



EPHRAIM
MOGALE LOCAL
MUNICIPALITY

**ANNUAL
REPORT
2023-2024**

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4. AGSA Executive Management Report
5. Audit Committee Report on the Annual Report for 2023/2024 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 Management 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 – Proportional 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 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

"To be 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 2023/2024 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: Roads Projects

Project name	Number of kilometres in roads tarred	Project value	Expenditure	Progress to date	Challenges
Rathoke Internal Street	2.0	R6,208,688,68	R6,208,688,68	100% complete	None

Morarela Access Road	2.5	R13,542,129.69	13,610,034.81	100% complete	The project had time overrun due to dispute that arose during the implementation of the project
Uitvlugt Bus Route	4.85	R15,034,481.63	R18,256,441.13	49.8% complete	None

Table 2: Electrical Projects

Project name	Project value	Expenditure	Progress to date	Challenges
Energy Efficiency and Demand Side Management	R 5 600 000.00	R 5 600 000.00	Completed	No challenges
Industrial Substation second supply Phase 4	R 3 500 000	R 1 807 022	Completed	Snag list outstanding
High mast lights – Leeuwfontein RDP	R 3 000 000	R 2 670 000	Completed	No challenges
High mast lights – Malebitsa	R 3 000 000	R 2 550 917	Completed	No challenges

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 the 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 enhance a more effective communication between the council and the community.

Table 3: Public Participation Meetings

Public Meetings
Nature and purpose of meeting held in 2023/2024
Public Participation on 2023/2024 Annual Report
Public Participation on 2024/2025 Draft IDP/Budget
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 or 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 2023- 2024. 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 **"To be a World Class Agricultural Hub of Choice"**.

(Signed by :)



Mayor: Cllr. G.M.H. Molmana

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 also managed to fill all section 54 and 56 managers during the 2023/2024 financial year. The municipality has maintained its 2022/2023 Unqualified Audit Opinion with findings by obtaining Unqualified Audit Opinion with findings again in the 2023/2024 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 comprises 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 kilometers. 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 4: 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.Cemeteries, 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 5: The demographics of the municipality

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

Source: Stats SA Census 2022

Table 6: 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

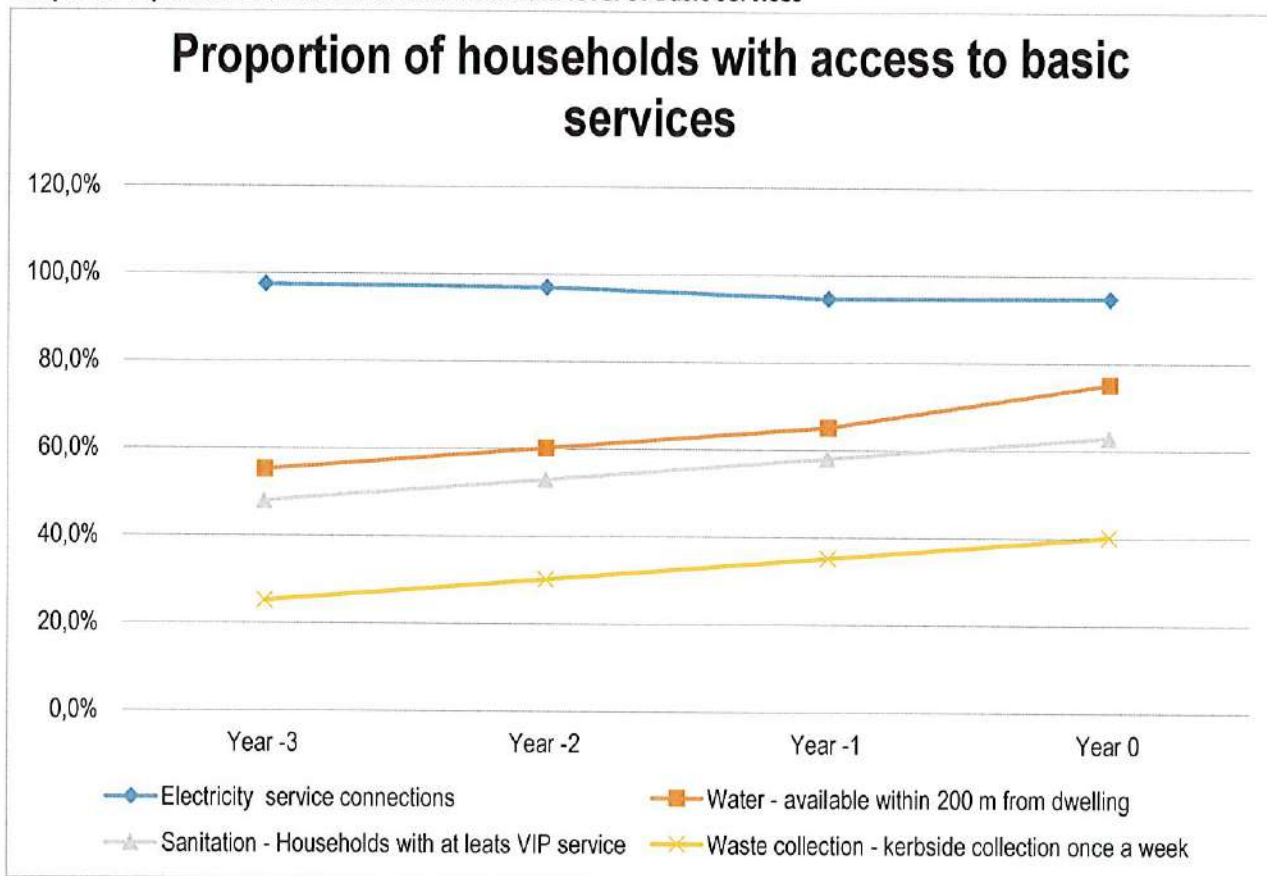
1.4 BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT OVERVIEW

