributions to debt impairment allowance	9 850 598	15 493 515
	14 128 413	15 493 515

Included in the above balance for 2023 year is R599 537 being traffic fines impairment, R8 950 129 for debt impairment on Consumer debtors and R 4 277 815 for debt write-off as a result of Council debt incentive scheme..

Included in the above balance for 2022 year is R 254 178 .18 being traffic fines impairment, R14 854 817.64 for debt impairment on Consumer debtors and R660 366 for sundry debtors.

31. Bulk purchases

Electricity - Eskom	46 859 516	48 276 043
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32. Contracted services

Presented previously

Information Technology Services	5 481 895	5 001 214
Fleet Services and Security services	8 143 293	8 038 103
Valuation services	1 469 935	1 613 500
Specialist Services	2 557 904	382 356
Other Contractors	11 231 821	6 755 167
	28 884 848	21 790 340

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Figures in Rand	2023	2022
33. General expenses		
Assets expensed	52 850	2 705 679
Audit Fees	4 712 372	4 617 509
Bank charges	227 958	275 976
CONLOG services	748 484	515 864
Catering and Hire Charges	2 714 671	2 424 221
Cleaning and Municipal operating cost	986 610	889 277
Conferences and seminars	5 254 509	3 234 542
Consulting - collection cost and legal fees	7 324 000	5 799 530
Consumables	1 079 746	1 127 347
Entertainment	20 688	27 228
Fines and Penalties:SARS	-	284
Fuel and oil	6 388 486	3 878 660
Insurance	2 592 539	2 201 145
Audit committee	1 506 866	1 229 570
Marketing	1 642 696	1 834 491
Postage and courier	334 234	170 509
Printing and stationery	19 965	85 105
Promotions and sponsorships	342 135	321 480
Protective clothing	427 342	686 351
Ward committee stipend	2 676 000	1 640 500
Services: adverts and corporate image	1 480 133	615 137
Sewerage consumer account	231 830	76 199
Skills Development Levies	800 120	709 137
Staff welfare	189 203	165 479
Subscriptions and membership fees	1 577 370	1 166 893
Telephone and fax	1 563 847	1 410 983
Training	176 323	214 061
Transport and freight	915 698	605 338
Travel - local	343 212	170 150
Utilities - Other including electricity connection increase in capacity project	4 630 645	4 555 986
	50 960 532	43 354 631
34. Fair value adjustments		
Investment property (Fair value model)	5 120 450	4 860 060
35. Auditors' remuneration		
Fees	4 712 372	4 617 509

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Figures in Rand	2023	2022
36. Cash generated from operations		
Surplus	68 302 358	46 771 463
Adjustments for:		
Depreciation and amortisation *Restated	56 864 343	52 784 567
Gain or (Loss) - on sale of assets	(703 377)	1 168 415
Actuarial gain / losses	(9 474 162)	414 779
Assets impairment	4 925 871	-
Movement in Employee Benefit Liability	(1 308 728)	(675 685)
Fair value adjustments	(5 120 450)	(4 860 060)
Inventories losses/write-downs	242 439	-
Debt impairment	14 128 413	15 493 515
Finance Charges - Landfill Interest	3 081 901	2 470 637
Finance Charges - Employee cost provisions	3 013 047	2 527 584
Current service cost	1 506 065	1 274 897
Accrued leave	966 581	1 360 882
Accrued 13th cheque	295 570	93 593
Changes in working capital:		
Inventories	197 842	71 622
Consumer debtors	(18 966 898)	(21 065 643)
Receivables from non-exchange transactions	(797 950)	(564 821)
Payables from exchange transactions	7 378 813	(19 843 039)
VAT	1 672 267	1 203 583
Unspent conditional grants and receipts	(3 025)	3
Consumer deposits	(39 793)	(22 907)
	126 161 127	78 603 385
37. Financial instruments disclosure		
Categories of financial instruments		
Financial assets - At amortised cost		
	2023	2022
Other receivables from non-exchange transactions	1 457 457	1 259 045
Consumer debtors	33 426 371	29 529 428
Cash and cash equivalents	318 629 848	263 739 154
Eskom Deposits	12 950 925	12 273 853
VAT Receivables	1 938 255	3 610 551
	368 402 856	310 412 031
Financial liabilities - At amortised cost		
	2023	2022
Payables from Exchange transactions	62 664 955	53 689 940
Consumer deposits	1 342 905	1 382 698
	64 007 860	55 072 638
38. Commitments		
Already contracted for but not provided for		
• Property, plant and equipment	24 008 866	41 894 346
Total capital commitments		
Already contracted for but not provided for	24 008 866	41 894 346

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Figures in Rand	2023	2022
38. Commitments (continued)		
Total commitments		
Total commitments		
Authorised capital expenditure	24 008 866	41 894 346
• Operating lease	2 569 489	1 631 144
• Finance Lease	24 947 592	-
	51 525 947	43 525 490

This committed expenditure is based on a two year expenditure over financial years where specific contracts were not utilised. The security contract renewal was after reporting date. The effect is regarded as a non-adjusting subsequent event in terms of the GRAP 19 Guide.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 198 048	665 773
- in second to fifth year inclusive	1 020 193	665 773
	2 218 241	1 331 546

Rental payments represent rentals payable by the municipality for certain of its office equipment. Rentals are negotiated for an average term of 3 years. No contingent rent is payable.

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received or paid under operating leases are recognised in statement of financial performance on a straight-line basis over the period of the lease

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39. Contingencies

39. Contingent Assets and Liabilities

Contingent Asset

Mathara Monica Mathebela and Khabo Anna Ramosibi

Civil Recovery

The municipality instituted civil proceedings against the former municipal manager and Chief Financial Officer for the recovery of R 87 320 000,00 in terms of Section 32 (1) (b) of the Municipal Finance Management Act, 56 of 2003. VBS Curator has paid R 6.1million into the municipal account. Therefore, the municipality will have to instruct the attorneys to amend the particulars of claims in respect of the amount claimed. The potential Asset or Recovery R81 207 600.00(2022/2023) and 81 207 600.00 (2021/2022)

Loge Construction

The municipal sent a letter of demand to Loge Construction which was appointed to construct Mooihoek-Mashemong internal Street for the duration of 15 months effective from the 17th September 2017 to 17th December 2021, which they failed to complete. The appointed consulting engineers, namely, MVE Consulting Engineers conducted an assessment on the progress and payments made at the time of the termination of the contract and it concluded that Loge Construction are still liable to payback to the municipality an amount R2 206 182.87 which money has to date not been paid to the municipality. The potential Asset or Recovery (2022/2023)R2 206 182.87 and R2021/2022 (R2 206 182.87)

Contingent Liability

Ntshokue John Raphela

Claim for Damages and Specific Performance

(High Court, Polokwane). The Plaintiff applied for the position of Chief Internal Auditor, shortlisted, interviewed but not

appointed. He was number one recommended by the panel. The Plaintiff is no longer pursuing the matter. The Estimated

Potential Liability R2 500 000.00(2022/2023) and R2 500 000.00(2021/2022)Claim for Damages and Specific Performance

(High Court, Polokwane). The Plaintiff applied for the position of Chief Internal Auditor, shortlisted, interviewed but not appointed. He was number one recommended by the panel. The Plaintiff is no longer pursuing the matter. The Estimated Potential Liability R-(2022/2023) and R-(2021/2022).

Mathara Monica Mathebela

Review of the Chairperson's disciplinary ruling in terms of section 158 of the Labour Relations Act. (Labour Court, Johannesburg) The municipality filed a review in terms of Section 158 (1) (h) of the Labour Relations Act against the ruling of the chairperson of the disciplinary hearing on the basis that the sanctions are not proportionate to the misconduct/s. The potential Liability is R-. The matter was scheduled for the 13th of May 2021 and the Court made a ruling that the matter be postponed sine die and that

the matter be consolidated with the other applications. The matter was heard on 23 May 2023. Both applications were

dismissed with no costs order. The Municipality will not pay the former Municipal Manager the amount of R1.2 million that was

part of the settlement agreement. No expected out flow

Mathara Monica Mathebela

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39. Contingencies (continued)

Setting aside the settlement agreement entered into by and between the municipality and the then municipal manager. (Labour Court, Johannesburg) The municipality filed a review application against the ruling of the chairperson of the disciplinary hearing on the basis that the sanctions are not proportionate to the misconduct committed. Before the review application could be set down, the Council took a resolution to set aside the settlement agreement. R- (2022/2023) and R1 200 000.00 (2021/2022)

Inkokeli Projects (PVT) LTD

Interdict (High Court, Polokwane) Both the municipality and Inkokeli Projects entered into various agreements around 1990 for the development of Extension 6. The AG raised a query about the transaction because it did not follow the correct procedures. Inkokeli Projects launched an application at the High Court requesting the court to grant it the right to market, sell and receive all the proceeds. The potential Liability R35 930 000.00(2022/2023) and R 35 930 000.00 - (2021/2022)

M.L. Masombuka

Judicial Review On the 30 June 2021 the Public Protector issued out a remedial action that the municipality must file a judicial review to set aside the appointment of Ms. Masombuka as the Chief Internal Auditor. The possibility of outflow can not be determined.

Khabo Anna Ramosibi

Interdict The former Chief Financial Officer filed an application at the High Court for an order compelling the municipality to pay for her legal fees emanating from a civil action instituted by the municipality to recover the amount of money invested with VBS. The amount of potential liability can not be determined. the matter has also been removed from the Court roll by applicant.

Hendrick Schoeman Boerdery (PTY) LTD

Declaratory Order The Applicant want the Court to make an order that the current tariff of R 0, 070 that the municipality is charging on the farms is incorrect and that the court must calculate the correct tariff. Notice of motion was served in May 2022. The potential Liability R3 070 042.70 (2022/2023) and R2 619 763.80(2021/2022).

Mosese Mogotleng Kgopane

The plaintiff sued the municipality the amount of R 250 000 for pain and suffering, loss of future income & others allegedly for falling into a pit which was allegedly dug and left opened by the municipal officials. The municipality is sued as the second defendant incident allegedly occurred on the 14 June 2014. The amount of the potential liability remains at (2022/2023) (R-) and R3 713 183 (2021/2022).

Alfred Motho

The plaintiff claims the municipal councillor has defamed his character and he claims he can no longer attend community meetings. The amount of potential liability is (2022/2023) (R-) and R 160 000 (2021/2022).

Mohlalerwa & Boledi Construction

Contractual Dispute (High Court, Polokwane) The Plaintiff was appointed to do the rehabilitation of the admin block of the municipality. He has been submitting invoices for payment, but the municipality refused to pay the last invoice on the basis that the work has not been done and that he has already been paid for work done. The Court ordered the Municipality to pay R560 000 instead of R 1 605 515.35 on 23 August 2022. The matter has been finalized. The amount of potential liability is (2022/2023) (R-) and R 1 605 515.35 (2021/2022).

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40. Related parties

Relationships

Accounting Officer

Refer to accounting officers' report note

Post employment benefit plan for employees of a related party of a close All qualifying Employees

family member of key management

Members of key management

Refer to detail disclosure for Councillors Note 39 and Management Remuneration Note 25

Remuneration of individual Councillors

2023

Councillor Code and Name	Basic Salary	Pension And Medical Aid	Cellphone and Data Allowance	Car Allowance and Travel Claim	SDL	Grand Total
C000010 P Jacobs(Exco)	323 859	47 963	44 400	3 394	3 282	422 898
C000013 F Sedibane(Exco)	422 918	76 893	44 400	173 043	5 407	722 661
C000017 T Mabaso	233 512	37 174	44 400	117 004	3 215	435 305
C000020 G Moimana(Mayor)	751 853	136 527	44 400	-	6 811	939 591
C000021 R Lentsoane(Speak	619 217	91 741	44 400	-	5 866	761 224
C000023 M Makola	178 450	32 586	44 400	76 163	2 543	334 142
C000034 E Tshiguvho(Exco)	422 918	76 893	44 400	192 559	5 408	742 178
C000035 N Letsela	194 556	30 117	44 400	63 872	2 596	335 541
C000037 J Mpe	190 347	34 326	44 400	59 120	2 521	330 714
C000038 H Schalekamp	110 843	20 296	24 100	33 827	1 458	190 524
C000039 T Phahlamohlaka	229 011	41 282	44 400	99 540	3 126	417 359
C000040 K Aphane	190 347	34 326	44 400	59 023	2 521	330 617
C000041 N Magatla	221 884	39 891	44 400	70 671	2 862	379 708
C000042 K Maelane	190 347	34 326	44 400	59 774	2 521	331 368
C000043 P Thobejane	192 451	32 222	44 400	65 607	2 558	337 238
C000044 S Modipa	190 347	34 326	44 400	61 042	2 521	332 636
C000045 L Lekoatsipa	202 802	36 657	44 400	90 574	2 829	377 262
C000046 M Mello	229 011	41 282	44 400	97 034	3 126	414 853
C000047 S Mahubane	190 347	34 326	44 400	65 491	2 521	337 085
C000048 T Kutu	232 387	37 906	44 400	105 618	3 186	423 497
C000049 L Magane(Chief Wr	235 938	42 498	44 400	101 917	3 207	427 960
C000050 M Maphopha	229 011	41 282	44 400	100 853	3 126	418 672
C000051 K Mmamahlako	229 011	41 282	44 400	116 978	3 127	434 798
C000052 R Ramphele(Exco)	422 918	76 167	44 400	179 607	5 393	728 485
C000053 T Nkoana	229 011	41 282	44 400	109 433	3 127	427 253
C000054 S Mameshi	190 347	34 326	44 400	57 210	2 521	328 804
C000055 B Mokwana	229 011	41 282	44 400	96 006	3 126	413 825
C000056 K Sebothoma	194 556	30 696	44 400	59 724	2 590	331 966
C000057 R Seloma	208 337	37 564	44 400	91 363	2 883	384 547
C000058 M Tlaka(Exco)	141 671	25 108	26 385	67 182	1 935	262 281
C000060 J Mogale	194 556	29 790	44 400	57 917	2 591	329 254
C000061 M Manasoe	237 934	42 806	44 400	4 834	2 461	332 435
C000062 D Prisloo	81 534	14 030	18 500	24 646	1 065	139 775
C000063 S Mashiane	41 341	8 699	9 620	12 159	530	72 349
Grand Total	8 382 581	1 457 874	1 410 604	2 573 184	104 560	13 928 805

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40. Related parties (continued)

Remuneration of individual Councillors

2022

Councillor Code and Name	Basic Salary	Pension and Medical Aid	Cell phone and Data Allowance	Car Allowance and Travel claim	SDL	Back Pay	SDL (Back Pay)	Grand Total
C000001 C Kupa	93 730	30 295	15 483	-	1 077	3 496	35	144 116
C000002 M Mothogwane	255 166	45 029	15 483	-	2 321	8 609	86	326 694
C000004 M Aphane	64 600	11 400	15 483	19 000	859	2 724	27	114 093
C000005 S Tema	91 394	13 858	15 483	23 097	1 139	3 496	35	148 502
C000006 P Ranoto	82 904	14 630	15 483	25 392	1 057	3 496	35	142 997
C000007 M Kekana	64 600	11 400	15 483	19 000	859	2 724	27	114 093
C000008 F Matlala	82 904	14 630	15 483	24 383	1 057	3 496	35	141 988
C000009 M Motsepe	153 100	27 018	15 483	49 308	1 820	6 456	65	253 250
C000010 P Jacobs	299 947	52 932	44 400	1 859	2 986	9 764	98	411 986
C000011 G Makanyane	143 531	25 329	15 483	56 287	1 830	6 456	65	248 981
C000012 M Maloka	91 394	13 858	15 483	23 097	1 139	3 496	35	148 502
C000013 F Sedibane	442 330	78 058	44 400	99 978	4 950	12 811	128	682 655
C000014 R Mashoeshe	82 904	14 630	15 483	24 383	1 057	3 496	35	141 988
C000015 M Monama	64 600	11 400	15 483	19 000	859	2 724	27	114 093
C000016 C Boshelo	82 904	14 630	15 483	24 383	1 057	3 496	35	141 988
C000017 T Mabaso	224 699	39 653	44 400	89 587	2 985	7 150	71	408 545
C000018 L Molatudi	82 904	14 630	15 483	24 383	1 057	3 496	35	141 988
C000019 M Mashigo	77 722	13 716	15 483	30 479	1 063	3 496	35	141 994
C000020 G Moimana	506 450	89 374	44 400	-	4 739	21 799	218	666 980
C000021 R Lentsoane	525 739	92 777	44 400	63 066	5 404	18 873	189	750 448
C000023 M Makola	192 324	33 939	44 400	78 945	2 685	6 204	62	358 559
C000024 R Sebothoma	64 600	11 400	15 483	19 000	859	2 724	27	114 093
C000025 P Matji	64 600	11 400	15 483	19 000	859	2 724	27	114 093
C000026 D Madileng	64 600	11 400	15 483	19 000	859	2 724	27	114 093
C000027 M Manasoe	64 600	11 400	15 483	19 000	859	-	-	111 342
C000028 L Mohlala	64 600	11 400	15 483	19 000	859	2 724	27	114 093
C000029 R Sindana	64 600	11 400	15 483	19 000	859	2 724	27	114 093
C000030 M Lentsoane	80 750	14 250	15 483	-	842	2 724	27	114 076
C000032 F De Beer	80 750	14 250	15 483	-	842	2 724	27	114 076
C000034 E Tshiguvho	442 330	78 058	44 400	101 443	4 953	12 811	128	684 123
C000035 N Letsela	185 252	32 692	44 400	58 191	2 455	4 168	42	327 200
C000036 W Mabaso	64 600	11 400	15 483	19 000	859	2 724	27	114 093
C000037 J Mpe	123 516	22 475	28 973	31 784	1 585	4 168	42	212 543
C000038 H Schalekamp	123 516	22 475	28 973	31 784	1 585	4 168	42	212 543
C000039 T Phahlamohla	145 466	26 349	28 973	51 446	1 925	4 921	49	259 129
C000040 K Aphane	123 516	22 475	28 973	36 636	1 585	4 168	42	217 395
C000041 N Magatla	123 516	22 475	28 973	32 285	1 585	4 168	42	213 044
C000042 K Maelane	123 516	22 475	28 973	31 784	1 585	4 168	42	212 543
C000043 P Thobejane	123 516	22 475	28 973	36 057	1 585	4 168	42	216 816
C000044 S Modipa	123 516	22 475	28 973	31 784	1 585	4 168	42	212 543
C000045 L Lekoatsipa	145 466	26 349	28 973	50 986	1 925	4 921	49	258 669
C000046 M Mello	145 466	26 349	28 973	56 004	1 925	4 921	49	263 687
C000047 S Mahubane	123 516	22 475	28 973	35 287	1 585	4 168	42	216 046

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40. Related parties (continued)

C000048 T Kutu	145 466	26 349	28 973	57 056	1 925	4 921	49	264 739
C000049 L Magane	149 399	27 043	28 973	52 528	1 971	4 887	49	264 850
C000050 M Maphopha	145 466	26 349	28 973	52 228	1 925	4 921	49	259 911
C000051 K Mmamahlakc	145 466	26 349	28 973	57 246	1 925	4 921	49	264 929
C000052 R Ramphele	255 552	45 776	28 973	94 157	3 202	8 695	87	436 442
C000053 T Nkoana	145 466	26 349	28 973	58 105	1 925	4 921	49	265 788
C000054 S Mameshi	123 516	22 475	28 973	31 784	1 585	4 168	42	212 543
C000055 B Mkwana	145 466	26 349	28 973	56 281	1 925	4 921	49	263 964
C000056 K Sebothoma	123 516	22 475	28 973	31 784	1 585	4 895	49	213 277
C000057 R Seloma	133 165	24 178	28 973	48 425	1 782	4 545	45	241 113
C000058 M Tlaka	146 779	27 216	28 973	53 258	1 933	4 887	49	263 095
C000059 M Mmakola	61 765	11 578	14 173	14 192	768	2 724	27	105 227
C000060 J Mogale	61 751	10 897	14 800	18 162	817	2 316	23	108 766
C000061 M Manasoe	57 891	10 216	11 100	401	600	4 631	46	84 885
Grand Total	8 212 326	1 474 689	404 275	2 039 704	99 425	290 989	2 909	13 524 332

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41. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk and liquidity risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate.

Other debtors are items was the product of overpayments and transactions that resulted in debit balances on creditors payable by the municipality. These items will be investigated for recoverability and they are currently not impaired. These items will be reported to Council during the 2021/22 financial period. These items are currently deemed recoverable but have an inherent credit risk due to the nature of the item.

During the 2018 financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank has placed VBS Mutual bank under curatorship in 2018. The Municipality had a short term deposit of R 83 658 548.00. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury have only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits are not guaranteed. The Municipality has impaired the total investment of R83 658 548.00 since there are no immediate and current cash flow is expected from the VBS Mutual bank Investment.

There are no consumer debtors that are past due as at the end of the reporting period but not impaired. All consumer debtors above 90 days are considered for impairment.

There are no financial assets that are individually determined to be impaired as at the end of the reporting period

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2023	2022
VBS Bank -Fully impaired on the Statement of Financial Position and Statement of FinancialPerformance	77 546 148	77 546 148
Receivable from exchange transactions -Receivables not impaired	542 266	725 003
Eskom deposits	12 950 925	12 273 853

Market risk

Interest rate risk

As the municipality has significant interest-bearing assets on Call accounts, the municipality's income and operating cash flows are not substantially independent of changes in market interest rates.

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42. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of 1 265 629 294 and that the municipality's total assets exceed its liabilities by 1 265 778 804.

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.

During the 2018 financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank has placed VBS Mutual bank under curatorship in 2018. The Municipality had a short term deposit of R 84 073 833.00. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury have only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits are not guaranteed. The Municipality has impaired the total investment of R84 076 833.00 since there are no immediate and current cash flow is expected from the VBS Mutual bank Investment.

The municipality will continue to receive grants from national revenue fund to fund its operations and capital projects.

43. Unauthorised expenditure

During the 2022/23 and 2021/22 financial periods no unauthorised expenditure were identified.

44. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure-Opening Balance	7 222 952	3 360 188
Add:Fruitless and Wasteful Expenditure for the financial period	20 383	3 862 764
Less-Irrecoverable OC5/05/2023	(20 152)	-
Less- Recoverable as per council resolution OC5/05/2023	(1 657 880)	-
Less Irrecoverable OC2/06/2022	(11 186)	-
Less Recoverable OC2/06/2022	(5 533 825)	-
	20 292	7 222 952

The Fruitless and wasteful expenditure amounting to R 7 222 952 was tabled to council and resolved as follows :Fruit Add:Fruitless and Wasteful Expenditure for the financial period R 20 383,Less-Irrecoverable OC5/05/2023 R(20 152,Less- Recoverable as per council resolution OC5/05/2023 R(1 657 880),Less Irrecoverable OC2/06/2022 R(11 186),Less Recoverable OC2/06/2022 R (5 533 825)

Cuurent year fruitess and wastefull expenditure amounting to R1 678 031.67 was tabled to council on 29th of June 2023 and R20 151.58 was deemed irrecoverable and written .R1 657 880.09 was deemed recoverable.

The Municipality will recover R 15 000 .00 from Annual Financial Statement Consultant due to Assets Imparement work not adequately addressed .

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Figures in Rand	2023	2022
44. Fruitless and wasteful expenditure (continued)		
Fruitless and wasteful expenditure consists of		
Opening Balance	7 222 952	3 360 188
Interest on Eskom Accounts	656	875
Payments made for professional service providers fees	-	490 000
Payments made for work done not on specification.	-	796 960
Tender re-adverts	19 727	7 825
Payments made in excess of work done(overpayment)	-	118 901
Payment made to work already performed by Management	-	180 000
Payments made on items not verified on site	-	2 206 183
Payments made in excess of work done	-	1 350
Payments made for damaged V drain and instalation of gabion boxes	-	60 670
Irrecoverable OC5/05/2023	(20 152)	-
Recoverable as per council resolution OC5/05/2023	(1 657 880)	-
Less Irrecoverable OC2/06/2022	(11 186)	-
Less Recoverable OC2/06/2022	(5 533 825)	-
	20 292	7 222 952

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
45. Irregular expenditure		
Opening balance	56 724 350	16 838 663
Additional (Subsequent payments) in Fin Year 2023	47 516 144	-
Additional Irregular Expenditure (2022)	-	14 521 290
Less: Irrecoverable Investigated by MPAC (OC2/06/2022)	(18 773 728)	-
Less: Recoverable Investigated by MPAC (OC2/06/2022)	(919 980)	-
Less: Irrecoverable investigated by MPAC (OC9/06/2023)	(33 261 976)	-
Less: Irrecoverable investigated by MPAC (SC1/01/2023)	(36 362 770)	-
Less Amount to be recovered	-	(999 284)
Less: Amounts not recoverable	-	(10 666 960)
Add additional Irregular during Audit (2022)	-	37 030 641
Add additional Irregular Exp (2023)	8 900 115	-
	23 822 155	56 724 350

Analysis of expenditure written off per age classification

Current year	47 516 144	14 521 290
Additional Irregular during Audit (2022)	56 724 350	-
Less: Irrecoverable Investigated by MPAC (OC2/06/2022)	(18 773 728)	(10 666 960)
Less: Recoverable Investigated by MPAC (OC2/06/2022)	(919 980)	(999 284)
Prior years	-	16 838 663
Additional Irregular during Audit (2022)	-	37 030 641
Less: Irrecoverable investigated by MPAC (OC9/06/2023)	(33 261 976)	-
Less: Irrecoverable investigated by MPAC (SC1/01/2023)	(36 362 770)	-
Add additional Irregular Exp (2023)	8 900 115	-
	23 822 155	56 724 350

Details of irregular expenditure - Current Year	-
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	765 605
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	426 074
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	519 195
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	707 257
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	396 721
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	1 016 180
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	1 073 911
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	621 212
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	739 241

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
45. Irregular expenditure (continued)		
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		585 411
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		205 640
The differences identified between the tender amount and appointment letter		1 071 082
The differences identified between the tender amount and appointment letter		1 476 889
Irregular appointment of service provider without following proper SCM processes		1 196 661
-		10 801 079
-		-
Additional 2023 Irregular Expenditure		-
Completeness of Irregular Expenditure: Irregular expenditure incurred for the appointments of employees were not disclosed in the current year annual financial statements in Note 45 (Position of Director Planning and Accountant Bank reconciliation)		1 179 257
Procurement and contract management: The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.		4 443 302
Procurement and Contract Management: Reasons for deviations not in line with the MFMA & SCM regulations (Rateitei& Manja VIP Security Services and Yetsegala on ICT Service)		1 039 250
Irregular expenditure – VAT erroneously omitted		2 238 306
-		8 900 115
-		-
Additional 2021/22 Irregular Expenditure		-
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.		1 871 639
Winning bidder not disqualified for failure to initialise bid documents as required by Bid Requirements contrary to the Supply Management Policy and SCM Regulations.		6 951 660
Criteria under functionality not adequately developed as the specific goal did not indicate the points which may be awarded in terms of the points system set out in the supply chain management policy of the municipality.		19 266 020
Bid requirements not being fair and competitive to make provision for other service providers to bid for quotations or bid of the municipality which is contrary to SCM Regulation 27 and MFMA.		6 014 655
The differences identified between the tender amount and appointment letter		761 154
The differences identified between the tender amount and appointment letter		1 521 025
Deviation did not include the reason for the deviation in the deviation form and the auditor could not conclude if whether the deviation was reasonable and valid		328 912
Total		36 715 065
Grand Total		56 416 259
-		-
Details of irregular expenditure for 2022		-
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		866 361

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
45. Irregular expenditure (continued)		
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		2 458 552
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		1 157 440
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		1 376 374
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		1 374 342
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		800 343
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		880 632
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		1 378 577
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		538 706
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.		1 379 872
The differences identified between the tender amount and appointment letter		581 625
The differences identified between the tender amount and appointment letter		646 250
Irregular appointment of service provider without following proper SCM processes		343 000
Irregular appointment of service provider without following proper SCM processes		576 980
Payment made after contract has expired - July and August 2021		162 284
-		14 521 338
-		-
Additional Irregular Expenditure		-
There was no municipal council resolution for approval of contract for more than 3 years during the year under of contract for more than 3 years during the year under		810 525
Winning bidder not disqualified for failure to initialise bid documents as required by Bid Requirements contrary to the Supply Management Policy and SCM Regulations.		5 191 237
MBD 4 not fully completed by as required bid requirements however the municipality awarded the bid to the service provider resulting in irregular expenditure.		2 333 099
Winning bidder not disqualified for failure to initialise bid documents as required by Bid Requirements contrary to the Supply Management Policy and SCM Regulations.		10 074 870
Criteria under functionality not adequately developed as the specific goal did not indicate the points which may be awarded in terms of the points system set out in the municipality. supply chain management policy of the Municipality.		9 237 378

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45. Irregular expenditure (continued)		
Bid requirements not being fair and competitive to make provision for other service providers to bid for quotations or bid of the municipality which is contrary to SCM Regulation 27 and MFMA		4 025 575
The differences identified between the tender amount and appointment letter		373 730
The differences identified between the tender amount and appointment letter		352 190
The differences identified between the tender amount and appointment letter		383 079
The differences identified between the tender amount and appointment letter		1 233 352
The differences identified between the tender amount and appointment letter		1 066 816
Criteria under functionality not adequately developed		808 433
Deviation did not include the reason for the deviation in the deviation form and the auditor could not conclude if whether the deviation was reasonable and Valid		1 140 356
-		37 030 640
-		37 030 641

During the 2021/22 financial year the municipality had a closing balance of R19 693 708.38 excluding VAT for irregular expenditure and was brought to council and subsequently referred to MPAC for investigation with Council Resolution number OC2/06/2022 on the 31st August 2022

During the 2021/22 Audit performed by the Auditor General of South Africa, identified was an additional irregular expenditure of R36 362 770,09 excluding VAT and brought to council in its 5th Ordinary meeting held on the 27th of January 2023 as per council resolution OC5/06/2023

MPAC has investigated the amount of R19 693 708.38 excluding VAT and a report was tabled to council for consideration on the 28th of April 2023 and also completed the investigation of R36 362 770, 09 excluding VAT which reported to council on 31st July 2023.

On the 29th of June 2023 and 31 July 2023 an additional irregular expenditure of R 34 919 391.64 and R 12 596 751,86 respectively was reported to council and MPAC resolved on R 33 261 976,43 in council on 30th August 2023 which then leaves R 12 596 751,86 and R 1 657 415,21 & R 667 871 for further investigation.

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 307 257	1 028 574
Amount paid - current year	(1 307 257)	(1 028 574)
	-	-

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity Distribution Loss

Units	573 392	1 007 080
Distribution Loss %	1,85%	2,81%
Amount Loss -Current Year(at average cost)	629 158	1 699 243
	-	-

Distribution losses were well below the norm of 7-10% as set by National Treasury in terms of Circular 71. The distribution loss was recorded at 1.85% for the financial year.

Audit fees

Current year subscription / fee	4 713 972	4 617 749
Amount paid - current year	(4 713 972)	(4 617 749)
	-	-

Audit fees paid to the Office of the Auditor General amounted to R4 713 972 for 2022/2023 and R 4 617 749 for the 2021/2022 financial year. There were no outstanding audit fees on the respective year ends..

PAYE and UIF

Current year subscription / fee	16 013 009	14 022 938
Amount paid - current year	(16 013 009)	(14 022 938)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	25 238 411	22 606 028
Amount paid - current year	(25 238 411)	(22 606 028)
	-	-

VAT

VAT receivable	60 572 917	48 716 027
VAT payable	(58 634 662)	(45 105 476)
	1 938 255	3 610 551

VAT output payables and VAT input receivables are shown in note 9 & 10.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2023 or 30 June 2022:

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

Paragraph 36(2) of SCM regulation states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:

- Sole suppliers
- Emergency
- Impracticality

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

Incident

Sole Provider supplier	407 168	1 170 622
Impossible or impracticable to follow procedure	996 200	1 108 942
Emergency supplies	303 589	261 865
	1 706 957	2 541 429

DATE	PROCUREMENT TYPE	AMOUNT	REASON FOR DEVIATING
01-07-2022	Formal Request for quotation (R30 000-R200 000)	R 34 293,00	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"
12-07-2022	Written Price Quotations (R2 000 to R30 000)	R 12 297,00	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"
02-08-2022	Formal Request for quotation (R30 000-R200 000)	R 38 500,00	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".
02-08-2022	Formal Request for quotation (R30 000-R200 000)	R 45 000,00	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".
05-08-2022	Written Price Quotations (R2 000 to R30 000)	R 25 826,70	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"
20-09-2022	Written Price Quotations (R2 000 to R30 000)	R 10 000,00	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"
21-09-2022	Written Price Quotations (R2 000 to R30 000)	R 11 500,00	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)

19-10-2022	Formal Request for quotation (R30 000-R200 000)	R	38 500,00	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".
19-10-2022	Formal Request for quotation (R30 000-R200 000)	R	45 000,00	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".
27-10-2022	Formal Request for quotation (R30 000-R200 000)	R	53 400,00	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"
09-11-2022	Formal Request for quotation (R30 000-R200 000)	R	115 500,00	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".
09-11-2022	Formal Request for quotation (R30 000-R200 000)	R	135 000,00	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".
18-11-2022	Written Price Quotations (R2 000 to R30 000)	R	25 000,00	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"
23-11-2022	Formal Request for quotation (R30 000-R200 000)	R	73 810,00	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"
23-11-2022	Written Price Quotations (R2 000 to R30 000)	R	23 805,00	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"
23-11-2022	Written Price Quotations (R2 000 to R30 000)	R	5 693,01	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"
28-11-2022	Formal Request for quotation (R30 000-R200 000)	R	32 775,00	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"
20-12-2022	Formal Request for quotation (R30 000-R200 000)	R	43 200,00	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".
12-01-2023	Written Price Quotations (R2 000 to R30 000)	R	10 925,00	Deviation reason No:2 if such goods or services are produced or available from a single provider
31-01-2023	Formal written price quotations (R30 000 up to R200 000)	R	182 838,50	Deviation reason No. 1: In an emergency

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)

31-01-2023	Formal written price quotations (R30 000 up to R200 000)	R	120 750,00	Deviation reason No. 1: In an emergency
03-02-2023	Formal Request for quotation (R30 000-R200 000)	R	115 500,00	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".
03-02-2023	Formal Request for quotation (R30 000-R200 000)	R	135 000,00	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".
20-03-2023	Formal Request for quotation (R30 000-R200 000)	R	5 263,49	Deviation reason No:2 if such goods or services are produced or available from a single provider
21-04-2023	Formal Request for quotation (R30 000-R200 000)	R	45 080,00	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"
25-04-2023	Formal Request for quotation (R30 000-R200 000)	R	135 000,00	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".
25-04-2023	Formal Request for quotation (R30 000-R200 000)	R	150 000,00	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".
28-06-2023	Formal Request for Quotation(R30 000-R200 000)	R	37 500,00	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"

47. Impairment of assets

Impairment of Property Plant and Equipment

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48. Budget differences

Material differences between budget and actual amounts

Budget differences

Material differences between budget and actual amounts

1. Variance is as a result of tender document not being purchased in the municipality but being printed directly from E-tender website.
2. Variance between budget and actual of service charges could be attributed to continuous electricity load-shedding which has led to customers seeking for alternative energy such as Solar panels and Gas.
3. Rentals variance is mainly as a result of increase in house rentals occupied by employees of the municipality.
4. Variance is attributed to more Licensing and registration being conducted than anticipated.
5. Attributed to more cemetery fees being paid in the current Year.
6. Variance between actual and budget on interest received is mainly due to an increase on bank repo-rate which led to more interest received by the municipality and continuous culture of non-payment of Municipal services.
7. The difference is as a result of continued data cleansing and supplementary valuation roll.
8. Variance is as caused capital grant (MIG) being disclosed separate from financial performance from the budget side. MIG was spent 100% in the current year.
10. Under budgeting can be attributed to budgeting fines on cash basis instead of accrual basis.
11. Variance is as a result of vacant positions not yet filled.
12. Savings realised as councilor's remuneration is based on government gazette on upper limits for councilors
13. Attributed to more assets items being added and also ground works being depreciated for the first time..
14. No provision was made on this non-cash items such as interest on landfill sites.
15. Savings on photocopy machine was realized.
16. Impairment variance is attributed to an increase in debtor's book.
17. Attributed to less repairs and maintenance were done in the last financial year.
18. Less electricity was purchased by our customers than what was anticipated
19. Attributed to less spending on contracted services than budgeted for resulting in savings.
20. Attributed to lower number of free basic electricity registered.
21. Attributed to non-spending of some budget items in general expenditure
22. Gain on disposal of Assets and liabilities was not provided for in the budget.
23. Actuarial Gain/ (Losses) was not provided for in the budget.
- 23.1. Gains on biological assets and agricultural produce was not provided for in the budget.
24. More stock on hand than projected
25. No separate budget was provided for receivable from exchange transactions
26. attributed to under budgeting on receivable from non-exchange transaction
27. No separate budget was provided for VAT receivable in the budget.
28. More consumer owing the Municipality at year end.
29. No separate budget was provided for other assets in the budget.
30. The variance is as a result of less estimate on cash and cash equivalents than realised, mainly as a result of not spending 100% on internal funded projects.
31. More investment realized than anticipated
32. Attributed to more spending on capital projects which includes 100% MIG spending.
- 32.2 No procurement of intangible assets was made at year end.
33. Attributed to fair value adjustments
34. Attributed to less accruals being recognised in the current financial year.
35. Slight difference is as a result of more estimate on consumer debtors that realized
36. The variance is immaterial
37. Attributed to more provision on Environmental rehabilitation which was made than the actual at year end.
- 38 Variance is mainly caused by increase in employee obligation. The whole budget is seating at provisions.
- 39 The slight variance on total net assets materialise from the difference between assets and liabilities. Our assets are more than the liabilities.
40. The variance on the operating activities is as a result of savings on supplies and employee cost payment.
41. The variance on the investing activities is as a result of spending on capital expenditure.
42. The variance on financing activities is as a result of settling finance leases
43. The variance is result of less estimate on cash and cash equivalents than realised.