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 is a challenge.

Table 7: 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	96.9%	94.6%	94.7%	94.6%
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 8: 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 case 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 9: Sanitation Backlog

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

Households with access to sanitation services.

Table 10: Electricity Backlog

EPMLM	Households	Backlog
	35 953 (STATS 2022)	5.45%

All residential areas connected to the electrical grid. Backlog at 5.45% after ESKOM completed 7 projects with 542 connections and 194 infills. The ESKOM INEP program is not keeping up with the increase in growth.

Table 11: 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. The Municipality experiences a huge challenge with ESKOM not installing supply points, the very high cost of connections and the tariff being changed to business tariffs. Due to these ESKOM challenges projects have been completed but not energized or not fully energized at Manapyane, Matseding Moganyaka, Malebitsa and Leeuwfontein RDP.

Table 12: 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 2023/2024 financial year was 53% grant dependent and 47% own revenue. The MIG grant was spent 100% in the 2023/2024 financial year.

Table 13: Financial Overview on own Revenue and Grant

Financial Overview - 2023/2024			
Description	Original Budget	Adjusted Budget	Actuals
Rands			
Income	173 377 000.00	180 039 000.00	190 331 456.00
Grants	202 450 000.00	202 793 000.00	242 769 959.00
Sub- Total	375 827 000.00	382 832 000.00	433 101 415.00
Less Expenditure	375 666 000.00	397 731 000.00	389 665 576.00
Net Total	161 000.00	(14 899 000.00)	43 435 839.00

Table 14: 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 2023/2024 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 15: Organizational Development Overview

Category	Number
Total posts on the organogram	327
Total number of employees	239
Total number of vacancies	88
Number of terminations	12
Number of retirements	04
Resignations	04
Death	01
Contract ended	01
Retention/Promotions	0

Committees Established to Strengthen Human Resource Management

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

Table 16: Community Bursaries awarded to continuing and new student in 2023/2024 Academic Year

BURSAR NAME	INSTITUTION	COURSE NAME	WARD	COURSE LEVEL	COURSE STATUS RESULTS
Tsotetsi R. K	Sefako Makgatho Health Science University	MBCHB	14	6 th	Submitted In Progress
Mathonsi F	University of Witwatersrand	MBCHB	08	5 th	Submitted In Progress
Moutlana I	University of Witwatersrand	Bachelor of science	08	4 th	Submitted in Progress
Modisha N	University of Witwatersrand	Bachelor of Science	05	3 rd	Submitted In Progress
Matlala P	University of Cape Town	MBCHB	16	2 st	Submitted In Progress

Table 17: Employee Bursaries awarded to continuing and new student in 2023/2024 Academic Year

EMPLOYEE NAME	INSTITUTION	COURSE NAME	COURSE LEVEL	COURSE STATUS/ RESULTS
Blommie Masha	UNISA	Diploma Public Admin and Management	First	In Progress
Sipho Baloyi	Rosebank College	Bachelor of Administration	First	In Progress Submitted
Constance Motha	Regent Business College	Advance Diploma in Financial Management	Second	In Progress Submitted
Nthabisheng Mokwena	MANCOSA	BCom Human Resource Management	First	In Progress Submitted
Baby Mashabela	Regent Business School	BCom Human Resource Management	Second	In Progress
Charles Madisha	IQ Academy	Higher certificate in Human Resource Management	Third	In Progress Submitted
Pride Matlala	UNISA	BCom Human Resource Management	Third	In Progress Submitted
Salome Phaahla	MANCOSA	Bachelor of Administration	Second	In Progress Submitted
Kanegelo Mahlobogwane	MANCOSA	Bachelor of Administration	Second	In Progress Submitted