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48. Budget differences (continued)

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to the annual report.

49. Prior period errors

The following prior year errors were identified and adjusted retrospectively.

1. The cash flow was restated to enhance compliance with principle of fair presentation.

2. Interest received under statement of Financial Performance on page 12 was renamed to Interest revenue.

3. The restatement of councillors' remuneration including Skills development Levy pertain to their backpay. These payments were made during the current financial year but were actually incurred in the previous financial year, ending on June 30, 2022.

4. Reclassification of general expenditure to contracted services in the financial performance of R 1 121 834 being outsourced internal auditor

5. Casual labourers were hired by municipality for the construction of phase 6, extension 5 storm water project in 2022. Invoice was issued and paid during 2023 financial year. No accrual was raised in financial year 2022 which resulted in understatement of payables and work in progress

6. Note 24. on valuations, categories were reclassified to show new valuations recalculations.

7. The municipality did not assess for impairment in the prior year as required in terms of GRAP 17 and GRAP 21. Therefore, in the current year the municipality must apply GRAP 3 to correct the error. However, it is impractical to restate the comparative figures based on the fact that:

- Assets were not assessed for impairment for the year ended 30 June 2022 and therefore an impairment rating was not attached to each asset

- Assets were subsequently restored or refurbished in the current year

8. The following prior period error adjustments occurred

- Community assets - Mamphoko sports complex which was completed on 28 May 2021 was not transferred from work in progress in 2021/2022 financial year. The assets were understated by costs: R24 327 424.28

- Rehabilitation of Leuwofontein internal street which was completed on 20 August 2021 was not transferred from work in progress as at 30 June 2022. The asset were understated by cost: R3 127 141.05

Work in progress: Manapyane Highmast which was completed on 19 August 2021 was not transferred from work in progress in 2021/2022 financial year. The assets were understated by costs 2 423 766.24

9. The following prior period error adjustments occurred

- Infrastructure - Road ground works with limited useful life's was not depreciated in the prior years hence infrastructure assets were overstated by R36 967 509

- Community assets - Mamphoko sports complex which was completed on 28 May 2021 was not transferred from work in progress in 2021/2022 financial year. Accumulated depreciation was understated by : R78 838.87

10. The following prior period error adjustments occurred

- Infrastructure - Road ground works with limited useful life's was not depreciated in the prior years hence infrastructure depreciation is understated by R4 629 659.55

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49. Prior period errors (continued)

--Community assets - Mamphoko sports complex which was completed on 28 May 2021 was not transferred from work in progress in 2021/2022 financial year. Depreciation was understated by : R810 914.14

Infrastructure depreciation: Manapyanne Highmast which was completed on 19 August 2021 was not transferred from work in progress in 2021/2022 financial year. Depreciation was understated by : R83 669.74

11. Properties with no registered owner were billed erroneously for Interest, Property Rates and Refuse refer to note no. 7 and 23.

12. Included in the investment properties are properties which were previously transferred and derecognised but which fair value adjustment was erroneously accounted for them in the investment properties 2021/2022

13. Commitment register erroneously included contracts that are of operational nature. Refer to Commitments note number for adjustments.

14. Financial instruments (note 37) was erroneously overstated by Statutory Receivables (Rates and Unspent conditional Grants) as follows (Financial Assets-Consumer debtors (R76 172 922) 2022 to R29 529 428. and Unspent conditional Grant (R3 025 to R(0)

15. The municipality has identified a possible liability, measured reliably on the case of Ntshokue John Raphela amounting to R2 5000 000.00 and the case of Hendric Schoeman Boerdery (PTY) LTD amounting to R2 619 763.80. Further Inkokeli Projects litigation and Mathara Monica Mathebela cases have been restated in prior year with a potential liability of R35 930 000 and R1 200 000 respectively. The municipality has also received an amount of R6 112 400.00 from VBS curator which led to reduction in Contingent Assets

(The correction number is indicated in brackets next to the item adjusted. Brackets on amounts is for Credit adjustment and no brackets for Debit adjustment).

Statement of financial position

Payables from exchange transactions - Accrued salaries (3)	-	(293 907)
PPE Community Assets Transfers received (8)	-	24 327 424
PPE Roads Infrastructure Transfers Out(8)	-	5 550 907
Work in Progress Transfer out(8)	-	(29 878 331)
WIP Extension 6 Phase 5 (5)	-	353 989
VAT receivable (5)	-	53 098
Payables and Accruals(5)	-	(407 088)
Accumulated surplus:(9)	-	37 046 348
Infrastructure:Accumulated depreciation(9)	-	(36 967 509)
Community assets: Accumulated depreciation(9)	-	(78 839)
Infrastructure:Accumulated depreciation(10)	-	(5 524 243)
Consumer Debtors- Other/Interest Received non exchange (11)	-	(2 631 336)
Consumer Debtors- Property Rates-non Exchange (11)	-	(4 449 332)
Accumulated surplus(11)	-	4 057 489
Impairment Consumer Debtors- Other/Interest Received non exchange (11)	-	1 574 989
Impairment Consumer Debtors- Property Rates(11)	-	1 305 928
Revaluation reserve (12)	-	2 180 000
Investment property(12)	-	(2 282 000)

Statement of Financial Performance

Remuneration of councillors (3)	-	290 997
Skills Development Levies (3)	-	2 910
Community assets: Depreciation(10)	-	810 914
Infrastructure: Depreciation(10)	-	4 713 330
Property rates revenue -2022 (11)	-	3 737
Interest revenue from non-exchange on outstanding receivable balances-2022 (11)	-	414 366
D1 Debt impairment- Contributions to debt impairment allowance (consumers)(11)	-	(275 842)
Fair value adjustment(12)	-	102 000

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49. Prior period errors (continued)

50. Events after the reporting date

There are no events after the reporting date.

51. Lease rentals on operating lease

Premises

Contractual amounts	1 387 365	1 810 851
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Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office equipment and service delivery property. Leases are negotiated for an average term of 3 years. No contingent rent is payable.

52. Government grants and subsidies

Other subsidies

Indigent Relief	1 059 615	1 442 710
Bursaries, Learnerships and Internships	1 457 711	973 416
	2 517 326	2 416 126

53. Change in estimate

Property, plant and equipment

Change in estimate useful lives

During the year ended 30 June 2023 the total useful life of assets were reassessed per asset category
The change has the following effect on the property, plant and equipment note:

Current year	-
Increase/(Decrease in depreciation expense)	-
Change in estimate	-
Plant and equipment	-293 152
Office equipment	-59 898
IT equipment	-11 777
Infrastructure	-136 806
Total	-501 633

54. Segment information

General information

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54. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Some segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the LIM 471 demarcation. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout LIM 472 were sufficiently similar to warrant aggregation.

The following segments were aggregated:

1	Finance:BTO
2	Solid Waste Removal:Solid Waste
3	Finance:Finance
4	Mayor and Council:Council
5	Roads:Roads& Stormwater (650)
6	Health Services:HIV/AIDS
7	Fleet Management:Fleet Mangement
8	Cemeteries Funeral Parlours and Crematoriums:Paks & Cemeteries
9	Town Planning Building Regulations and Enforcement and City Engineer:Urban Development
10	Municipal Manager Town Secretary and Chief Executive:Municipal Manager
11	Information Technology:Information Communication Technology (ICT)
12	Housing:Housing and Building
13	Finance:Default
14	Licensing and Regulation:Licencing and Traffic
15	Electricity:Electricity
16	Finance:REVENUE
17	Administrative and Corporate Support:Administration
18	Sports Grounds and Stadiums:Sports Arts and Culture
19	Human Resources:Human Resources
20	Licensing and Regulation:Registration Authority
21	Libraries and Archives:Library
22	Health Services:Health General Services
23	Roads:Roads & Stormwater 2
24	Roads:Roads & Stormwater 1
25	Town Planning Building Regulations and Enforcement and City Engineer:Technical Services
26	Consumer Protection:Community Services Management
27	Administrative and Corporate Support:Corporate Services Management
28	Marketing Customer Relations Publicity and Media Co-ordination:Communication
29	Legal Services:Legal Services
30	Supply Chain Management:Stores

Measurement of segment surplus or deficit, assets and liabilities

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54. Segment information (continued)

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.

There are no non reportable segments.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Nature of Goods and/or services
Finance	Finance, human resource and IT services to facilitate service delivery
Community services	Police, parks and libraries
Basic services	Basic services, roads, sewage, refuse, electricity
Mayor and Council	Community outreach

Performance information

The following information will enable users of financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.

Segment reporting was expanded to enhance fair presentation

Below are the reconciliations of the amounts in the statement of financial position and performance for reportable segments

2023

Statement of Financial Performance	Basic services	Community services	Executive & Council	Finance	Total
-	-	-	-	-	-
Total Revenue	-138 220 596	-880 773	-1 654 963	-256 331 222	-397 087 554
Revenue from exchange tra	-71 089 816	-349 723	-344 963	-24 803 007	-96 587 509
Interest received	-	-	-	-16 628 712	-16 628 712
Other income	-73 653	-131 292	-257 528	-2 459 969	-2 922 442
Rental of facilities and equipm	-	-218 431	-	-	-218 431
Sale of goods	-	-	-87 435	-26 466	-113 900
Service charges	-71 016 163	-	-	-	-71 016 163
Agency fees	-	-	-	-5 687 860	-5 687 860
Revenue from non-exchang	-67 130 780	-531 050	-1 310 000	-231 528 215	-300 500 045
Basic Electricity levy	-10 309 528	-	-	-	-10 309 528
Property rates	-	-	-	-40 952 458	-40 952 458
Government grants & subsidie	-56 821 025	-	-1 310 000	-181 926 000	-240 057 025
Fines, Penalties and Forfeits	-227	-531 050	-	-	-531 277
Interest on outstanding receiv	-	-	-	-8 649 757	-8 649 757
Expenditure	95 310 341	25 610 777	48 907 110	174 012 522	343 840 750
Bulk Purchases	46 859 516	-	-	-	46 859 516
Contracted services	2 530 602	-	10 408 814	15 945 431	28 884 848
Debt Impairment	-	-	-	14 128 413	14 128 413
Depreciation and amortisatio	-	-	-	56 864 343	56 864 343
Employee related costs	27 288 952	21 528 774	15 645 131	37 602 946	102 065 803
Finance Costs	-	-	-	6 369 225	6 369 225
General Expenses	7 912 051	2 335 069	8 924 366	31 789 047	50 960 533
Operating Lease Expense	-	-	-	1 387 366	1 387 366
Remuneration of councillors	-	-	13 928 799	-	13 928 799
Grants and Subsidies	1 059 615	-	-	1 457 711	2 517 326
Repairs and Maintenance	9 659 605	1 746 935	-	3 542 169	14 948 708
Impairment of assets	-	-	-	4 925 871	4 925 871
Operating surplus	-42 910 255	24 730 004	47 252 147	-82 318 700	-53 246 804
Inventories losses/write-down	-	-	-	242 439	242 439

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54. Segment information (continued)

Profit / (Loss) on disposal of f	-	-	-	-703 377	-703 377
Actuarial Gain / (Loss)	-	-	-	-9 474 162	-9 474 162
Fair Value adjustments	285 225	-5 650 500	-	244 825	-5 120 450
-	285 225	-5 650 500	-	-9 690 275	-15 055 550
Surplus for the year	-42 625 030	19 079 504	47 252 147	-92 008 975	-68 302 354
-	-	-	-	-	-
Statement of Financial Position	Basic services	Community services	Executive & Council	Finance	Total
Assets	76 227 934	-34 759 610	-89 531 231	1 451 703 160	1 403 640 252
Current Assets	-207 059 597	-30 249 146	-89 638 029	763 087 570	436 140 798
Cash and Cash equivalents	-219 545 294	-31 598 907	-98 336 496	668 110 548	318 629 850
Consumer debtors from exchange	1 251 911	-6 453	-	27 940 749	29 186 207
Consumer debtors from non-exchange	-5 300 708	-	2 519 777	51 005 917	48 224 986
Inventories	-1 700 062	-1 415 385	-81 649	39 901 138	36 704 042
Receivables from non-exchange	-	1 000 132	-	457 326	1 457 458
VAT receivable	18 234 557	1 771 466	6 260 339	-24 328 107	1 938 255
Non-Current Assets	283 287 531	-4 510 464	106 798	688 615 590	967 499 454
Heritage assets	-	-	106 798	63 632	170 430
Investment property	-	3 243 500	-	74 967 061	78 210 561
Property, plant and equipment	283 287 531	-7 753 964	-	600 633 972	876 167 538
Eskom Deposits	-	-	-	12 950 925	12 950 925
Liabilities	10 671 609	1 113 514	1 739 962	-151 386 568	-137 861 483
Current Liabilities	10 671 609	1 113 514	1 739 962	-85 726 273	-72 201 188
Consumer deposits	128 657	-	-	-1 471 562	-1 342 905
Payables from exchange transactions	10 542 951	1 113 514	1 739 962	-76 061 382	-62 664 955
Unspent conditional grants and	-15	-	-	-	-15
Employee benefit obligation	-	-	-	-573 893	-573 893
Finance lease obligation	-	-	-	-7 619 435	-7 619 435
Non-Current Liabilities	-	-	-	-65 660 295	-65 660 295
Provisions	-	-	-	-29 177 473	-29 177 473
Employee benefit obligation	-	-	-	-18 880 388	-18 880 388
Finance lease obligation	-	-	-	-17 602 435	-17 602 435
Net Assets	-86 899 543	33 646 096	87 791 269	-1 300 316 592	-1 265 778 769
Revaluation Reserve	-	-	-	-149 510	-149 510
Accumulated Surplus	-86 899 543	33 646 096	87 791 269	-1 300 167 082	-1 265 629 259
Grand Total	-	-	-	-	-

2022

Statement of Financial Performance	Basic services	Community services	Executive & Council	Finance	Total
-	-	-	-	-	-
Total revenue	-118 205 133	-664 148	-1 749 239	-224 451 391	-345 069 910
Revenue from exchange transactions	-74 187 027	-266 148	-554 239	-10 443 720	-85 451 134
Interest received	-	-	-	-3 995 588	-3 995 588
Other income	-32 083	-125 669	-248 203	-255 354	-661 309
Rental of facilities and equipment	-	-140 479	-	-	-140 479
Sale of goods	-	-	-306 035	-34 225	-340 261
Service charges	-74 154 944	-	-	-	-74 154 944
Agency fees	-	-	-	-6 158 552	-6 158 552
Revenue from non-exchange transactions	-44 018 106	-398 000	-1 195 000	-214 007 671	-259 618 777
Basic Electricity levy	-9 813 881	-	-	-	-9 813 881
Fines, Penalties and Forfeits	-227	-398 000	-	-	-398 227
Government grants and subsidies	-34 203 998	-	-1 195 000	-165 571 000	-200 969 998

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54. Segment information (continued)

Interest received	-	-	-	-6 717 566	-6 717 566
Property rates	-	-	-	-41 719 105	-41 719 105
Expenditure	86 537 165	24 154 351	40 892 435	156 103 790	307 687 741
Bulk Purchases	48 276 043	-	-	-	48 276 043
Contracted Services	241 264	-	8 606 550	12 942 525	21 790 340
Debt impairment	-	-	-	15 493 515	15 493 515
Depreciation and amortisation	-	-	-	52 784 597	52 784 597
Employee related costs	22 250 694	20 188 359	12 225 567	37 005 989	91 670 608
Finance Costs	-	-	-	4 998 221	4 998 221
General Expenses	7 354 927	2 396 691	6 538 896	27 064 116	43 354 631
Government grants and subsidies	1 442 710	-	-	973 416	2 416 125
Operating Lease Expense	-	372 284	-	1 438 567	1 810 851
Remuneration of councillors	-	-	13 521 422	-	13 521 422
Repairs and Maintenance	6 971 527	1 197 016	-	3 402 844	11 571 388
Operating Surplus	-31 667 968	23 490 203	39 143 196	-68 347 601	-37 382 169
Actuarial Gain / (Loss)	-	-	-	414 779	414 779
Fair value adjustments	-	-	-	-4 860 060	-4 860 060
Financial assets impairment	-	-	-	-6 112 400	-6 112 400
Profit / (Loss) on disposal of	-	-	-	1 168 415	1 168 415
-	-	-	-	-9 389 266	-9 389 266
Surplus for the year	-31 667 968	23 490 203	39 143 196	-77 736 867	-46 771 435
-	-	-	-	-	-
Statement of Financial Position	Basic services	Community services	Executive & Council	Finance	Total
Assets	93 395 786	-31 942 646	-72 650 121	1 318 852 428	1 307 655 448
Current Assets	-158 759 372	-23 818 315	-72 756 919	633 060 845	377 726 240
Cash and cash equivalents	-163 314 728	-25 025 696	-78 155 991	530 235 567	263 739 153
Consumer debtors from exchange	-3 798 452	10 889	-	29 482 119	25 694 556
Consumer debtors from non-exchange	-4 528 874	-	719 274	50 088 214	46 278 614
Inventories	-1 057 144	-1 055 204	-51 104	39 307 774	37 144 322
Receivables from exchange	-	-	-	-	-
Receivables from non-exchange	-	962 976	-	296 069	1 259 045
VAT receivable	13 939 826	1 288 720	4 730 903	-16 348 897	3 610 551
Non-Current Assets	252 155 158	-8 124 331	106 798	685 791 583	929 929 208
Eskom Deposit	-	-	-	12 273 853	12 273 853
heritage assets	-	-	106 798	42 712	149 510
Investment property	-	-	-	72 685 061	72 685 061
Property, plant and equipment	252 155 158	-8 124 331	-	600 789 957	844 820 784
Liabilities	5 734 380	1 106 256	1 769 962	-118 789 604	-110 179 006
Current Liabilities	5 734 380	1 106 256	1 769 962	-65 329 030	-56 718 432
Consumer deposits	111 739	-	-	-1 494 437	-1 382 698
Payables from exchange transactions	5 625 666	1 106 256	1 769 962	-62 525 868	-54 023 984
Unspent conditional grants and subsidies	-3 025	-	-	-	-3 025
Employee benefit obligation	-	-	-	-1 308 726	-1 308 726
Non-Current Liabilities	-	-	-	-53 460 574	-53 460 574
Provisions	-	-	-	-29 051 241	-29 051 241
Employee benefit obligation	-	-	-	-24 409 333	-24 409 333
Net Assets	-99 130 166	30 836 390	70 880 159	-1 200 062 824	-1 197 476 442
Accumulated Surplus	-99 130 166	30 836 390	70 880 159	-1 199 913 314	-1 197 326 932
Revaluation Reserve	-	-	-	-149 510	-149 510
Grand Total	-	-	-	-	-

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

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2022

55. Regulation 45 disclosure

As per Section 45 of the MFMA SCM regulations the notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state or

has been in the service of the state in the previous 12 months indicating:

- The name of that person
- The capacity in which that person is in the service of the state/municipality; and
- The amount of the award

The information regarding awards made for the financial year is indicated below.