Lethabo Makofane	MANCOSA	Advanced Diploma in Accountancy	First	In Progress
Queen Mashilo	MANCOSA	Master's in public administration	First	In Progress Submitted
Boitumelo Molomo	Regent Business School	Advance Diploma Financial Management	Completed	Completed
Lesetsa Sereko	Excell Training Academy	Office Administration	First	In Progress Submitted
Dominic Mahubane	UNISA	Postgraduate Diploma in Taxation	First	In Progress
Lungile Mbonani	UNISA	Postgraduate Diploma Accounting Science	First	In Progress
Ms Khumotitsile Makgopa	MANCOSA	Advanced Diploma in Business Management	First	In Progress
Ms Ruth Maloka	Regenesys	Bachelor of Public Management	First	In Progress
Ms Itumeleng Boshomane	Regenesys	Bachelor of Public Management	First	In Progress
Ms Bushy Modisha	Sekhukhune TVET College	Diploma in Public Management	First	In Progress
Ms Toffy Mabelane (Matsekoleng)	Sekhukhune TVET College	Diploma in Human Resource Management	First	In Progress
Mr Enerst Rampedi	Sekhukhune TVET College	Diploma in Public Management	First	In Progress
Ms Surprise Shokwane	Regenesys	Higher Certificate in Public Management	First	In Progress
Ms Anna Motong	Regenesys	Bachelor of Public Management	First	In Progress
Ms Nomvula Masemula	MANCOSA	Bachelor of Public Administration	First	In Progress
Mr Kgothatso Matlawa	Stadion Higher Education	Diploma in Management (Project Management)	First	In Progress
Mr Daniel Mamahlodi	Enterprise University of Pretoria	Programme in Project Management	First	In Progress
Mr Daniel Sedutla	Regent Business School	Bachelor of Administration	First	In Progress

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 2023/2024 financial year.

See Chapter 6: Auditor-General Report 2023/2024

1.8 STATUTORY ANNUAL REPORT PROCESS

Table 18: statutory annual report process followed in 2023/2024 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 finalization 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 Five full time Councillors, namely the mayor who heads the Executive committee, the Speaker who is head of Council, and three 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 the 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 (councillors). 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 Councillors to 32 respectively. A full list of new Councillors is attached as Appendix A, while appendix B sets out committees and their purposes who were sworn in during the 2023/2024 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 19: Executive Committee

EXECUTIVE COMMITTEE (SECTION 80)	
Name	Designation
CLlr Moimana GMH	Mayor
CLlr Tshiguvho ME	EXCO Member: Corporate Services
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 Councillors within their specific political parties and wards for the 2023/2024 financial year:

Table 20: Councillors 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

Surname & initials	Position	Gender	Party	Contacts
CIlr Mabaso T.	PR Councillor	Male	ANC	076 052 0073
CIlr Mogale T	PR Councillor	Male	BPSA	076 544 9648
CIlr Letsela NS	PR Councillor	Female	DA	076 052 8187
CIlr Prinsloo D	PR Councillor	Male	VF PLUS	076 399 9089
CIlr Makola ML	PR Councillor	Male	EFF	076 052 7443
CIlr Lekgwathi E	PR Councillor	Male	EFF	071 368 1553
CIlr Mashiane SM	PR Councillor	Female	EFF	081 834 6920
CIlr Modipa SR	PR Councillor	Female	EFF	063 703 1476
CIlr Mmeshi SJ	PR Councillor	Male	EFF	060 882 5833
CIlr Manasoe TM	PR Councillor	Female	EFF	076 285 3787
CIlr Maelane KM	PR Councillor	Male	EFF	066 196 2776
CIlr Rabalao SS	Ward 1	Male	ANC	066 110 6239
CIlr Thobejane PJ	Ward 2	Male	ANC	078 601 3244
CIlr Kutu TC	Ward 3	Male	ANC	072 615 1789
CIlr Sebothoma KW	Ward 4	Male	Independent	082 833 5599
CIlr Lekoatsipa LR	Ward 5	Female	ANC	071 252 6221
CIlr Ramphela RM	Ward 6	Female	ANC	083 245 3586
CIlr Jacobs PR	Ward 7	Male	DA	064 949 5529
CIlr Aphone KM	Ward 8	Male	ANC	079 025 6445
CIlr Magatla NL	Ward 9	Female	ANC	076 150 8428
CIlr Seloma RM	Ward 10	Male	ANC	072 402 0602
CIlr Mahubane SE	Ward 11	Male	Independent	072 023 4828
CIlr Maphopha MM	Ward 12	Female	ANC	076 981 9516
CIlr Nkoane TP	Ward 13	Male	ANC	072 194 9290
CIlr Phahlamohlaka	Ward 14	Male	ANC	076 800 5816

Surname & Initials	Position	Gender	Party	Contacts
Clir Mokwana BZ	Ward 15	Male	ANC	072 849 0100
Clir 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. An Internal Audit division has been established and the Chief Audit Executive reports directly to the Municipal Manager. Senior Management as well as Management meetings are held to co-ordinate service delivery and evaluate and monitor the 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 21: Ephraim Mogale Local Municipality Top Management

The table below reflects the 2023/2024 Top Management of Ephraim Mogale Local Municipality.

July 2023 – June 2024		
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
Director Infrastructure Services	Maphutha T.P.	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 the council that investigates the matters referred to them by the 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 2023 – 30 June 2024:

Table 22: Municipal committees

CORPORATE SERVICES PORTFOLIO COMMITTEE			
NO.	NAME OF COUNCILLORS	DESIGNATION	CELL NUMBERS
1	Cllr Seloma RM	Chairperson	072 402 0602
2	Cllr Maphopha MM	Whippery	076 981 9516
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	Cllr Kutu TC	Chairperson	072 615 1789
2	Cllr Mmamahlako K	Whippery	079 184 7502
3	Cllr Magatla LM	Member	076 150 8428
4	Cllr Seloma RM	Member	072 402 0602
5	Cllr Prinsloo D	Member	076 399 9089
6	Cllr Lekgoathi LR	Member	071 368 1553
7	Cllr Sedibane FS	EXCO	076 051 3137
PLANNING AND ECONOMIC DEVELOPMENT PORTFOLIO COMMITTEE			
1	Cllr Mamahloko K	Chairperson	079 184 7502
2	Cllr Nkoana TP	Whippery	076 800 5816
3	Cllr Rabalago SS	Member	066 110 6239
4	Cllr Prinsloo D	Member	076 399 9089
5	Cllr Magatla NL	Member	076 150 8428

6	Cllr Makola ML	Member	076 052 7443
7	Cllr Mogale T	Member	076 544 9648
8	Cllr Jacobs PR	EXCO	064 949 5529
COMMUNITY SERVICES PORTFOLIO COMMITTEE			
1	Cllr Maphopha MM	Chairperson	076 981 9516
2	Cllr Kutu C	Whippery	072 615 1789
3	Cllr Nkoana TP	Member	072 194 9290
4	Cllr Magatla NL	Member	076 150 8428
5	Cllr Modipa R	Member	063 703 1476
6	Cllr Mogale T	Member	076 544 9648
7	Cllr Manasoe TM	EXCO	072 847 9441
INFRASTRUCTURE PORTFOLIO COMMITTEE			
1	Cllr Mokwana ZB	Chairperson	072 849 0100
2	Cllr Nkoana TP	Whippery	072 194 9290
3	Cllr Makola ML	Member	076 052 7443
4	Cllr Lekoatsipa RL	Member	071 252 6221
5	Cllr Seloma RM	Member	072 402 0602
6	Cllr Maphopha MM	Member	076 981 9516
7	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 MM	Member	076 981 9516
4	Cllr Kutu C	Member	072 615 1789

5	Cllr Lekoatsipa RL	Member	071 252 6221
6	Cllr Magatla NL	Member	076 150 8428
7	Cllr Mabaso T	Member	076 052 0073
8	Cllr Mmamahloko K	Member	079 184 7502
9	Cllr Mokwana ZB	Member	072 849 0100
10	Cllr Seloma RM	Member	072 402 0602
RULES & ETHICS COMMITTEE			
1	Cllr Phahlamohlaka T	Chairperson	
2	Cllr Magatla L	Whispery	
3	Cllr Maphopha MM	Member	
4	Cllr Rabalago SS	Member	
5	Cllr Mokwana BZ	Member	
6	Cllr Mashiane S	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 Sebothoma KW	Member	
7	Cllr Maelane KM	Member	
RULES & PETITIONS COMMITTEE			
1	Cllr Lekoatsipa L	Chairperson	