Bidders Appointed in Service of State

Service Provide/goods description	Name/relation/Organ of state	2023	2022
Munsoft -Financial Management and Internal Control system	M, Rerani Spouse to director Dept. of Chief Justice	6 053 912	5 596 661
Limpopo Floor Care Trading & Projects- Refreshment - water and energy drinks for IMSSA Games-	Spouse to directorMatlalaHospital	22 272	-
Limpopo Floor Care Trading & Projects- Supply of a Digital Photo Camera	Spouse to directorMatlalaHospital	17 000	-
Ken and Son Business Enterprise- Supply and Delivery of Road Marking Paints	Spouse to directorMatlalaHospital	246 482	-
Ken and Son Business Enterprise- Catering	Spouse to directorMatlalaHospital	29 150	-
Mphodics Supplies- Catering	Maria Aphane - business associate - Ephraim Mogale Municipality	25 760	-
Sekankoe Engineering High Mast Lights at Matseding- High Mast Lights at Matseding	Director's Spouse - Khalaki, ME- Dept. of Labour Mpumalanga	1 391 845	-
Musanda Travel Agency- Travel Management services for 36 months	Director's Spouse - Ledwaba, MP - Department of Education	614 121	-

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55. Regulation 45 disclosure (continued)

CONLOGVendingManagement System for a period of 36 months	Virvasha Moodley, spouse to the directorDept. of Health	863 133	92 768
Limpopo Floor Care Trading & Projects -Panel of atleast three SPs for the Supply and Delivery of Cleaning Materialsand Refuse Bags as and when required for 24 months	Spouse to directorMatlalaHospital	-	81 670
Limpopo Floor Care Trading &Projects- Supply and Delivery of LED light fittings (8/2/116)	Spouse to directorMatlalaHospital	-	83 105
Limpopo Floor Care Trading & Projects-Repairs andMaintenance of Leeuwfontein Satellite Office (8/2/111)	Spouse to directorMatlalaHospital	-	148 500
Ken and Son Business EnterprisePublication of Advert	Spouse to directorMatlalaHospital	-	12 780
Ken and Son Business EnterprisePayment for CMAMtraining for officials	Spouse to directorMatlalaHospital	-	17 300
Maisela Phasudi TradingProvision of transport service	Nora Letsela - business associatesEphraim Mogale Municipality	-	28 940
Maisela Phasudi TradingProvision of transport service	Nora Letsela - business associatesEphraim Mogale Municipality	-	6 780
MarizotDecorations	Maria Aphane - business associateEphraim Mogale Municipality	-	30 000
MarizotCatering	Maria Aphane - business associateEphraim Mogale Municipality	-	19 000
MarizotCatering	Maria Aphane - business associateEphraim Mogale Municipality	-	8 000
MphodicsSuppliesDecorations	Maria Aphane - business associateEphraim Mogale Municipality	-	29 900

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

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55. Regulation 45 disclosure (continued)

Mphodics SuppliesCatering	Maria Aphane - business associateEphraim Mogale Municipality	-	25 760
Environmental & Sustainability SolutionsExternal ComplianceAudit of the EPHMLM Landfill Site - 2020/21 (8/2/105)	Godschalk, Else Maria - SpouseAfrikaans HoerSkool	-	49 238
Environmental & Sustainability SolutionsExternal Compliance Audit of the EPHMLM Landfill Site - 2020/21 (8/2/105)	Swart, Josias Servaas - SpouseSasol	-	49 238
Sekgothe Segotsi Trading & ProjectsSupply and Delivery of EPWP Personal ProtectiveClothing and Tools (8/2/128)	Mokobaki, Mabulanyane Daniel - SpouseDepartment of Education	-	65 728
Baagishani ProjectsConstruction of Marble Hall Ext 6 Stormwater - Phase 5 (8/3/399)	Segoale, Mabatswa WinnieDepartment of Health	-	4 120 520
Pezapu (Pty)Ltd- various services	Matlakala Esther MarabaLimpopo: Roads and transport	-	52 160
Maphungubye travellingagency - Accommodation bookings	Ntiyiso Debora NkunaSouth African Broadcasting Corporation	-	12 208
Mongwai Business solutions - various services	Thabang Job Pleasure MaileNAT: Statistics S.A.	-	138 350
Bophelo occupational health care- Counselling	Minah PhalaGautengProvince: Health	-	29 991
Tshipane Business Enterprise- Hire Charges: Barricades, tent & sound	Thomas Tshipane MatlalaWater trading account	-	48 000

56. Finance lease obligation

Minimum lease payments due

- within one year	10 400 156	-
- in second to third year inclusive	19 933 632	-

less: future finance charges	30 333 788	-
	(5 111 918)	-

Present value of minimum lease payments	25 221 870	-
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Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
56. Finance lease obligation (continued)		
Non-current Portion	17 602 435	-
Current Portion	7 619 435	-
	25 221 870	-

It is municipality policy to lease certain motor vehicles and equipment under finance leases. Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The municipality's obligations under finance leases were secured by the lessor's charge over the leased assets..

57. Accounting by principal and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) are as follows:

Entity as agent

The municipality is the Agent in the Principal-Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Income from Agency Services in the Statement of Financial Performance as Licences and permits. The amounts due to the Provincial Department at year end is included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.

Revenue recognised

The aggregate amount of revenue that the Municipality recognised as compensation for the transactions carried out on behalf of the principal is R 5 687 860 for 2023 year and 6 158 552 for 2022 year.

Liabilities recognised:

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity are R67 202 at as 30 June 2023 and R 194 780 for 30 June 2022.

Entity as principal

Municipality is the Principal in arrangements with service providers who sell prepaid electricity on their behalf. Prepaid vendors earn commission on the value of each transaction. Commission paid to agent during the year was R 748 484 for 2023 year and R 515 864 for 2022 year

Report of the auditor-general to the Limpopo Provincial Legislature and council on Ephraim Mogale Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Ephraim Mogale Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets and 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, the financial statements present fairly, in all material respects, the financial position of the Ephraim Mogale Local Municipality as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (DoRA).

Basis for opinion

3. 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.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Material allowance for impairment

7. As disclosed in note 7 to the financial statements, the gross consumer debtor balance amounted to R189 653 112 (2022: R174 964 027) and as a result of irrecoverable consumer

debtors, a material allowance for impairment of R112 241 919 (2022: R102 990 857) was made.

An uncertainty relating to the future outcome of exceptional litigation

8. With reference to note 39 to the financial statements, the municipality is the defendant in various lawsuits. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Restatement of corresponding figures

9. As disclosed in the note 49 to the annual financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements for the municipality at, and for the year ended 30 June 2023.

Other matter

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

Unaudited disclosure notes

11. 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 requirements 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

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. 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

14. 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.

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

Report on the audit of the annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected key performance area presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
17. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected a key performance area that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Key performance area (KPA)	Page numbers	Purpose
KPA 2: Basic service delivery and infrastructure development	XX	To improve social and community well-being through provision of accelerated basic service delivery

18. I evaluated the reported performance information for the selected key performance area 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.
19. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner

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

20. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

21. The material findings on the reported performance information for the selected key performance area are as follows:

KPA 2: Basic service delivery and infrastructure development

Km of stormwater constructed by June 2023

22. An achievement of 61.47% complete bedding and pipe laying was reported in the annual performance report. However, the target in the approved service delivery and budget implementation plan was to construct 700m of stormwater.

Various indicators

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

Indicator	Target	Reported achievement
Number of refuse containers placed in villages/and farms for access to refuse collection (once a week removal)	5/week 270 annually	4/week 208 annually
Km of stormwater constructed by 30 June 2023	700 m of stormwater constructed	61.47% complete bedding and pipe laying

Various indicators

24. Based on audit evidence, the actual achievements for two indicators did not agree to the achievements reported. Consequently, the targets were not achieved, the under achievements on the targets were more than reported and the achievements against the targets were lower than reported.

Indicator	Target	Reported Achievement	Actual Achievement
Number of villages with access to a minimum level of basic waste collection by June 2023	3 villages per week 162 annually	3 villages per week 162 annually	3 villages per week 42 annually
Number of households in Marble Hall with access to a minimum level of basic waste collection by June 2023 (once a week)	915 h/h week 49 734 households annually	915 h/h week 49 734 households annually	211 h/h week 10 972 households annually

Other matters

25. I draw attention to the matters below.

Achievement of planned targets

26. 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 finding on the reported performance information.

Material misstatements

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

Report on compliance with legislation

28. 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.

29. 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.

30. 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.

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

Annual financial statements

32. 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, current assets, liabilities and revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected which resulted in resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

33. Reasonable steps were not taken to prevent irregular expenditure amounting to R56 416 259 as disclosed in note 45 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with the supply chain management regulations.

Asset management

34. 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.

Human resource management

35. 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 Municipal System Act 32 of 2000.

Strategic planning and performance management

36. The performance management system and related controls were inadequate as it did not function how the performance monitoring, review and reporting processes should be managed, as required by municipal planning and performance management regulation 7(1).

Other information in the annual report

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

Internal control deficiencies

41. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
42. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the material findings on annual performance report and compliance with legislation included in this report.
43. Senior management did not adequately oversee the operations of the municipality, as the financial statements and annual performance report contained material misstatements not detected by the municipality's own system of internal control.
44. Internal controls for monitoring compliance with legislation were ineffective as it did not detect and prevent instances of non-compliance with legislation.
45. Daily and monthly internal controls measures in place are not adequate to identify, prevent and correct all the errors and misstatements in the financial statements to ensure compliance with the relevant laws and regulations applicable to the municipality for reporting.
46. The municipality's reactive approach in addressing inadequate systems of internal control indicates that mitigating processes are not effective.

Material irregularities

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

Material irregularities identified during the audit

48. The material irregularities identified are as follows:

Material irregularity: Overpayment of suppliers (Mooihoek / Mashemong Street)

49. Service providers were appointed by the municipality on 21 August 2019 and 13 December 2016 respectively for the Construction of Mashemong / Mooihoek internal street for 3.85km with a contracted amount of R 22 488 640. The planned completion date of 17 December 2020 was revised to 10 March 2021 however, practical completion was reached on 28 June 2021.
50. As a result of various project delays, challenges by the contractor to meet deadlines lack of monitoring over the work of consultants and poor project management, the municipality incurred fruitless and wasteful expenditure amounting to R 3 672 703. The accounting officer terminated the contract with Loge Construction CC on 20 December 2021 as per recommendation letter submitted by the consultant dated 29 October 2022.

51. The non-compliance with Section 65(2) (a) of the MFMA resulted in material financial loss for the municipality amounting to R 3 672 703 .There were significant internal control deficiencies on the payments to service providers and their professional fees, payment for work not verifiable on site, payment for material not in accordance to the agreed specification, poor project management and lack of monitoring for the projects by the municipality and consultants. As result, the municipality incurred the financial loss.
52. The accounting officer was notified of the material irregularity on 15 December 2022. The accounting officer responded on 10 February 2023 and the following action was taken to resolve the material irregularity:
- The Director: Infrastructure projects was placed on pre-cautionary suspension with full pay on 26 July 2022.
 - The municipality appointed an independent external investigator on 4 August 2022 to conduct investigations into allegations of misconduct against the Director: Infrastructure Project and the investigation was concluded on 9 September 2022 and revealed serious allegations of improper conduct against the director: Infrastructure projects.
 - The municipal council took a resolution that, due to the serious nature of misconduct allegedly committed by the director: infrastructure projects, disciplinary proceedings must be instituted against the director. A legal firm was appointed on 4 August 2022 to conduct the disciplinary process and were concluded on the 25 November 2022.
 - Subsequent to the disciplinary process undertaken by the municipality , the director has rendered his resignation to the accounting officer on 31 January 2023
 - The project has since been completed on 28 June 2021 and is in use by the communities.
 - Compliance committee was appointed on the 28 of August 2022 with approved terms of reference to ensure compliance with laws, regulations and policies of the municipality.
 - A legal firm was appointed on 4 August 2022 from the panel of attorneys and is in the process of recovering funds from the service providers and combined summons would be issued in due course to the service providers
 - Management conduct verification and confirmation of quantities to ensure correctness of claims from the service providers to prevent similar incidents as guided by the conditions stipulated in MIG (Municipal Infrastructure Grant) and Municipal Finance Management Act, (MFMA).
 - The PMU has undertaken the General Condition of Contract refresher course on 22-23 June 2023.
53. The municipality referred the matter on 27 July 2022 to FMB for further investigation in respect of recoverability processes for the financial losses and the investigation was completed on 11 October 2023. The report is not yet tabled before the municipal council and it is planned to be tabled on 30 November 2023.

54. I will follow up on this investigation and the implementation of any planned actions during my next audit.

Status of previously reported material irregularities

Prohibited Investment with a Mutual Bank not registered in terms of the Bank Act.

55. The municipality made an investment with Venda Building Society Mutual Bank (VBS) on 6 September 2017 to the value of R80 000 000. At the time of placing VBS under curatorship on 11 March 2018, the municipality had investments amounting to R87 320 000. The municipality made an impairment assessment and fully impaired the investment during the year ended 30 June 2019.
56. The municipality received letter from the curator of VBS Bank on 11 March 2018 informing them that VBS Bank is under curatorship and that all deposits with VBS Mutual Bank are frozen until such time the bank is in position to repay these deposits. VBS was subsequently liquidated after the North Gauteng High Court issued the final order to liquidate the bank on 13 November 2018.
57. In terms the Municipal Investment Regulations 6, a municipality may only invest deposits with bank registered in terms of the Bank Act 94 of 1990. The municipality did not comply with Municipal Investment Regulations as VBS is not registered in terms of the Bank Act.
58. This non-compliance is likely to result in a financial loss of R87 320 000 for the municipality if the amount invested is not recovered in full from the estate of VBS.
59. The accounting officer was notified of the material irregularity (MI) on 8 December 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter and the AO responded to the notification on 4 February 2022. On 11 October 2022, a follow up letter was submitted to the accounting officer to provide a formal response regarding progress on actions taken to address the material irregularity and the accounting officer responded on the progress made to date on 12 October 2022:
- Council suspended both the accounting officer and the chief financial officer in October and December 2018 without pay for period not more than three months. Disciplinary steps were taken against the accounting officer and the chief financial officer and both their services were supposed to be terminated through a settlement agreements entered into on 6 October 2020 and 12 October 2020 respectively. However, the council took a resolution to make submissions to set aside the settlement agreements at the Labour Court for both the accounting officer and the chief financial officer on the 4 December 2020 and the case it's still in progress at the High Court as the audit report date.
 - Subsequently, they both rendered their resignation letters which were accepted by the council
 - The Municipal Public Accounts Committee (MPAC) and law firms were appointed by council to perform an investigation for both Accounting officer and the Chief Financial Officer during 2018-19 financial year and their reports were adopted by council.

- The accounting officer also reported that the matter is before the High Court on the 17 October 2022 and summons were issued to the accounting officer and the chief financial officer on 4 December 2020 for the recovery of funds and formal claims were lodged with curator of VBS for the process of recovery of the monies.
- The municipality lodged a claim with the curator as a creditor on 6 November 2019 in the Polokwane High Court.
- The municipality received an amount of R6 112 400 from VBS curators on 4 February 2022. No further recoveries have been made since.

60. The DPCI indicated during April 2023 that it would consider referring amounts that are not recovered through the liquidation process to the Asset Forfeiture Unit, for further recovery.

61. I received a written submission on the action taken to address the MI on 11 October 2022. I considered the representations made and the substantiating documents provided and have concluded that appropriate actions have been taken to address the material irregularity. Therefore, I will not pursue this matter any further.

Material irregularity: Overpayment of suppliers on Mamphokgo Sports Complex

62. The municipality appointed a service providers after an open tender process to construct the Mamphokgo Sports Complex. The commencement date was 7 September 2017 with an anticipated completion date of 14 December 2018, at a contract amount of R17 093 783. The monthly reports reported various delays and challenges by the contractor to meet deadlines. There was a variation to the contract to the value of R6 773 224. The new contract value amounted to R23 867 008, and the new completion date was set for 26 May 2019. However, the delays on site continued and the contract with the service provider was cancelled on 17 June 2020.

63. Another service provider was appointed on 28 October 2020 with approved extensions of time until 28 May 2021 for contract value amounting to R1 477 707, the project was still incomplete as of 30 June 2021.

64. The municipality paid the full cost as per the bill of quantity (BOQ), for the installation of the high mast lighting whereas the work was not completed and also paid the full cost for combi courts where incorrect furniture was installed. Furthermore the municipality made an overpayment due to items not verified on site and payments made in excess of work done.

65. This is non-compliance with Section 65(2) (a) of the MFMA and resulted in an estimated material financial loss for the municipality amounting to R2 790 030 due to approved payments made to the service providers for incomplete work, payment made in excess of work done and payment for work which could not be verified on site.

66. The accounting officer was notified of the material irregularity on 5 October 2022. The accounting officer responded on 1 November 2022 and the following action was taken to resolve the material irregularity:

- The Director: Infrastructure projects was placed on pre-cautionary suspension with full pay on 26 July 2022.
 - The municipality appointed an independent external investigator on 4 August 2022 to conduct investigations into allegations of misconduct against the Director: Infrastructure Project and the investigation was concluded on 9 September 2022 and revealed serious allegations of improper conduct against the director: Infrastructure projects.
 - The municipal council took a resolution that due to the serious nature of misconduct allegedly committed by the director: infrastructure projects, disciplinary proceedings must be instituted against the director. A legal firm was appointed on 4 August 2022 to conduct the disciplinary process and were concluded on the 25 November 2022.
 - Subsequently to the disciplinary process undertaken by the municipality, the director has rendered his resignation to the accounting officer on the 31 January 2023.
 - Compliance committee was appointed on the 28 of August 2022 with approved terms of reference to ensure compliance with laws, regulations and policies of the municipality.
 - Management conducted verification and confirmation of quantities to ensure correctness of claims from the service providers to prevent similar incidents.
 - The performance management unit (PMU) has undertaken the General Condition of Contract refresher course on the 22-23 June 2023.
67. The municipality referred the matter on 27 July 2022 to Financial Misconduct Board (FMB) for further investigation in respect of recoverability process for the financial losses and the investigation was completed on 11 October 2023. The report is not yet tabled before the municipal council and it is planned to be tabled on 30 November 2023.
68. I will follow up on this investigation and the implementation of any planned actions during my next audit.