2	Cllr Rabalago SS	Whippery
3	Cllr Seloma RM	Member
4	Cllr Mahubane SE	Member
5	Cllr Magatla N L	Member
6	Cllr Modipa R	Member
GEOGRAPHIC NAME CHANGE		
1	Cllr Lentsoane RM	Chairperson
2	Cllr Maphopa MM	Whippery
3	Cllr Kutu TC	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 TP	Chair of chairs
3	Cllr Magane L	Chief-Whip
4	Cllr Mmamahlako K	Member
5	Cllr Maelane KM	Member
6	Cllr Prinsloo D	Member
7	Cllr Sebothoma KW	Member
8	Cllr Sedibane F	EXCO
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 NL	Chairperson
2	ALL whips	Member
WOMEN CAUCUS		
1	Cllr Magatla NL	Chairperson
2	All Woman's councilors	

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 23: District and Provincial Intergovernmental Structures

District and Provincial Intergovernmental Structures	Provincial Intergovernmental Structures
<ol style="list-style-type: none"> 1. District Monitoring and Evaluation forum 2. Mayor's forum 3. Municipal manager's forum 4. Debt forum 5. CFO's forum 6. IDP forum 7. Communicators Forum 8. Home Affairs Stakeholders Forum 9. Batho Pele Forum 10. Speakers Forum 11. MPAC Forum 12. District PMS Forum 	<ol style="list-style-type: none"> 1. Provincial Monitoring and Evaluation forum 2. Premier mayor's forum 3. Municipal Manager's forum 4. Debt forum 5. CFO's forum 6. IDP forum, etc 7. Communicators Forum 8. Home Affairs Stakeholders Forum 9. Batho Pele Forum 10. Speakers Forum 11. MPAC Forum 12. MIG Provincial Forum 13. Risk & Internal Audit Forum 14. Whip of Council Forum

13. District Back to Basic Engagement Reporting Session	
14. Technical directors 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 their 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 the 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 enhance more effective communication between the council and the community.

Table 24: Public Meetings

Public Meetings
Nature and purpose of meeting held in 2023/2024
Public Participation on 2022/2023 Annual Report
Public Participation on 2024/2025 Draft IDP/Budget
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 organization, 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 25: Below is a communication checklist of the compliance to the communication requirements.

Communication Activity	Functionality
Communication Unit	Yes
Communication Strategy	Yes
Communication Policy	Yes
Customer Satisfaction Surveys	Yes
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 2023/2024 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 26: IDP Participation and Alignment Criteria

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align 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 has an organizational structure that was approved by the Council during the adoption of the IDP and budget. The structure has approved posts as follows:

- Created/ approved post = 327
- Filled posts = 239
- Vacant = 88

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
- Council Support
- Office of the Mayor
- Office of the Speaker

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 as envisaged in section 166 of the Municipal Finance Management Act (MFMA) and section 45 of the Municipal Systems Act. The Audit and Performance Committee is an independent advisory body, appointed by Council to assist Council in discharging its responsibilities. It is established in terms of Section 166 of the Municipal Finance Management Act 56 of 2003 and article 14 (2) (a) of the Municipal Planning and Performance Management Regulations 2001. The specific duties and or responsibilities and the way it will operate are set out in the Audit Committee Charter, Circular 65 of the MFMA and Section 166 of the Municipal Finance Management Act 56 of 2003. The audit and Performance committee charter is reviewed by the committee and approved annually by the Council.

The Committee has adopted its charter as their written terms of reference approved by the council which outlines the mandate of the audit committee, formal terms of reference are regularly updated and approved by the Council to ensure relevance and consistency with the MFMA, Municipal Systems Act (No 32 of 2000) and other related regulations, guides, and best practice.

The following audit committee members were appointed by the Council on the 1st of November 2020 for a period of three years, subsequently the contract was extended by the end of October 2023 and only for members serving their first 3 years as per MFMA circular 65 of the National Treasury.

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) people who are not in the employment 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 four (4) members re-appointed by way of extending the term of office during November 2023 as per Council resolution SC 02/03/2023 with different skills and field of expertise and who are not in the employ of the municipality or municipal entity.

Table 27: The table below depicts the list of Audit Committee members and their attendance.

Name of members	Designation	Name of members	Designation	Name of members
Mr. ML Malapela	Chairperson	Mr. ML Malapela	Chairperson	Mr. ML Malapela
Adv. GT Moeng	Member	Adv. GT Moeng	Member	Adv. GT Moeng
Mr. LM Mokwena	Member	Mr. LM Mokwena	Member	Mr. LM Mokwena
Mr. VK Chuene (contract ended: 31/10/2023)	Member and Chairperson of the Risk Management Sub-Committee	Mr. VK Chuene (contract ended: 31/10/2023)	Member and Chairperson of the Risk Management Sub-Committee	Mr. VK Chuene (contract ended: 31/10/2023)
Mr. DM Mmapheto	Member and Chairperson of the Risk Management Sub-Committee	Mr. DM Mmapheto	Member and Chairperson of the Risk Management Sub-Committee	Mr. DM Mmapheto

The following skills and experience were discharged by the committee of members to enhance the committee's 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 2023. Then reported and accounted to the Council as follows:

Table 28: Reports Audit Committee Accounted for during 2023/2024

Accounting for the Period Ending	Reported to Council on	Outcome
30 September 2023	31 October 2023	Report adopted (OC1/1/2023).
31 December 2023	28 February 2024	Report adopted (SC4/01/2024).
31 March 2024	30 April 2024	Report adopted (OC3/13/2024).
30 June 2024-	31 July 2024	Report adopted (OC1/04/2024).

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:

- Review of AoPO by management
- Filling of all funded vacant positions as per the approved organizational structure
- Make budget provisions to capacitate internal audit unit and minimize use of consultants.
- Implementation of revenue enhancement strategy.
- UIFW reduction strategy.
- The municipality develops and implements a strategy to improve its indigent management.
- Conduct ICT Investigation regarding CYBER attack.
- Review of Audit improvement Action Plan.
- Quarterly monitoring progress on AGSA action plan by conducting audit steering committee meeting bi-weekly.
- Establish an ICT steering committee chaired by an 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 improve 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 vehicles 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 of the 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.

- 1st, 2nd, 3rd and 4th Quarter AoPI Review.
- Mid-Term Budget and Performance Review
- Interim Financial Statements
- Interim Performance Report
- SBDIP Review
- Supply Chain Management Review
- Project Management Unit Review
- External and Internal Audit Follow-up
- Risk Management Review
- Internal Audit Governance Documents

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 (the latest of such changes now been mSCOA); it is imperative that the Council remains updated on key changes and challenges and how these affect 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 the 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.

The 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 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 2023/2024 which goes to outer year of the MTERF.

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

1. Noncompliance with 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 2023/2024 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.

The Municipality approved the planned capital projects through a procurement plan document which was also send to provincial treasury. The Procurement plan had 44 planned capital projects which amounted to R 78 408 990.00. the total project amount composed R 37 424 290.00 from Grants and R 41 984 700.00 from Own funding. The implementation of the plan was as follows

Item	Number of Projects	Project implementation status quo
1	08	8 of the 44 projects were re-advertised by the end of the financial year
2	10	10 out of the 44 projects were not initiated for procurement however reprioritized during budget adjustment to other projects
3	16	16 out of the 44 projects were appointed as planned
4	10	Ten out of the 44 projects where part of the contracted services (e.g. Multiyear Projects)

2.12 BY-LAWS

The municipality did not gazette 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 29: 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	2023-06-15
All current budget-related policies	Yes	2023-06-15
The previous annual report (Year -1)	Yes	2023-02-28
The annual report (Year 0) published/to be published	yes	2023-06-18
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	Yes	2023-07-24
All service delivery agreements (Year 0)	Yes	2023-07-24
All long-term borrowing contracts (Year 0)	Yes	2023-06-18
All supply chain management contracts above a prescribed value (give value) for Year 0	Yes	2023-06-18
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	2023-01-19
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	Yes	2023-06-18
Public-private partnership agreements referred to in section 120 made in Year 0	Yes	2023-06-18
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	Yes	2023-11-17
<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>		

T 2.10.1

2.14 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

The 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 a survey to take place. Many of the residents have indicated their displeasure with service delivery. These residents complain about traffic control and motor vehicle licensing, streets and storm water, housing and libraries. These issues could result in a negative image and untenable consequences for 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 2023/2024 financial year, no projects were constructed in the Ephraim Mogale local Municipality.

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.

3.3 ELECTRICITY

3.3.1 INTRODUCTION

The Ephraim Mogale Local Municipality is the service authority for the provision of electricity but only has 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 542 connections and 194 infills. The electrification backlog in the license area is zero and 1960 households in the Municipal (ESKOM license) area of the total number of 35 953 households (census survey 06/2022) which is 5.45%. These are new extensions and in-fills. The current approved plan is to complete 213 connections at Mamphokgo Phase 2 and 225 connections at Regae new extension. There is also provision for 105 infills. The average planned ESKOM connection cost per household is still higher than the DMRE allocation mostly due to the required strengthening of existing infrastructure. The Municipality is planning to assist with electrification in the ESKOM areas through INEP funding and will do pre-engineering for three areas.