Other reports

69. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by the Public Protector. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
70. The Public Protector performed an investigation into allegations of maladministration in the municipality relating to the appointment within the internal audit unit and submitted a report to the municipality. Council adopted the report subject to judicial review, which was still in progress at the date of the audit report.

71. The Public Protector is currently performing an investigation into allegations of maladministration in the municipality relating to an appointment within the finance department. The investigation is still on-going at the date of the audit report.

Auditor-General.

Polokwane

30 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)

Legislation	Sections or regulations
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
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)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)



AUDITOR-GENERAL
SOUTH AFRICA



MANAGEMENT REPORT

Ephraim-Mogale Local Municipality

2022-23

Date: 24 November 2023

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INTRODUCTION

1. The purpose of this management report is to communicate the outcomes of the audit for the financial year ended 30 June 2023, as well as the insights and significant matters that require the attention of the accounting officer. The report should be read with the engagement letter, which sets out our responsibilities as well as the standards and processes we apply in performing our audits.
2. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report has been signed.
3. We communicated our audit findings and recommendations for improvement to management and obtained their responses throughout the audit. This report is a comprehensive summary of what we shared with management. In **annexure D**, we provide a summary of detailed findings communicated to management.
4. The management report is structured as follows:
 - In **section 1** we share the overall audit outcomes and the status of material irregularities. We also summarise the material irregularities in **annexure F**.
 - In **section 2** we provide the most significant matters from the audit and their impact, which we detail further in the annexures. Where appropriate, we also include:
 - Significant deficiencies in internal control that caused the findings we report: significant internal control deficiencies occur when internal controls do not exist; are not appropriately designed or implemented; or are not operating as intended to prevent – or to promptly detect and correct – material misstatements, non-compliance or non-performance. In **annexure C** we expand on the state of internal control.
 - Key recommendations and the responses received from management on implementing the recommendations.
 - In **section 3** we include observations on the overall internal control environment and the role of the accountability ecosystem, as well as key recommendations and responses from management.
 - In **section 4** we provide our view of the root causes of deficiencies in the overall internal control environment, as well as recommendations for the accounting officer to address the root causes.
 - We end the report with a **conclusion**.
5. We trust the insights and recommendations in this report will be of value in your pursuit towards building and leading a municipality that is accountable and transparent, has institutional integrity, and performs at a level that has a positive impact on the lives of South Africans.

SECTION 1: AUDIT OUTCOMES AND MATERIAL IRREGULARITIES

OVERALL AUDIT OUTCOMES

6. The overall audit outcome of the municipality is unqualified audit opinion with findings. This is an improvement from the previous year's audit outcome.

Audit results per outcome area

Outcome area	Movement	2022-23	2021-22	2020-21
Financial statements	▲			
Annual performance report				
• KPA 2: Basic Service Delivery and Infrastructure Development	▶			
Compliance with legislation				
• Annual Financial Statements, performance report and annual reports	▶			
• Procurement and contract management	▲			
• Expenditure management	▶			
• Utilisation of conditional grants	▶			
• Consequence management	▲			
• Strategic planning and performance management	▶			
• Revenue management	▶			
• Asset management	▶			
• Human resource management	▶			

Unqualified / No material findings	Qualified	Adverse	Disclaimed	Material findings	Not audited
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▲	Improvement	▼	Regression	▶	Unchanged
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7. The overall outcome of the audit has improved from the previous financial year, as a result of monitoring and addressing action plan. The overall quality of the submitted financial statements was not up to standard as the financial statements contained material misstatements that were not detected by the entity's systems of internal controls. Those material misstatements were subsequently corrected.

8. We commend management for improvement in the audit of procurement and contract management. In previous financial years there were significant material non-compliance identified for non-compliance with supply chain management policy and regulations, however in current financial year there are no significant material non-compliance to be reported in the audit report.
9. We provide further insight into the audit outcomes, the root causes of weaknesses and our recommendations in the rest of this report.
10. Annexure E lists matters that will affect future financial statements, annual performance reports and compliance with legislation.

MATERIAL IRREGULARITIES

11. Since we began implementing the material irregularity process, we have identified three material irregularities at the municipality.

Status of material irregularities

Year of notification	Total	Resolved	Appropriate actions	Following up actions taken	AGSA further actions	Notification response not yet due	Assessing response
2021	1	1	1	-	-	-	-
2022	2	-	2	2	-	-	-

12. We received written submissions from the accounting officer on three of the material irregularities identified. We considered the representations made and the substantiating documents provided and have concluded that appropriate actions are being taken to address two material irregularities, and will be followed up in the next financial year (2023/24). We further concluded on one material irregularity that appropriate actions have been taken to address the matter.
13. Should there be any undue delays in the implementation of the actions that the accounting officer committed to in his submissions to deal with the two material irregularities, we will reconsider our determination that appropriate actions are being taken.
14. The auditor's report will detail the material irregularity that was resolved in the current year. **Annexure F** lists the material irregularities that will be included in the auditor's report.

SECTION 2: SIGNIFICANT MATTERS

FINANCIAL STATEMENTS

Audit results

15. The financial statements were submitted to us for auditing on 31 August 2023.
16. We identified material misstatements in the financial statements submitted for auditing. The material misstatements constitute non-compliance with the Municipal Finance Management Act 56 of 2003 (MFMA). The non-compliance will be reported as a material finding in the auditor's report.

Material misstatements corrected

Accounting standard / legislation	Nature	Value	Description	Prior-year misstatements	
				2021-22	2020-21
Investment property					
GRAP 1 and 16	Overstatement	R2 764 780	Investment properties included in the assets register but not in the name of the municipality. Assets in the name of the municipality but not included in the investment property register. Assets included in the valuation report as transfers, but the assets are not excluded in the asset register		
Revenue from non-exchange- Interest on outstanding receivables					
MFMA 62(1)	Overstatement	R6 649 558	The municipality charged interest on a customer account that does not have a registered owner		
Revenue from non-exchange transactions - Property rates					
MFMA 62(1) and Property rates policy	Overstatement	9 961 582	The municipality billed property rates to customers that no longer own the billed properties		
Commitments					
GRAP 1 and 19	Overstatement	R116 702 534	Operational expenditure included in the note for commitments		
Contingent liabilities					
MFMA 62(1) and GRAP 1	Overstatement	R4 918 698	Contingent liabilities that were disclosed in 2021-/22 financial year but not disclosed in the current year Litigation register was not updated during the preparation of annual financial statements (AFS)		

Accounting standard / legislation	Nature	Value	Description	Prior-year misstatements	
				2021-22	2020-21
MFMA 62(1) and GRAP 1	Understatement	32 700 042	No reasonable estimate made for claims disclosed		
Contingent Assets					
MFMA 62(1) and GRAP 1 and 19	Understatement	R2 206 182	Contingent assets that were disclosed in the 2021-22 financial year but not disclosed in the current year		
MFMA 62(1) and GRAP 1 and 19	Overstatement	R6 112 400	Municipality received an amount from VBS however the value of the contingent assets was not adjusted to reflect this amount		
Property, plant and Equipment					
MFMA 62(1), GRAP 21(18),(20),(23)	Overstatement	42 349 246	Assets without physical condition in the fixed asset register Assets without location in the fixed asset register Assets with the same barcoded in the fixed asset register		
GRAP 13 (38)	Overstatements	R25 814 266	Misclassification of leased assets within property, plant and equipment		
Segment reporting					
MFMA 62(1) and 122	Understatement	R34 769 948	Segment reporting amounts included on Note 54 do not agree with the amounts as per the face of the AFS		
Irregular Expenditure					
SCM regulation 28(1)(a)(i) MFMA 112(1)(iii) SCM regulation 27(2)(a) CIDB regulation 17 (a)	Understatement	R4 443 302	The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services (CIDB regulations)		
Financial Instruments					
MFMA 62(1) and 122(1)	Overstatement	R26 931 227	The amounts recorded on the face of the financial statements do not agree with the amounts on note 37		

	Uncorrected		Corrected		No prior-year misstatement
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17. The municipality have misstatements that are recurring based on the above assessment. The misstatements have a negative impact on the quality of the financial statements.
18. **Impact:** The material misstatements on auditee's financial statements were subsequently corrected resulted in municipality receiving the unqualified audit opinion with findings and a material non-compliance with section 122(1) of the MFMA and will affect the audit opinion.
19. In line with the engagement letter, management were afforded a single opportunity to correct the misstatements. The adjustments were subjected to further testing by the auditors.

Internal control and recommendations

20. We identified significant internal control deficiencies in financial recordkeeping and the financial statement preparation, which caused the misstatements or could cause misstatements in future.

Significant internal control deficiencies – financial records and financial statements

Internal control deficiency	Prior years reported	
	2021-22	2021-22
Management did not prepare an accurate and complete asset register that is supported and evidenced by reliable information to ensure that assets are disclosed and presented in the financial statements in accordance with the applicable Standards of GRAP	√	√
Management did not keep full and proper record of the financial affairs of the municipality to ensure that the municipality does not overstate its revenue by billing non-existing customers	√	N/A
Management did not sufficiently review the financial statements to ensure that contingent liabilities and assets are disclosed in accordance with GRAP 1 and 19	√	N/A
Management did not prevent non-compliance with legislation to prevent irregular expenditure	√	√
Management did not exercise adequate review of the annual financial statements to ensure that all notes to the financial statements are accurately and completely presented	√	√

21. We made recommendations to improve the financial records and the financial statements preparation process to the accounting officer. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – financial records and financial statements

Recommendation and management response	Year originally recommended	Status of implementation
Recommendation: Management should prepare an accurate and complete asset register that is supported and evidenced by reliable information to ensure that assets are disclosed and presented in the financial statements in accordance with the applicable Standard of GRAP Response: Management accepted the recommendation and it was indicated that they will request for adjustments	2021-22	In progress

Recommendation and management response	Year originally recommended	Status of implementation
Recommendation: Management to keep full and proper record of the financial affairs of the municipality to ensure that the municipality does not overstate its revenue by billing non-existing customers Response: The recommendation was accepted by management and it was indicated that adjustments will be made including considerations of the whole population	2022-23	In progress
Recommendation: Management did not exercise adequate review of the annual financial statements to ensure that all notes to the financial statements are accurately and completely presented Response: The recommendation was accepted by management and it was indicated that adjustments will be made	2021-22	In progress
Recommendation: Management should prevent non-compliance with legislation so as to prevent irregular expenditure Response: Recommendation was not accepted by management as they did not agree to the communication of findings	2020-21	Not started

22. Despite an action plan being developed to prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information on a yearly basis, material misstatements continue to be identified during the audit. There is a lack of timeous monitoring and adherence to the action plan by the appropriate level of management as not all recommendations made have been implemented. As a result of the lack of monitoring and adherence to the action plan, inappropriate reliance has been placed on the auditors to achieve improved outcomes for the previous three years.
23. The prior year recommendations are not being implemented as there are still repeat findings that are material. Management should improve on the internal control deficiencies noted above and comply with legislation in order to improve the audit outcome.

Information to be included in auditor's report

24. We may communicate in the auditor's report matters relating to the audit, the auditor's responsibilities and the auditor's report that are important for users of the financial statements to know about. The following matters will be included as 'other matters' in the auditor's report:

- Unaudited disclosure notes

In terms of section 125(2) (e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement in note 55 to the financial statements did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

25. We will include an 'emphasis of matter' paragraph in the auditor's report to draw the attention of users of the financial statements to the following matter[s] which we deem to be fundamental to their understanding of the financial statements:

- Restatement of corresponding figures

As disclosed in the note 49 to the annual financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements for the municipality at, and for the year ended 30 June 2023.

- An uncertainty relating to the future outcome of exceptional litigation

With reference to note 39 to the financial statements, the municipality is the defendant in various lawsuits. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

- Material allowance for impairment

As disclosed in note 7 to the financial statements, the gross consumer debtor balance amounted to R189 653 112 (2022: R174 964 027) and as a result of irrecoverable consumer debtors, a material allowance for impairment of R112 241 919 (2022: R102 990 857) was made.

FINANCIAL MANAGEMENT AND PERFORMANCE

Going concern

26. Our audit included an evaluation of the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements and whether any material uncertainties exist about the municipality's ability to continue as a going concern.
27. We did not identify any events or conditions that cast significant doubt on the municipality's ability to continue as a going concern.

Budget management

28. We tested compliance with the legislative requirements for budget management and performed tests to identify budget overspending or budgets not spent for their intended purpose. We did not identify findings to highlight in this area of financial management.
29. We also tested compliance with the legislative requirements for the preparation and approval of the budget for the next (new) financial year. We did not identify findings on these budget processes.

Financial assessment and compliance

30. Our audit included a high-level assessment of the financial position and key financial ratios of the [type of auditee] based on its financial results to assess its going concern (as detailed earlier), and also to highlight to management those issues that may require corrective action to maintain financial stability. The financial ratios used for assessment include those that the National Treasury also apply when assessing whether a municipality is in financial distress. The assessment is intended to complement, rather than substitute, management's own financial assessment.
31. The detailed assessment is included in **annexure A**. We used the amounts and information in the financial statements to perform the assessment.
32. We concluded based on the assessment that the financial health of the Ephraim - Mogale local municipality is good, which is the same as the previous year.
33. Next, we summarise the key matters identified through the assessment that require attention to improve the financial health.

Financial assessment – key matters

Revenue management

As per the financial assessment, the municipality has a high debtor-collection period of 116.1 days which is more than 30 days as required by the debtor's management policy. This is also evidenced by the fact that the municipality's impairment provision as a percentage of accounts receivables is 58.2%.

The municipality developed and implemented a revenue management strategy including the debt incentive scheme.

34. We did not identify non-compliance with legislation and other local government requirements on financial management.

Losses

35. It is crucial for the municipality to implement the necessary disciplines to ensure that value is derived from money spent and that assets and resources are safeguarded. We did identify findings to highlight in this area of financial management. The findings on material non-compliance with legislation will be reported in the auditor's report.

Nature	Description	Rand value		
		2022-23	2022-21	2020-21
Fruitless and wasteful expenditure	Impairment of assets for prior financial year due errors and omissions in the assets register.	R15 000	-	-

36. The municipality paid consultants for asset management services, however, the assets register including any reports or information contained errors and omissions which resulted in information that is not reliable. If the information was correctly captured, it could have assisted the municipality to rectify and address the prior period error in the annual financial statements.
37. **Impact:** The payment for the poor financial services result in a possible loss of funds and can also lead to a regression in audit outcomes.
38. The fruitless and wasteful expenditure incurred constitutes non-compliance with the MFMA. The non-compliance will be reported as non-material finding in the management reports. The misstatements would be included with other fruitless and wasteful expenditure in the annual financial statements.

Grant management

39. The municipality received grants totalling R240 057 025 to fund its programmes and projects in the current year. We audited compliance with the Division of Revenue Act 5 of 2022 (Dora) and the use of the Municipal Infrastructure Grant (MIG).
40. We did not identify findings to highlight in this area of financial management. The findings on material non-compliance with legislation will be reported in the auditor's report.
41. The municipality has fully spent the conditional MIG grant of R56 821 000, which resulted in completion of the infrastructure project for the year under review. Almost 73% of the capital expenditure budget was spent and projects are in use by the community.

Internal control and recommendations

42. We did not identify significant internal control deficiencies in the financial management processes. Where we identified possible improvements, we reported these to management.

PERFORMANCE PLANNING, MANAGEMENT AND REPORTING

Overall performance planning and management

43. We tested whether the municipality performance planning and management processes, integrated development plan (IDP) and service delivery and budget implementation plan (SDBIP) complied with the key requirements from legislation.
44. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on performance planning and management

Finding	Material non-compliance	Prior years reported	
		2021-22	2020-21
The performance management systems implemented by the municipality was not adequate during the period under review and in which case it did not comply with Municipal planning and performance management regulation 7 (1)	Yes	√	N/A

45. The root cause of material finding on reliability of the indicators: There is lack of adequate and sufficient review by the supervisors and management on the means of verification or portfolio of evidence, lack of capacity within the community service and training in respect of the correlation of the data or reports from the end-users to the quarterly performance reports, Lack of consequence management over significant errors or omissions which are recurring from the previous financial years.
46. **Impact:** The material non-compliance casts doubt into the credibility of the reported information by the municipality. The reported performance information does not allow an appropriate transparent process to provide the necessary confidence to the users with regard to the achievements of the municipality's set objectives.

Audit of annual performance report

47. The SDBIP and annual performance report were submitted to us for auditing on 31 August 2023.
48. As detailed in the engagement letter, we undertook a reasonable assurance engagement on specific Key Performance Area selected for auditing. We will report only the material findings in the auditor's report and not the audit as included in **section 1**.
49. We selected the following key performance area for auditing:
- KPA 2: Basic service delivery and Infrastructure development
50. Basic service delivery is the provision of sustainable integrated infrastructure and services. These essential services encompass a range of basic needs that are crucial for the well-being and quality of life of residents. In terms of its legislative or political mandate the municipality is responsible for the provision of basic service delivery, which relate to refuse, road infrastructure and provision of free basic electricity for indigents households. (water service is with Sekhukhune district municipality).
51. We evaluated the reported performance information for the selected development priority against the criteria developed from the performance management and reporting framework. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users of the report on the municipality's planning and delivery on its mandate and objectives.

We performed procedures to test whether:

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

We also performed procedures to test whether:

- The overall presentation of the performance information in the annual performance report is comparable and understandable.
- the indicators used for planning and reporting are complete by considering the core functions of the municipality as defined by its mandate, the prioritisation for delivery on those core functions and any applicable standardised indicators.

We will not report material findings on these matters in the current year's auditor's report, but such findings will be included from **2023-24**.

Audit results – KPA 2: Basic service delivery and infrastructure development

52. We did not identify findings on the completeness of indicators.
53. We did not identify material findings on the overall presentation of performance information in the annual performance report.
54. We identified material misstatements in the reported performance information in the annual performance report submitted for auditing.

Material misstatements not corrected

Description	Prior-year misstatements	
	2021-22	2020-21
Number of villages with access to a minimum level of basic waste collection by June 2023		
Number of households in Marble Hall with access to a minimum level of basic waste collection by June 2023 (once a week)		

Description	Prior-year misstatements	
	2021-22	2020-21
Number of refuse containers placed in villages/and farms for access to refuse collection. (Once a week removal)		
Km of storm water constructed by June 2023		

Uncorrected	Corrected	No prior-year misstatement	Indicator not audited/included in annual performance report
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55. The material misstatements that were not corrected will be reported in the auditor's report. These misstatements formed the basis for the modified opinion.
56. This KPA has been modified in the prior year. Measures need to be put in place to ensure that there is appropriate review of actual achievements before submission for audit.
57. We may communicate in the auditor's report matters about the audit, the auditor's responsibilities and the auditor's report that are important for users of the annual performance report to know about. We will include information on the corrections to the material misstatements in the submitted annual performance report in the 'other matters' section in the auditor's report.