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 has still not been completed because ESKOM installed and energized only 6 of the 8 supply points. The Municipality installed 3 new mast lights in Matseding of which only two was energized because ESKOM did not install the third supply point. The last project was 4 new mast lights 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%. For the 2023/24 year the Municipality installed 6 mast lights at Malebitsa and 6 at Leeuwfontein RDP section. 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. The Municipality wants to grow and applied for a capacity increase from 7.5MVA to 10MVA. The Municipality paid for the upgrade and provided the required security. ESKOM is busy with the project and aims to complete the upgrade within 2 years. The Municipality completed transformer and Ring Main Unit maintenance, and The Municipality serviced 20 Ring Main Unit maintenance as planned. 52 transformers were serviced but the test results were still outstanding. Seven hundred meters of new 150mm² 11kV cable was installed to increase the capacity to the Industrial Substation. This completed the projects that were done in 4 phases.

3. Accurate metering

The Municipality succeeded in maintaining energy losses at 5.53% 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 have reduced the number again. The Municipality completed the STS roll over of prepaid meters and replaced faulty meters well in time of the due date. A hundred meters were purchased to convert or replace problematic meters. The Municipality installed 4 quality of supply recorder to ensure two recorders in every substation.

3.3.3 MEASURES TO IMPROVE PERFORMANCE

1. Public lighting

The Municipality completed the retrofitting of all public lighting to LED by replacing 903 fittings with an EEDSM grant. 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 Ward 2 and Ward 13 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 keeps on changing with new development. Apart from funding the biggest issue is the 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. ESKOM also didn't repair faulty supply points for years but still continue with billing "consumption" The Municipality needs assistance from NERSA and Government to engage ESKOM and such a request was submitted to NERSA, DMRE, CoGHSTA and ESKOM. Unfortunately, there was no improvement. The Municipality completed the 8 new mast lights in August 2021 and paid the ESKOM quotations. Unfortunately, two and a half years later only 6 have been energized. 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 were 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 has been secured. There are no immediate solutions for the inadequate funding. The Municipality converted all fittings to more energy efficient LED fittings 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.

2. Distribution network maintenance

The Municipality already applied and paid for more capacity in line with the Electricity Master plan. The Municipality will review the Electricity Master Plan in 2024/25. According to the Maintenance plan the transformers will be serviced and tested and 20 RMU's will be serviced. A 300kVA minisubstation will also be replaced and upgraded to 500kVA

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 continue to replace problematic conventional meters and prepaid meters in the new financial year to reduce operating costs and possible losses. The correct meters will be installed for grid -tied Small Scale Embedded Generators

3.3.4 SUCCESS AND CHALLENGES

1. SUCCESS

- Electricity losses at 5.53 %. (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 was completed ahead of schedule
- Transformers serviced and tested.
- Twenty Ring Main Units serviced.
- The installation of a second supply to the Industrial Substation was completed.
- Replacement of 370meter of small and problematic Medium Voltage cable in Ext 2 and 3 completed.
- Stand-by generator installed at Traffic Centre to ensure continuation of operations.at all times.
- The Municipality approved its first Small-Scale Embedded customer bigger than 100kVA at 300kVA and continue registering customers.
- Six new mast lights were installed at Leeuwfontein RDP and six at Malebitsa. Waiting for ESKOM supply points.
- Revenue Plan by DBSA project started

2. CHALLENGES

- Population and electrification backlog are 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 f 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 continuous growth the backlog is now also growing, and the INEP allocation is not keeping up and in certain areas the network is out of capacity:

Total for 2023/2024 was: 736 connections

542 connections completed for R23 169 694.76 (R42 748/connection) and 194 Post connections. The Mamphokgo project was drastically increased to catch up with the backlog in the new financial year and a second phase was added for 2024/2025.

Total for 2024/2025 planned:

A total of 543 connections is planned with 438 project connections and 105 infills for R11 945 151.00.

Table 29: 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%
6	2023/24	736	1960	38%

The Municipality will cooperate with ESKOM to eradicate the backlog. Councilors submit the backlog data to the Municipality who submit it to ESKOM. After investigating the projects ESKOM submitted 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. 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 has 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 30: 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.
Energy: (above minimum level)				
Electricity (at least min. service level) (esk 1% +munic conv)	692	340	340	655
Electricity - prepaid (min. serv level. data availability challenges est. 99% + pp munic)	32 502	33 671	33 698	33 337
<i>Minimum Service Level and Above sub-total</i>	32 830	34 011	34 038	33 993
<i>Minimum Service Level and Above Percentage</i>	96.7%	94.6%	94.7%	94.5%
Energy: (below minimum level)				
Electricity (< min. service level- Only backlog)	1106	1942	1915	1960
Electricity - prepaid (< min. service level - Only backlog)	0	0	0	
Other energy sources – no official project or data	0	0	0	
<i>Below Minimum Service Level sub-total</i>	1106	1942	1915	1960
<i>Below Minimum Service Level Percentage</i>	3.3%	5.4%	5.3%	5.5%
Total number of households	33 936	35 953	35 953	35 953
Data is an estimate based on STATS 2016, STATS 2022				