Information to be included in auditor's report

58. We may communicate in the auditor's report matters about the audit, the auditor's responsibilities and the auditor's report that are important for users of the annual performance report to know about. We will include information on the corrections to the material misstatements in the submitted annual performance report in the 'other matters' section in the auditor's report.

Internal control and recommendations

59. We identified significant internal control deficiencies, which caused the weaknesses in the performance planning, management and reporting processes as reported.

Significant internal control deficiencies – performance planning, management and reporting

Internal control deficiency	Prior years reported	
	2021-22	2020-21
Management did not ensure that the indicator is supported by valid audit documentation.	√	√
Management did not prepare accurate and complete performance reports that are supported and evidenced by reliable information in the annual performance report.		

60. We made recommendations to improve the performance planning, management and reporting process to the positions in senior management. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – performance planning, management and reporting

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation:</p> <p>Management should ensure the following:</p> <ul style="list-style-type: none"> Portfolio of evidence (PoE) received from various units are properly verified and reviewed during quarterly reporting Monthly review of the PoE or means of verification should take place in management meetings, corrective action be taken and approved by the senior officials prior to reporting the actual output in the quarterly & annual performance report. <p>Response: Management will develop a proper system of reviewing monthly portfolio of evidence and any other means of verifications stated on the SDBIP.</p>	2020-21	Not started

61. The above recommendation will be followed up in the 2023-24 audit cycle as they could not be fully implemented in the 2022-23 financial year.

ACHIEVEMENT OF PLANNED TARGETS

62. As disclosed in the annual performance report, not all the planned targets were achieved for the Key Performance Areas that we selected for auditing.
63. The municipality did not achieve the majority of the targets set at the start of the financial year and the rate of the accelerated service delivery is very concerning as the municipality spent more of the budgeted funds on performance indicators that were not achieved.
64. There is concern on the delays on the completion of the infrastructure projects that were not disclosed in the current year, and they affect service delivery to the community of the municipality.
65. The municipality must monitor their performance against the planned targets, and report on how they are performing against their expenditure plans and targets. Corrective actions should be taken timely to accelerate service delivery.

OTHER INFORMATION IN ANNUAL REPORT

66. We did not audit the information in the annual report except for the financial statements and the development priorities in the annual performance report selected for auditing.
67. However, the auditing standards require us to read the unaudited information and consider whether it is materially inconsistent with the information we audited or the knowledge we obtained during the audit, or otherwise appears to be materially misstated.
68. The annual report was not received as at 30 November 2023 for us to perform this procedure. We will report this in the auditor's report and indicate that any material misstatements identified when we receive it that are not corrected might result in us retracting the auditor's report and reissuing an amended report.

DELIVERY OF KEY MUNICIPAL SERVICES

69. The audit included an assessment on services to indigent households.

Services to indigent households

70. One of the objectives of the local government equitable share grant is to enable municipalities to provide basic services to poor households. This indicates the grant is in place to:

- Supplement municipal budgets so that an efficient municipality will be able to progressively achieve the provision of free basic services to its poor households in line with national policy norms and standards.
- The grant is intended to assist with, *inter alia*, the operational costs (including maintenance costs) of basic services for poor households.

71. Annually the National Treasury determines the equitable share grant allocation based on certain indicators and provides the municipality with the allocation letter which will include the number of households and estimated number of indigent households, to enable the municipality to adequately budget.

72. The allocation of an amount of equitable share for basic services as per national Treasury for the 2022-23 financial year was R178 826 00 and included an estimate of 37 040 poor households as determined by Stats SA. However, the municipality only used this allocation of equitable share to offer free basic electricity to 911 indigent households and 11 004 households for refuse as per the SDBIP.

73. Therefore, the money budgeted for indigents did reach the intended number of households

74. The municipality used the equitable share to fund free basic electricity to the communities, however some of the community members did not qualify free basic electricity as an indigent in terms of the approved indigent policy of the municipality. Above 350 indigent composed of the government employees, communities and municipal officials did not qualify for the free –basis electricity

75. Similar significant audit finding were raised in the 2021-22 financial year. A system that will verify the indigent register was not procured to date as per the approved action plan for 2022-23.

76. **Impact:** The municipality will not be able to provide services to new qualifying indigents due to the significant number of indigents who do not qualify, being funded by the municipality. Proactive and mechanism to make awareness for the indigent's policy and its requirements its required to ensure that communities becomes aware of the criteria which they need to comply with or applicable to them.

Findings on services to indigent households

Finding	Prior years reported	
	2021-22	2020-21
<p><u>Herewith are the categories of indigents not qualifying for free basic electricity which were identified during the audit.</u></p> <p>Deceased persons were identified in the indigent household listing and received indigent rebates on their accounts.</p> <p>Individuals that have an interest in suppliers of government and/or municipalities.</p> <p>Individuals in the employment of one or another government department or organisation.</p>		

Finding	Prior years reported	
	2021-22	2020-21
<p>Individuals with an ID Number duplicated on the Individual register</p> <p>Spouses of Individuals in the employment of one or another government department or organisation</p> <p>Spouses of Individuals that has an interest in suppliers of government and/or municipalities.</p> <p>Account holders ID number could not be found on the NPR database.</p> <p>Individuals with a birth date of older than one hundred years.</p>		

77. **Impact:** Funds intended for indigent households do not reach the intended number of households.

Recommendations

78. We made recommendations to improve the delivery processes to the senior management.

Key recommendations and responses – municipal services

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Free basic electricity awareness campaigns should be held.</p> <p>Response: Management agrees</p>	2022-23	Not started

HUMAN RESOURCE MANAGEMENT

79. We audited compliance with legislation on human resource management and assessed the processes in place to ensure adequate and sufficiently skilled resources are in place.

80. We identified significant findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on human resource management

Finding	Material non-compliance	Prior years reported	
		2022-2023	2021-2022
<p>The municipality does not have performance evaluations for staff members as required by Municipal Systems Act 32 of 2000 and performance management policy.</p> <p>A formal mid-year and final review was not performed in the current year to assess the relevance of the objectives and the individual's performance against the objectives.</p> <p>The individual did not sign a performance agreement for the current year which should include key performance areas and KPIs.</p>	Yes	√	√

81. We made recommendations to improve the human resource management, some of these recommendations were also made in prior years.

Key recommendations and responses

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Management must ensure that performance evaluations are carried for all staff and not only section 57 managers to comply with the requirements of the MSA and PMS policy.</p> <p>Management needs also to develop a formal succession plan for identified key roles to facilitate future transitions and to ensure business continuity in the event of vacancies arising in key roles.</p> <p>Response: Management agrees with the recommendations.</p>	2022	Limited progress

82. The overall vacancy in the municipality it's not significantly above the norm however the vacancy in the community, infrastructure and corporate service requires improvement to ensure that municipality improve their performance as well as achievement of the planned service delivery targets. Which could halt the service delivery of the municipality as well as its performance.
83. The municipality it's commended for the filling of vacancies at the level of the Section 56 and 57 managers for the year under review.

USE OF CONSULTANTS

84. The municipality spent R11 683 242 on consultants to support the current year financial management and reporting processes which is an increase from the previous year.
85. Our audit included an assessment of the effective use of consultants and compliance with local government requirements for the appointment and management of consultants.
86. We identified findings on the use of consultants.

Findings on use of consultants

Finding	Prior years reported	
	2022-23	2021-22
Consultants were paid for work that is not within the scope the work that's not within the scope of work (Service Level Agreements) contrary to the MFMA	√	No
Management indicated that the municipality did not have and implement a cost containment policy and a cost reduction plan on consultants for the 2022-23 financial year, however, these policies were approved for the 2023/24 financial year., This would be reported as reported as non-compliance with regulation 4(1) and 5(5) (f) of Municipal Cost Containment Regulations, 2019.	√	No
Payments were made to a service provider for preparing, updating and reconciling the fixed assets register for 2021*22 in in terms of the GRAP requirement. The work was of poor quality and resulted in regression of the audit outcome for the municipality.	√	√

87. Consultants were paid R 996 284 for work on the fixed assets register, which was is not part of the scope of work as per the service level agreement which is contrary to the Section 65 (1)(2) of the Municipal Finance Management Act MFMA.

88. We made recommendations to improve the use of consultants to the management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – use of consultants

Recommendation and management response	Year originally recommended	Status of implementation
Recommendation: The accounting officer should implement effective and efficient controls over the appointment of consultants to ensure that payments made are informed by the contractual agreements and actual performance. Response: Management disagreed with the audit finding	2022-23	Not started
Recommendation: Cost reduction plan and cost containment policy must be implemented and being monitored on a regular basis as well as implementation of consequence management for the poor performance Response: Management agreed to implement and monitor the plan and policies.	2022-23	Not started

89. Management developed measures in the audit action plan and subsequently the management has appointed the service provider (Engineers) to address material errors identified on Property, Plant and Equipment's which lead to regression in the audit outcome in the financial year , 2021/22.

ANNUAL FINANCIAL STATEMENTS, PERFORMANCE REPORTS AND ANNUAL REPORTS

We performed an audit on the compliance of the annual financial statements and annual report, where we audited the legislation requirements for the submission of annual financial statements and the annual report.

We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on annual financial statements, performance reports and annual reports

Finding	Prior years reported	
	2021-22	2020-21
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	√	√

90. **Impact:** The financial statements had material misstatements. Some material misstatements could not be corrected by management due to the nature, cause and circumstances. This has caused a non-compliance with section 122(1) of the Municipal Finance Management Act 53 of 2003.
91. This is a repeat non-compliance finding caused by inadequate review of the annual financial statements. The accounting officer did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information.

92. We made recommendations to improve the annual financial statements, performance reports and annual reports to the chief financial officer. Some of these recommendations were also made in prior years.

Key recommendations and responses – annual financial statements, performance reports and annual reports.

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Finance management team should keep full and proper records supporting the annual financial statement, cross-cast balances & review the annual financial statements to ensure that they are in accordance with the prescribed norms and standards.</p> <p>Response: Management agrees with the recommendation.</p>	2020-21	In progress
<p>Recommendation: Management should implement reconciliation procedures to ensure that the annual financial statement agrees to the supporting schedules as well as complying with financial reporting framework, GRAP as well as GRAP Checklist to be used to evaluate their financial and non-financial information against financial reporting requirements.</p> <p>Response: Management agrees with the recommendation.</p>	2020-21	In progress

93. The accounting officer should exercise appropriate actions to ensure that identified deficiencies in internal control are addressed by management on a timely basis.

ASSET MANAGEMENT

94. We performed an audit on the compliance of asset management, where we audited the legislation requirements for the assets management of the municipality.
95. We did identify material findings on assets management which are as follows:
- Investment properties included in the municipality's assets register but not in the name of the municipality, assets in the name of the municipality but not included in the Investment property register and assets included in the valuation report as transfers however the assets are not excluded in the asset register.
 - Assets register does not contain sufficient, accurate and complete information as required by the Assets Management Policy and Assets Management Framework which result in inability or limitation in determination of the values of the assets in the assets register including impairment values
 - Assets without physical condition in the fixed asset register amounting to R 42 Million, asset without location in the fixed asset register, assets with the same barcoded in the fixed asset register.
 - Misclassification of leased assets within property, plant and equipment
 - Completed projects for the year under review but still included under work in progress register. Discrepancies in the Work in Progress register resulting misstatements of the property plant and equipment in the Annual Financial Statements (Note 13).

- Re-assessed Useful life of assets not disclosed and presented in the Annual final statements as required by GRAP 17 & 3 resulting in misstatements on the amounts for the Property , Plant and Equipment in Note 13 as well as Note 53 (Change in Accounting Estimates).
- Useful life of Assets with Zero (0) carrying amounts which are in good use in the assets register were not assessed as required by GRAP 17 resulting the misstatements in Note 13 of the Annual Financial Statements (Property , Plant & Equipment).

INFORMATION SECURITY MANAGEMENT

96. Our audit included an assessment of the effectiveness of information technology (IT) security controls that should prevent unauthorised access to key information systems and safeguard the municipality against business interruptions.
97. We did not identify significant deficiencies in the IT security controls.

EXPENDITURE MANAGEMENT

98. We performed an audit on the compliance of the expenditure management, where we audited the legislation requirements for the payments made by the municipality and prevention of unauthorised, irregular and fruitless and wasteful expenditure.
99. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on expenditure management

Finding	Prior years reported	
	2021-22	2020-21
Reasonable steps were not taken to prevent irregular expenditure amounting to R56 416 259 as disclosed in note 45 to the annual financial statements, as required by section 62(1) (d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with the supply chain management regulations	√	√

100. **Impact:** This has caused a non-compliance with the Municipal Finance Management Act 53 of 2003.
101. The non-compliance findings identified are repetitive in nature and indicates that insufficient measures were taken by management to address the non-compliance especially in the areas of the supply chain management.
102. We made recommendations to improve the compliance with relevant laws and regulations to the chief financial officer. Some of these recommendations were also made in prior years.

Key recommendations and responses – expenditure management

Recommendation and management response	Year originally recommended	Status of implementation
Management regularly review compliance with applicable laws.	2020-21	In progress

103. The accounting officer should exercise appropriate actions to ensure that identified deficiencies in internal control are addressed by management on a timely basis.

STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT

104. We performed an audit on the compliance of strategic planning and performance management, where we audited the legislation requirements.
105. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on strategic planning and performance management

Finding	Prior years reported	
	2021-22	2020-21
The performance management and related controls were inadequate.		

106. **Impact:** Non-compliance with municipal performance regulations.
107. The non-compliance was caused by inadequate monitoring of the performance management processes.
108. We made recommendations to improve the strategic planning and performance management to the accounting officer.

Key recommendations and responses – strategic planning and performance management

Recommendation and management response	Year originally recommended	Status of implementation
Recommendation: Implementation of the action plan to address the root causes of the misstatements identified in the performance information	2022-23	Not started
Response: Management agrees with the recommendation		

109. The accounting officer should exercise appropriate actions to ensure that identified deficiencies in internal control are addressed by management on a timely basis.

INFORMATION TECHNOLOGY PROJECTS

110. We did not identify any information technology projects in the current year.

PROCUREMENT AND CONTRACT MANAGEMENT

111. Section 217(1) of the Constitution envisages supply chain management systems that are fair, equitable, transparent, competitive and cost effective to achieve optimal value for public money spent and ensure equitable opportunities for suppliers to participate in government business. Meticulous contract management and rigorous payment control mechanisms should be in place to ensure that payments are made only upon the supplier's timely delivery, agreed-upon pricing is adhered to and specified quality standards are complied with.

112. We continued to focus on procurement and contract management processes, recognising that public procurement is the area at greatest risk of fraud, financial loss and irregular practices. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.
113. Next, we summarise the areas in procurement and contract management processes where we identified findings – these are the areas at greatest risk of fraud and financial loss. Details on the findings are included in **annexure B**.

Findings on procurement and contract management

Area	Findings		
	2022-23	2021-22	2020-21
Audit limitations			
Deviations			
Conflict of interest			
Non-compliance: competitive bidding process			
Non-compliance: quotation process			
Contract management			

	Material non-compliance with legislation		Findings		No findings
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114. **Impact:** The overall impact of the above findings results in material non-compliance with the laws and regulations. Furthermore, these findings have an impact on the municipality's responsibility for transparency and accountability. This also worsened the irregular expenditures incurred by the municipality and as a result has a potential to compromise the service delivery targets. This will impact negatively on the livelihoods of the citizens within the municipal jurisdiction.
115. The accounting officer did not put adequate controls in place to ensure that there are sound processes in place to ensure that all bid specifications are drafted in an unbiased manner to allow all potential providers to offer their goods and services.
116. These findings were caused by the lack of appropriate reviews in the SCM unit within the municipality to ensure that all SCM prescripts are complied with.

IRREGULAR EXPENDITURE

117. Non-compliance with legislation resulted in irregular expenditure of R56 416 259. The irregular expenditure incurred constitutes non-compliance with legislation. The non-compliance will be reported as a material finding in the auditor's report.
118. The irregular expenditure incurred was disclosed in the financial statements.
119. Irregular expenditure incurred for the appointments of employees were not disclosed in the current year annual financial statements in Note 45 (Position of Director Planning and Accountant Bank reconciliation). This relate to the material audit findings identified during the audit where the municipality had appointed officials who did not meet the recruitments requirements for the year under review.

120. The municipality erroneously omitted VAT in the calculations of the irregular expenditure in the annual financial statements.
121. Service providers appointed through deviations are not in compliance with SCM Regulation 36(1). The deviations for the appointments of the service providers were not reasonable.
122. It was noted that the bid specification for following award was unfair as it advertised that a CIDB grading of 7CE was required despite the budgeted/ estimated project amount allowing for a lower grading, therefore the specification did not allow all potential suppliers to offer their goods/services.

CONSEQUENCE MANAGEMENT

123. Legislation stipulates that matters such as incurring unauthorised, irregular, and fruitless and wasteful expenditure; the possible abuse of the supply chain management system (including fraud and improper conduct); and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of these investigations. Our audit included an assessment of the municipality's management of consequences.
124. We did not identify any findings on the consequences management.
125. During prior-year audits, we reported findings on transgressions by officials or other role players for management to investigate. During the current year's audit, we performed follow-up tests to determine whether management has dealt with these matters. Some of the reported transgressions were investigated by the MPAC with some of the recommendation which were adopted by municipal council.

Prior-year transgressions

Prior-year finding	Instances reported	Instances investigated	Instances resolved through investigation	Prior years reported	
				2021-22	2020-21
Improper conduct in supply chain management process					
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.	6	258	0	258	228
Some of the 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.	35	24	11	24	11
Officials failed to disclose their own interest or that of close family members, partners or associates	0	0	0	0	4
Supplier submitted false declaration of interest	0	0	0	5	7

126. In prior financial years, investigations into irregular and fruitless expenditure could not be concluded.
127. **Impact:** This will result in a lack of the consequences, non-recovery of financial losses and significant weakness in internal controls which will have a negative impact on service delivery.

128. Where we identified possible improvements, we then reported to management. We identified significant internal control deficiencies, which caused the weaknesses in consequence management as reported.

Significant internal control deficiencies – consequence management

Internal control deficiency	Prior years reported	
	2021-22	2020-21
Delays in the adoption of reports of the Financial Misconduct Boards, implementation of their recommendations and application of consequence management.	√	No

129. We made recommendations to improve the consequence management process to the accounting officer. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – consequence management

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The municipality should institute measures or mechanisms to guide, support and enable implementation of investigations into irregular expenditure and fruitless and wasteful expenditure as well as implementation of the recommendations of the MPAC & Financial Misconduct Board.</p> <p>Response: Management take note of the recommendation.</p>	2022-23	In progress

FRAUD RISK

130. Our auditing standards define fraud as an intentional act by one or more individuals who are employees, management, those charged with governance or third parties, and that involves the use of deception to obtain an unjust or illegal advantage.
131. We are required to evaluate whether the information obtained during our audit indicates whether there any fraud risk factors present at the municipality and consider its impact on the audit. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or that provide an opportunity to commit fraud. We did not identify fraud risk factors.

SECTION 3: CONTROL ENVIRONMENT

OVERALL CONTROL ENVIRONMENT

132. The significant internal control deficiencies as reported in **section 2** were caused by weaknesses in the overall control environment, for which the accounting officer and senior management are responsible.
133. The following are the main weaknesses that need urgent attention to improve the overall control environment:

Significant internal control deficiencies – overall control environment

Internal control deficiency	Prior years reported	
	2021/22	2020/21
<u>Leadership:</u> The leadership did not establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities	√	√
The leadership did not monitor the implementation of action plans to address internal control deficiencies	√	√
The leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls as there are similar errors which we identified in the current financial year on the areas of the annual performance report and assets management	√	√
<u>Financial Management and performance:</u> The accounting officer and management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	√	√
The accounting officer and management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	√	√
The accounting officer and management did not implement adequate review and monitor compliance with applicable legislation as there were similar material non-compliance identified in the current year.	√	√

134. The significant deficiencies in internal control that led to our overall assessment of the status of the drivers of key controls in the areas of financial statements, performance reporting and compliance with legislation.
135. Significant internal controls were identified in the areas of the annual financial statements, annual performance reports and compliance with laws and regulations. Significant improvement is required to mitigate the risk of similar errors or omissions in future.
136. Monthly monitoring, adequate review and corrective process its required in the process of the action plan to ensure that progress and reports on the state of actions plan its discussed at senior and executive management meetings as most of the previous financial mechanism were not implemented in the year under review.
137. In **annexure C** we provide a more detailed view of the overall state of internal control.

ACCOUNTABILITY ECOSYSTEM

138. The accountability ecosystem is the collection of role-players that have a part to play in enabling and institutionalising a culture of performance, transparency, accountability and integrity at the municipality. These role-players include the officials, senior management and accounting officer, supported by the internal audit unit and the audit committee.
139. We observed strengths and weaknesses in the contributions to the ecosystem by leadership, management and the governance structures of the municipality. We share our observations with the intention to contribute to strengthening the overall control environment, performance and accountability.

Accounting officer and senior management

140. The accounting officer did not monitor compliance with the relevant legislation as misstatements were identified during the audit.
141. The accounting officer did not ensure that steps were taken to ensure that deficiencies in internal control on performance information identified by auditors were addressed. The municipality developed a plan to address internal and external audit findings, but the accounting officer did not monitor adherence to the plan in a timely manner.
142. The financial statements submitted for audit contained material misstatements that were not detected by the municipality's system of internal controls. The financial statements and annual performance report contained numerous misstatements that required corrections.

Audit committee

143. The audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including performance and financial reporting and compliance with legislation. The audit committee discharged their roles in line with audit committee charter in respect of the review of the action plan, conducting their quarterly meeting, reports of the internal audit functions, oversight visit to the projects and review of the reports from risk committee.

Internal audit unit

144. The internal auditors completed the planned scope of their work during the financial year. The internal audit reports properly outlined the control deficiencies identified and made appropriate recommendation for corrective actions required although these recommendations were not always adequately implemented by the management.
145. The auditing standards allow us to use the work of internal audit units for external audit purposes and for direct assistance. We have used internal audit work for risk identification. The following internal audit reports were used:
- Budget and expenditure review,
 - Interim financial statements review,
 - SDBIP review,
 - Solid waste review
 - Project management.

146. External quality assurance review/assessment was not performed on the internal audit function as required by IIA standard 1312.

Governance and Coordinating Ministries

147. Our audit included an assessment of councillors' and premier's roles and responsibilities, in the municipality, using the relevant acts and regulations relating to municipal council and how the council responds to work done by the AGSA. We have also assessed the role of coordinating ministries, namely Provincial Treasury (PT) and Cooperative Governance, Human Settlement, and Traditional Affairs (Costa) in providing the support to the municipality.
148. The objective of this assessment is to ensure that there is clear and defined mandate of each coordinating ministry and effective collaboration between them to effect improvement in provincial and local government; and to ensure that there is effective accountability ecosystem where all role players understand their roles and how they complement one another.
149. We did not identify findings for the year.

RECOMMENDATIONS AND RESPONSES

150. We made recommendations to improve the overall control environment to the accounting officer in senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – control environment

Recommendation and management response	Year originally recommended	Status of implementation
Recommendation: Management should establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives and responsibilities Response: Management noted the recommendations and committed to implement.	2020-21	In progress
Recommendation: Management should develop and monitor the implementation of action plans to address the internal control deficiencies Response: Management noted the recommendations and committed to implement.	2020-21	Limited progress
Recommendation: Management should exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls. Response: Management noted the recommendations and committed on implementation	2020-21	In progress
Recommendation: Management should implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. Response: Management noted the recommendations and committed on implementation	2020-21	Limited progress
Recommendation: Management should prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	2020-21	Limited progress

Recommendation and management response	Year originally recommended	Status of implementation
Response: Management noted the recommendations and committed on implementation		
Recommendation: Management should perform a proper review of the annual financial statements, develop a standard template as well as procedures to initiate, process, approve and report relating to the annual financial statements to eliminate risk of material misstatement. Response: Management noted the recommendations and committed on implementation	2020-21	Limited progress
Recommendation: The accounting officer should implement effective and efficient controls over monitoring compliance with applicable laws and regulations Response: Management noted the recommendations and committed on implementation	2020-21	Limited progress

151. Control deficiencies were identified and recommendations were proposed to management to implement appropriate corrective measures. This provides assurance with respect to the design, implementation and operating effectiveness of internal controls over financial and performance reporting and compliance with laws and regulations. However, management did not fully implement the recommendations proposed by the internal auditors to address the current and recurring findings that were raised.

SECTION 4: OVERALL RECOMMENDATIONS

152. We provided recommendations to senior management to rectify the weaknesses identified in financial management, performance management, compliance with legislation and service delivery. Our recommendation for the accounting officer is to focus on addressing the underlying root causes of these weaknesses, which stem from deficiencies in the overall control environment and failures in the accountability ecosystem.
153. In our view, the main root causes that need attention are as follows:
- Evidence to support what was reported in the annual performance report not being verified and validated
 - Inadequate and insufficient review of the financial and non-financial information which is used to prepare the annual financial statements.
 - Lack of consequences management for material non-compliances with laws and regulations.
154. Addressing these root causes requires a focused and systematic approach to ensure that action plan is monitored on monthly basis, reviewed and signed off by the accounting officer as well as proper record management to ensure there is sufficient and appropriate audit evidence supporting the progress and achievement of development priorities,
155. The following are our three main recommendations to address the identified root causes. We have shared some of these before and ask for urgent action to ensure their implementation.

Overall recommendations

	Recommendation	Year originally recommended	Status of implementation
1	Monitoring and adequate planning and maintenance for long-outstanding projects mainly on sports complex / recreational facilities to ensure that they are utilised for intended purpose	2021-22	In progress
2	Audit action plan should be implemented, monitored on monthly basis and be subjected to discussions at management meetings and portfolio of evidence must be verified and approved by the senior officials Adequate review and monitoring of monthly financial and non-financial information (listings, register and schedules) to ensure that annual financial statements are supported by reliable documents and information.	2021-22	In progress
3.	Monthly review of the portfolio of evidence or means of verification to be reported in the monthly or quarterly performance reports should take place in management meetings, corrective action be taken and approved by the senior officials prior to reporting the actual output in the quarterly & annual performance report as well as developing culture of accountability & consequence management	2021-22	In progress

CONCLUSION

156. We call on all our stakeholders that play a pivotal role in the accountability ecosystem to stimulate and promote a culture of accountability that will improve service delivery and create tangible prospects for a better life for our people.

Yours sincerely



Gerhard Odendaal

Senior Manager

30 November 2023

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ANNEXURE A: FINANCIAL ASSESSMENT

We included a summary of the financial assessment we did as part of the audit in the section on financial performance. This annexure includes the detailed ratios and information used for the assessment.

Financial health assessment

		Current year	Previous year
Expenditure management			
1.1	Creditor-payment period	43.2 Days	34.2 days
1.2	Deficit was realised for the year (total expenditure exceeded total revenue)	No	No
	Amount of surplus / (deficit) for the year	R65 970 091	R47 099 392
Revenue management			
2.1	Debt-collection period (after impairment)	116.1 Days	171.5 Days
	<ul style="list-style-type: none"> Amount of debtor's impairment provision Amount of accounts receivable 	R42 755 171 R73 476 562	R112 767 904 R189 665 829
2.2	Debt-impairment provision as a percentage of accounts receivable	58.2%	59.2%
	<ul style="list-style-type: none"> Amount of debt-impairment provision Amount of accounts receivable (before impairment) 	R42 755 171 R73 476 562	R112 767 904 R189 665 829
2.3	Percentage distribution losses – electricity	1.8%	[%]
	<ul style="list-style-type: none"> Amount of units generated / purchased Amount of units sold to consumers 	31 016 364 30 442 971	35 791 734 34 784 654
2.4	Percentage distribution losses – water	N/A	N/A
	<ul style="list-style-type: none"> Amount of units generated / purchased Amount of units sold to consumers 	N/A N/A	N/A N/A
Asset maintenance and renewal			
3.1	Percentage spending on repairs and maintenance	1.7%	1.30%
	<ul style="list-style-type: none"> Amount of expenditure on repairs and maintenance Amount of property, plant and equipment (carrying value) 	R14 948 707 R873 708 601]	R11 571 388 R887 037 389
3.2	Total capital expenditure as percentage of total expenditure	21.9%	17.54%

		Current year	Previous year
	<ul style="list-style-type: none"> Amount of capital expenditure Amount of total expenditure (operating + capital) 	R97 443 178 R346 867 847	R64 247 079 R366 392 483
3.3	Asset renewal / rehabilitation expenditure as a percentage of total capital expenditure	80.8%	N/A
	<ul style="list-style-type: none"> Amount of asset renewal / rehabilitation expenditure 	R63 785 956	N/A
3.4	Asset renewal / rehabilitation expenditure as a percentage of total depreciation and impairment	132.5%	N/A
	<ul style="list-style-type: none"> Amount of depreciation and impairment 	R59 406 979	N/A
Asset and liability management			
4.1	Total debt / borrowings vs total revenue for the year	142,7%	66,9%
	<ul style="list-style-type: none"> Amount of debt / borrowings Amount of revenue for the year 	R137 861 486 R96 587 320	R109 478 014 R163 671 327
4.2	Current liabilities as a percentage of next year's budgeted resources	14%	12%
	<ul style="list-style-type: none"> Amount of current liabilities Total budgeted income for the next year, excluding employee costs and remuneration of councillors 	R441 189 308 R493 167 000	R56 017 440 R467 592 000
4.3	Net current liability position was realised (total current liabilities exceeded total current assets)	No	No
	<ul style="list-style-type: none"> Amount of net current asset / (liability) position 	R368 988 120	R 325 855 455
4.4	Net non-current liability position was realised (total non-current liabilities exceeded total non-current assets)	No	No
	<ul style="list-style-type: none"> Amount of net non-current asset / (liability) position 	R901 809 219	R920 967 239
4.5	Net liability position was realised (total liabilities exceeded total assets)	No	No
	<ul style="list-style-type: none"> Amount of net asset / (liability) position 	R1 270 797 339	R 1 246 822 694
4.6	Liquid assets as a percentage of total current liabilities (acid test percentage)	560%	615.4%
	<ul style="list-style-type: none"> Amount of liquid assets 	36 704 040	R37 144 321
4.7	Current ratio	6.1	6.8
	<ul style="list-style-type: none"> Amount of current assets 	R441 189 308	R381 872 895
4.8	Total debt to total assets ratio	0.10	0.08

		Current year	Previous year
	<ul style="list-style-type: none"> Amount of debts Amount of assets 	R137 861 486 R1 408 658 825	R109 478 014 R1 356 300 708
Cash management			
4.9	Year-end bank balance was in overdraft	No	No
	<ul style="list-style-type: none"> Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft) 	R318 629 848	R263 739 154
4.10	Cash plus investments less applications	R293 672 387	R305 633 500
	<ul style="list-style-type: none"> Amount of year-end bank balance (cash and cash equivalents) Amount of total investments (short and long term) Less: amount of cash applications/ commitments 	R318 629 848 R0 R24 957 461	R263 739 154 R0
4.11	Cash coverage	11,3 months	0 months
	<ul style="list-style-type: none"> Amount of monthly expenditure 	R28 209 000	
<p>* These amount have been adjusted for uncorrected misstatements that resulted in the unmodified audit opinion and will therefore not agree with the financial statement amounts as some of the misstatements were not corrected in the area of assets and retention.</p>			

ANNEXURE B: PROCUREMENT AND CONTRACT MANAGEMENT

1. We included a summary of our findings and their impact in the section on procurement and contract management. This annexure provides the detailed findings.

Audit limitations

2. No audit limitations were experienced during the audit of procurement and contract management.

Deviations

3. Supply chain management legislation and policy prescribe the processes that apply when procuring specific goods and services as well as their threshold values, including competitive bidding, obtaining quotations or participating in transversal contracts. It also defines the requirements for deviating from the prescribed processes. We identified deviations where the stipulated requirements for such deviations were not complied with.

Findings on deviations from prescribed procurement processes

Contract/quotation	Value and date of award	Finding	Material non-compliance
Ratite Security Services	Value: 45 000 Date: 02 August 2022	Service provider appointed through a deviation from the SCM process not in line with SCM regulation 36.	No
Yetsagala - URGENT PROCUREMENT OF ICT SERVICES TO DO ASSESSMENT	Value: 120 750 Date: 31 January 2023	Service provider appointed through a deviation from the SCM process not in line with SCM regulation 36.	No

4. **Impact:** The municipality did not comply with the supply chain management regulations.
5. Similar non-compliance was identified in the prior year.

Competitive bidding and quotation processes

6. Supply chain management legislation and policy prescribe the manner in which bidding and quotation processes should be performed to enable fair, competitive and equitable procurement. We identified non-compliance with the requirements for the competitive bidding process.

Findings on competitive bidding process

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2021-22	2020-21
Bid specification was not drafted in an unbiased manner to allow for all potential bidders to submit their applications.	Schedule of rates	1	No	N/A	√

7. **Impact:** Non-compliance with SCM regulations.

Contract management

8. Supply chain management legislation and policy prescribe the manner in which contracts should be managed to ensure that payments are only made for goods and services that have been received and that have been delivered at the right quality. We did not identify any non-compliance.

Conflict of interest

9. We assessed the interests of officials and councillors and other persons in service of the state in the suppliers to the municipality. The supply chain management regulations prohibit awards to suppliers where there could be conflict of interest. We did not identify such interests.
10. We also assessed the interests of close family members of officials and councillors in the suppliers to the municipality. Procurement legislation does not prohibit awards to such suppliers, but we performed testing to ensure that conflicts of interest did not result in contracts being unfairly awarded or in unfavourable price quotations being accepted, and to share the information with management as potential risks. We did not identify such interests.

Internal control and recommendations

11. We identified significant internal control deficiencies, which caused the weaknesses in the procurement and contract management processes as reported.

Significant internal control deficiencies – procurement and contract management

Internal control deficiency	Prior years reported	
	2021-22	2020-21
The accounting officer and supply chain management did not ensure that there is adequate review and monitoring of compliance with the SCM and MFMA regulations.	√	√
The accounting officer did not put adequate controls in place to ensure that there is sound processes in place to ensure that all bid specifications are drafted in an unbiased manner to allow all potential providers to offer their goods and services.	N/A	N/A

12. We made recommendations to improve the procurement and contract management process to the senior management. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – procurement and contract management

Recommendation and management response	Year originally recommended	Status of implementation
Recommendation: The accounting officer and supply chain management should ensure that there is adequate review and monitoring of compliance with the National Treasury and MFMA regulations. Response: Management does not agree with the internal control deficiency.	2021-22	In progress
Recommendation: The accounting officer should ensure that there are adequate controls in place to ensure that there is a sound process in place	2022-23	Not started

Recommendation and management response	Year originally recommended	Status of implementation
<p>to ensure that all bid specifications are drafted in an unbiased manner to allow all potential providers to offer their goods and services.</p> <p>Response: No response</p>		

ANNEXURE C: ASSESSMENT OF INTERNAL CONTROL

1. This annexure provides our assessment of the main internal controls in the areas of **leadership, financial and performance management**, and **governance** that should enable credible financial statements and performance reports and compliance with legislation.

2. The assessments are rated as follows:

	The required preventative or detective controls were in place.
	Progress was made in implementing preventative or detective controls, but improvement is still required or actions taken were not sustainable.
	Internal controls were not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls.

3. Movement from the previous year is shown as follows:

▲	Improvement	▼	Regression	▶	Unchanged
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Internal control assessment

	Financial statements		Performance reporting		Compliance with legislation	
	Current	Previous	Current	Previous	Current	Previous
Leadership	▲		▶		▲	
Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protect and enhance the interests of the entity						
Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls						
Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored						
Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities						
Develop and monitor the implementation of action plans to address internal control deficiencies						

	Financial statements		Performance reporting		Compliance with legislation	
	Current	Previous	Current	Previous	Current	Previous
Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance						
Financial and performance management	▼		▲		▼	
Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting						
Implement controls over daily and monthly processing and reconciling of transactions						
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information						
Review and monitor compliance with applicable legislation						
Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information relating to user access management, programme change control and service continuity						
Governance	▲		▲		▲	
Implement appropriate risk management activities to ensure that regular risk assessments, including considering information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored						
Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively						
Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation						

ANNEXURE D: SUMMARY OF DETAILED AUDIT FINDINGS

- 1. This annexure summarises the findings that were communicated to management during the audit. The detailed findings are available on request.
- 2. The findings are rated as follows:

	Matters that will be reported in the auditor's report and should be addressed urgently
	Matters that should be addressed to prevent material misstatements in the financial statements or material findings on the annual performance report and compliance with legislation in future; also includes matters that significantly affected auditee performance
	Matters that do not have a direct impact on the audit outcome or a significant impact on auditee performance, but were communicated to assist with improving processes and mitigating risks

Summary of audit findings

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
Internal Control Deficiencies.							
COMAF 3 – Policies implemented during financial year 2022/23 are not approved by Municipal Council.					✓		2
Cash And Cash Equivalent							
COMAF 4 - Month-end closure procedures for the financial year ending 2022/23 not being implemented by the municipality					✓		1
Internal Audit Division							
COMAF 5 - External quality assurance review/assessment was not performed on the internal audit function as required by IIA standard 1312.				✓			1



Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
Human Resource management							
COMAF 6 - The municipality does not have performance evaluations for staff members as required by MSA and PMS policy				✓			2
Supply Chain Management							
COMAF 7.1- Service Level Agreements: Service rendered or good received through engagement with service providers however there is no service level agreements entered with the municipality as required by MFMA.				✓			2
COMAF 7.2 - The contact registers is not complete for the financial year (2022/23)				✓			1
COMAF 24.1 - Procurement and Contract Management : Awards made to suppliers in service of the state				✓			2
COMAF 24.2 - Procurement and contract management: No proof that DTI was notified of the successful bidder and provided with copies of the contracts and the bidder's MBD 6.2 certificate.				✓			1
COMAF 25.1 - Procurement and contract Management: Quotation awarded to a non-tax compliant supplier.				✓			1
COMAF 25.2. - Procurement and contract management: Restriction on testing requirements for declaration of interest by service providers				✓			1
COMAF 25.3 - Procurement and contract management: Non-compliance with SCM regulations as three written quotations were not obtained.				✓			1
COMAF 26.1 - The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.				✓			1
COMAF 26.2 - Minimum threshold stipulated for local content not in line NT Instruction Notes.				✓			1
COMAF 26.3 - The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.				✓			1

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
COMAF 32 - Reasons for deviations not in line with the MFMA & SCM regulations				√			1
Irregular Expenditure							
COMAF 8 - Completeness of Irregular Expenditure: Irregular expenditure incurred for the appointments of employees were not disclosed in the current year annual financial statements in Note 45.		√					1
COMAF 34 - Irregular expenditure & Fruitless and Wasteful Expenditure incurred and reported in the prior annual financial statements were not investigated in the 2022/23 financial year contrary to the requirements				√			2
Review of Financial statements							
COMAF 8 - Annual Financial Statements: Misstatements identified during the high-level review of annual financial statements.		√					3
Audit Of Predetermined Objectives							

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
COMAF 10 - AOPO (Basic Service Delivery and Infrastructure Development) - Planned target as per SDBIP is not consistent with reported target as per the APR (Annual Performance Report).			√				3
COMAF 13 - AOPO (Basic Service Delivery and Infrastructure Development): Number of with access to minimum level of basic waste collection not verifiable and completeness issues.			√				2
COMAF 15 - AOPO (Basic Service Delivery and Infrastructure Development): Inaccurate number of weeks used for Waste Management KPIs as result performance information reported in the annual performance report is not verifiable due inaccurate, incomplete and limitations identified.			√				2
COMAF 22 - Differences between reported and audited performance achievements resulting in misstatements and non-compliance with MFMA			√				2
COMAF 48 - AOPO - Difference between achievement reported on APR and audited (% of street light fittings repaired within 90 days)			√				2
Investment property							
COMAF 12 - Discrepancies in the Investment property register resulting misstatements of the investment property in the Annual Financial Statements (Note 12)		√					2
Property Plant and Equipment							

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
COMAF 11 - Impairment of assets: Prior year misstatements / errors / omissions on impairments of assets were not accounted in the annual financial Misstatements as required by GRAP 3.		✓					2
COMAF 18 - Misclassification of leased assets in the annual financial statements (Note 23) which results in misstatement of the other categories of the assets in Note 13 (Property, Plant & Equipment)		✓					2
COMAF 19 - Differences between General ledger, Fixed Assets Register (FAR) and the Annual Financial Statements (Note 13) resulting in material misstatements		✓					2
COMAF 27.1 - Assets register contain the assets with no barcodes contrary to the requirements of the Assets Management Policy & MFMA.		✓					1
COMAF 27.2 - Assets selected for physical verifications were not found or identified as result we were unable to verify existence of the assets this would result in misstatement of the Property, Plant and Equipment in Note 13 of the Annual Financial Statements.		✓					1
COMAF 27.3 - Assets were found to not working and contain element of impairment however there is no determination of impairment losses in the annual financial statements as result there is misstatement of the Property, Plant and Equipment and Impairment in Note 13 of the Annual Financial Statements.		✓					1
COMAF 30.1 - Construction and installation of Doornspuit High Mast Lights" has been completed and energized as at 30 June 2023 but was still included in the Work in Progress Register submitted for audit and the capital expenditure incurred should have been capitalised or being recognised as an assets ready for use as required by GRAP 17		✓					1
COMAF 30.2 - it was identified that the project relating to "Construction and installation of Manapyanne High Mast "has been completed on 19 August 2021 as per the completion certificate but was only capitalised or recognised as an infrastructure asset ready for use as required by GRAP 17		✓					2
COMAF 30.3 - amount as per WIP transfer out as per WIP register does not agree to the payment certificates and fixed asset register		✓					2
COMAF 30.4 - depreciation commencement date does not agree to the completion certification date		✓					1

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
COMAF 31- Assets register does not contain sufficient, accurate and complete information as required by the Assets Management Policy and Assets Management Framework which result in inability or limitation in determination of the values of the assets in the assets register including impairment values.		√					2
COMAF 36.1 - Difference between fixed assets register and recalculations for depreciation as disclosed in Note 28 of the Annual Financial Statements.		√					2
COMAF 36.2-Property plant and equipment -Re-assessed Useful life of assets not disclosed and presented in the Annual final statements as required by GRAP 17 & 3							
COMAF 36.3 – Useful life of Assets with Zero (0) carrying amounts which are in good use in the assets register were not assessed as required by GRAP 17 resulting the misstatements in Note 13 of the Annual Financial Statements (Property , Plant & Equipment)		√					1
COMAF 41- No disclosure of long outstanding projects in the AFS		√					1
COMAF 43.1 - Differences between amount of transfer out and transfer in as per note 13 of the Annual financial statements		√					1
COMAF 43.2 - Current year's expenditure not capitalised to the total cost of the completed project.		√					1
COMAF 43.3 - Completed projects transferred out to incorrect class of property, plant and equipment.		√					1
COMAF 47 - Property, Plant and Equipment: Assets register does not comply with assets management policy, Assets Management Framework , MFMA & GRAP (CAATS results)		√					1
Indigents (Subsidized Basic Electricity)							
COMAF 20 - Indigents (Subsidized Basic Electricity): Indigent customers approved for subsidies not in line with the indigent policy and municipal by laws.				√			2
Commitments							

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
COMAF 23 - Commitments: Misstatements identified during the audit of the commitments (Capital Commitments) as disclosed in Note 38 in the annual financial statements.		✓					3
COMAF 28 - Commitments: Authorised operating expenditure – Disclosures not made in accordance with GRAP		✓					2
Contingent assets and liabilities							
COMAF 29.1. - We noted that there were contingent liabilities that were disclosed in 2021/2022 Final Adjusted Annual Financial Statements but not disclosed in the current year under review (2022-23 Annual Financial Statements		✓					1
COMAF 29.2 - It was noted that the litigation register was not updated during the preparation of AFS as there were misstatements.		✓					1
COMAF 29.3 - Contingent asset and liabilities disclosed in the prior year Final Adjusted Annual Financial Statement, but it was not disclosed in the current year (2022-23) Annual Financial Statements submitted for audit.		✓					1
COMAF 45 - Contingent assets and liabilities: Variances / Misstatements identified between the contingent assets and liabilities (Litigation Register) and Current Annual Financial Statements in Note 39 as well as comparative amounts in 2021/22.		✓					1
Finance Lease							
COMAF 33 - Presentation and disclosure for the Finance Lease Obligation (Note 56) in the annual financial statements is not in line with GRAP 13 requirements.		✓					1
Payables from exchange transaction							
COMAF 42 - Difference between prior year comparative figure		✓					1
COMAF 42.2. - Year End Journals without appropriate sufficient supporting documentation		✓					1

Finding	Rating	Classification					Number of times reported in previous two years
		Financial	Performance	Compliance	Internal control	Delivery	
COMAF 42.3. - The listing / register for unallocated deposit account balances, which as a minimum should show the deposit date, reference per bank statement and amount, could not be submitted to confirm the valuation of the balance of R4 656 017, as disclosed in Note 16 to the AFS.		✓					1
COMAF 51 - Payables from exchange transactions- Retentions (Differences between the register and the payment certificates)		✓					1
Use of Consultant							
COMAF 50 - Contract Service: Consultants paid for work that's not within the scope of work (Service Level Agreements) contrary to the MFMA				✓			2
Financial instruments							
COMAF 49.1 - The financial instrument accounting policy and disclosure note 37 is not in-line with GRAP 104.		✓					1
COMAF 49.2 - The amounts recorded on the face of the AFS do not agree to Note 37 of the AFS.		✓					1
Limitations – Various components							
COMAF 1 – Limitation of scope – RFI 1		✓					2
COMAF 2 - Limitation of scope – RFI 2		✓					2
COMAF 9 – Limitation of scope – RFI 11 & 17		✓					2
COMAF 14 – Limitation of scope – RFI 44 & 45		✓					2

ANNEXURE E: UPCOMING CHANGES

1. This Annexure lists upcoming changes and events that will potentially affect the preparation of financial statements and annual performance report and compliance with legislation.
2. The Ephraim - Mogale Local Municipality should ensure that systems and controls are in place to implement upcoming changes in the [accounting standards that could have an impact on future audit outcomes.

Upcoming changes

Description	Audit outcome area	Effective date
GRAP 104- Heritage Assets	Financial statements	To be determined
GRAP 105- Financial Instruments	Financial statements	1 April 2025

ANNEXURE F: MATERIAL IRREGULARITIES

This annexure lists the material irregularities (MIs) that will be included in the auditor's report.

Notified	Type	MI description	Status description	
			Actions taken	Actions planned / In progress
Resolved				
08 December 2021	Loss of investments	Prohibited Investment with a mutual bank : <u>Venda Building Society Mutual Bank (VBS)</u> Irregularity: Non-compliance with Municipal investment regulations 6(c) Impact: Financial loss	Disciplinary steps were taken against accounting officer and the chief financial officer and both their services were supposed to be terminated through a settlement agreements entered into on 6 October 2020 and 12 October 2020 respectively and the case it's still in progress at Master of High Court as of audit report date. The municipality received an amount of R6 112 400 from VBS curators on 4 February 2022. No further recoveries have been made since.	The MI is resolved
Appropriate Actions				
5 October 2022	Overpayment to the service providers for work not done.	Overpayments to service providers : <u>AL Mphago Civil Construction JV Kwantisa Developers Projects ("AL Mphago") & NGHR Building Construction</u> Irregularity: Non-compliance with Section 65(2) (a) of the MFMA Impact: Financial Loss	The Director: infrastructure projects was placed on pre-cautionary suspension with full pay on 26 July 2022. Disciplinary proceedings be instituted against the director and he tendered resignation on the 31 January 2023 Financial Misconduct Board its currently finalising the investigation and report it's not yet tabled with municipal council	Appropriate actions - assessing implementation information

Notified	Type	MI description	Status description	
			Actions taken	Actions planned / in progress
15 December 2022	Overpayment to the service providers for work not done.	Overpayments to service providers : <u>Loge Construction CC and MVE Consulting Engineers</u> Irregularity: Non-compliance with Section 65(2) (a) of the MFMA Impact: Financial Loss	The Director: Infrastructure projects was placed on pre-cautionary suspension with full pay on 26 July 2022. Disciplinary proceedings be instituted against the director and he tendered resignation on the 31 January Legal firm are on the process of recovering the financial loss incurred by the municipality.	Appropriate actions - assessing implementation information

2022/2023 AUDIT AND PERFORMANCE COMMITTEE REPORT

The Audit and Performance Committee has been established as an independent Committee, in terms of Section 166 of the MFMA Act No. 56 of 2003. The Committee has adopted formal terms of reference, which its Audit Committee Charter, that is regularly updated and approved by Council.

We are pleased to present the Annual Audit Committee Report of the Municipality for the financial year ended 30 June 2023.

Audit Committee members and attendance of meetings

The Audit Committee consists of five (5) members including the chairperson of the committee. Below is the skill and experience of members that enhance the audit committee representation and its performance to offer objective and quality advice.

- Financial management
- Legal
- Admin and Governance (i.e., Internal Audit, Risk Management, IT, Human Resources).
- Performance Management

The following represent the list of members of the committee and number of meetings attended:

Name of member	Number of meetings attended
Mr. LM. Malapela - Chairperson	11
Mr. VK. Chuene – Member	11
Mr. MA. Mmapheto – Member	11
Adv. GT. Moeeng – Member	11
Mr. LM. Mokwena - Member	11

Mandatory roles of the Audit Committee

Section 166 of the MFMA (Act No. 56 of 2003) clearly states that each municipality and municipal entity must have an Audit Committee. The Audit Committee is an independent advisory body that advises council, political office bearers, accounting officer, and staff of the municipality on the following:

- Internal financial control and internal audits.
- Risk management.
- Accounting policies.
- The adequacy, reliability, and accuracy of financial reporting and information.

- Performance management.
- Effective governance.
- Compliance with the MFMA, the annual Division of Revenue Act (DoRA) and any other applicable legislation.
- Performance evaluation.
- Any other issues referred to by the municipality.
- Review annual financial statements to provide authoritative and credible view of the financial position, on overall compliance with MFMA, DORA and other applicable legislations.
- Respond to Council on any matter raised by the Auditor-General (AGSA); and
- Carry out such investigations into financial affairs of the municipality as may be prescribed from time to time.

Effectiveness of Internal Audit

The Ephraim Mogale Local Municipality (EPMLM) has an Internal Audit reporting functionally to the Audit Committee and administratively to the Accounting Officer. The Chief Audit Executive has unrestricted access to the Audit Committee to ensure independence of the function.

The Audit Committee is of the opinion that Internal Audit Function is operating satisfactorily to meet its mandate and has considered the risk pertinent to the municipality in their audit plans. The committee also believes that Internal Audit has effectively carried out its mandate and responsibility in accordance with the section 165 of the MFMA and approved Internal Audit Charter. The Internal audit is operating in terms of the internal audit activities which are planned on the Three- Year Rolling Internal Audit Strategic Plan 2023 and Operational Plan 2022/2023 which was approved in July 2022 then also reviewed in June 2022 by the Audit Committee and Internal Audit Charter to affirm its role, responsibilities, and authority. Internal Audit reports regularly to the Audit Committee in its quarterly and special meetings.

The Audit Committee urged management to capacitate the Internal Audit function in order to optimally discharge its functions to add value to the accomplishment of the municipality's objectives. The Audit Committee further implores the management of the municipality to implement all Internal Audit recommendations in order to improve the overall control environment and to mitigate the risks in the institution.

Effectiveness of internal controls

Internal control is a process for assuring the achievements of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws and regulations. The Audit Committee has considered the work performed by Internal Audit on a quarterly basis and has reviewed the findings by the Auditor-General on internal controls for the year ended 30 June 2023. The Audit Committee noted that there has been improvement in internal controls in the areas of financial statements, performance reporting and compliance with legislation. The audit committee confirms it has no reason to believe there were any material breakdowns in the design and operating effectiveness of internal financial controls in the period that have not been addressed or are not being addressed by management

Effectiveness of Risk Management

The Accounting Officer is responsible for the establishment of an effective system of Risk Management within the municipality that is aligned to the principles of good corporate governance as supported by the MFMA Act No 56 of 2003, Enterprise Risk Management, the National Treasury Risk Management Framework and King IV. Risk Management Committee have assisted the Municipal Manager to execute his risk responsibilities during the year under review.

The Risk Management Committee is headed by External Chairperson who meet with management and the Audit Committee regularly. The Municipality has approved risk management enabling documents (risk management policy, risk management strategy, risk management action plan) and frameworks to discharge enterprise risk management effectively.

The committee is satisfied that the risk management processes were adequately designed however not effectively and efficiently implemented in some instances.

The committee urge the municipality to increase its efforts in ensuring the practice of risk management are embedded in the operational processes of the organisation to ensure that risks impacting the achievement of the municipality's objectives are timely identified and mitigated.

Effectiveness of Performance Management System (PMS)

The municipality reviewed quarterly performance management reports submitted by Management to the Audit Committee for review. The Accounting Officer is kept responsible to ensure that senior managers take the PMS very solemn and that reports are submitted when they fell due. Internal Audit audited the reported quarterly performance information and all the system weaknesses reported were brought to the attention of the Municipal Manager and the Audit committee.

Review of the Annual Financial Statements

The Audit Committee has in consultation with management reviewed the following:

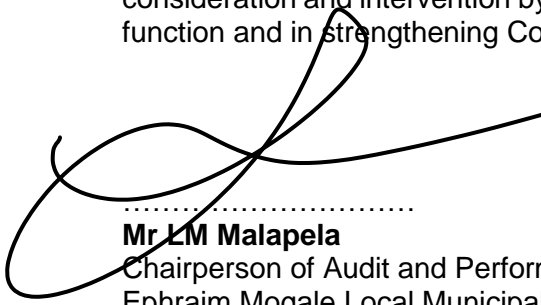
- Audit engagement letter and audit strategy;
- The Audited Annual Financial Statements to be included in the Annual report.
- Changes in accounting policies and practices.
- The Annual Performance reports.
- Significant adjustments resulting from the audit processes:
- Auditor General South Africa's management letter and management responses thereto.

These financial statements are prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No 12 of 2009) (DORA).

Appreciation

The Audit Committee further expresses its sincere appreciation to the Office of the Mayor, the Speaker, the Chief Whip, Municipal Manager, Management and all officials for their unwavering support and interest in the activities of the Committee during the year under review. The advice and support of other stakeholders such as the Internal Audit Function, Auditor General South Africa, Provincial and National Treasury and the Provincial Department, South African Local Government, Corporate Governance and Human Settlement is also acknowledged in pursuing the interest of effective Corporate Governance and clean audit outcomes within the municipality.

We extend our gratitude to the Internal Audit Function for their efforts during the year. The Audit Committee remains confident of the matters raised in this report receiving due consideration and intervention by the Council. We are committed to fully execute our oversight function and in strengthening Corporate Governance.



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Mr LM Malapela

Chairperson of Audit and Performance Committee
Ephraim Mogale Local Municipality

Date:.....



Ephraim Mogale
Local Municipality



HON Speaker of Council Cllr Rebecca Lentsoane

2022 / 2023 DRAFT ANNUAL REPORT PROGRAM

Date	Ward	Venue	Time
5 FEBRUARY 2024	WARD 1,2,3	UGHTVLUGT- WARD 2	10H00
7 FEBRUARY 2024	WARD 4,5,6	RATHOKE-WARD 4	10H00
9 FEBRUARY 2024	WARD 8,9,10	MOGANYAKA WARD 9	10H00
13 FEBRUARY 2024	WARD 11,12,13	MABITSI A-WARD 12	10H00
15 FEBRUARY 2024	JOINT PROGRAM WITH SEKHUKHUNE DISTRICT MUNICIPALITY	MATLALA RAMOSHEBO WARD 5	10H00
19 FEBRUARY 2024	WARD 14,15,16	MARARELA COMMUNITY HALL	10H00
20 FEBRUARY 2024	MAKKGOSHI WARD COMMITTEE MEMBERS AND OTHER STAKEHOLDERS	MUNICIPAL CHAMBER	10H00
23 FEBRUARY 2024	STAFF	MUNICIPAL TOWN HALL	8H00
	WARD 7 AND RATE PAYERS	MUNICIPAL CHAMBER	18H00