Table 31: Households - Electricity Service Delivery Levels below the minimum

Households - Electricity Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Households		
	Actual 19/20 No.	Actual 20/21 No.	Actual 22/23 No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	984	984	995	1 036	1 040	1 045
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	34 969	34 969	33 043	32 949	32 669	32 948
Households below minimum service level	1 942	1 942	1 915	1 968	2 244	1 960
Proportion of households below minimum service level	5.6%	5.6%	5.7%	5.9%	6.8%	5.9
	35 953	35 953	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 32: Electricity Service Policy Objectives Taken From IDP

Electricity Service Policy Objectives Taken From IDP

Service Objectives (i)	Outline Service Targets (ii)	Year -1 22-23		Year 0 23-24			Year 1 24-25		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)		*Previous Year (v)	*Current Year (vi)		*Current Year (viii)	*Current Year (ix)	*Following Year (x)

Service Objective xxx

Provision of minimum supply of electricity - ESKOM	Additional households (HHs) provided with minimum supply during the year (Number of HHs below minimum supply level)	624* Addition al HHs (1942HHs below minimum)	298* Addition al HHs (1915HHs below minimum)	590* Addition al HHs (1915 HHs below minimum)	438* Addition al HHs (1960 HHs below minimum)	438* Addition al HHs (1960HHs below minimum)	543* additiona l HHs (1960 HHs below minimum)	543* additiona l HHs (1985HHs below minimum)	600 additiona l HHs (2100HHs below minimum)
Maintain Public Lighting	Do quarterly maintenance on all streetlights – 3980	100%	85%	100%	100%	100%	100%	100%	100%
Ensure reliable supply	Transformer maintenance	51	51	51	52	10	52	52	55
Ensure reliable supply	Ring Main Unit Maintenance	20	20	20	20	20	20	20	20

Table 33: Capital Expenditure Year 0: Electricity Services

Capital Expenditure Year 0: Electricity Services R' 000

Capital Projects	Year 0					Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget		
Total All	18 175	19 199	15 176	21%		
Energy Efficiency and Demand Side Management	5 600	5 600	5 600	0		5 600
Purchase kWh meters	300	300	295	-1.5%		295
Install quality of supply recorders	700	1 800	908	-50%		908

Industrial substation second supply Phase 4	3 500	3 500	1 807	-48%	1 807
Chain Saw and Brush cutter	25	24	24	0%	24
Security upgrade	250	250	0	100%	0
Generator for Traffic Centre	600	780	894	15%	894
High Mast Lights connections - Moganyaka	400	945	428	-55%	428
High Mast Lights – Leeuwfontein RDP	3 400	3 000	3 070	-11%	3 070
High Mast Lights – Malebitsa	3 400	3 000	2 933	-15%	2 933
				-21%	15 959

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

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

- Electrical Master Plan, Operation and Maintenance Plan and Public Lighting Master Plan available and being implemented.
- Electrification Backlog at 5.45%
- Losses at 5.53%
- Completed the STS (TID) roll over in time with no problems.
- The Municipality is promoting alternative energy with an approved and Small-Scale Embedded Policy and Tariff.
- The Municipality does not owe ESKOM on any of its accounts.
- Maintenance and refurbishment are still a priority. Transformers serviced but test results were still outstanding. Twenty Ring Main Units were serviced and tested.
- The Municipality replaced 903 light fittings with LED and completed the retrofitting of all the fittings
- The Municipality obtained the Energy Performance Certificates for the two main buildings as required.
- The repair of faulty public lighting fittings was done although streetlight material was an issue
- The Municipality is continuing the installation of stand-by capacity to continue services during load shedding. A new 100kVA generator was installed at the License and Traffic and now all operations in Marble Hall can continue.
- The Municipality continues to extend the public lighting services although funding and ESKOM supply points is a huge challenge. Twelve new mast lights were installed but still awaits the installation of the ESKOM supply points.
- The DBSA approved the application for a Revenue Plan which started at the end of the financial year and will include the required Cost of Supply Study, tariff revision and sourcing new revenue streams to expand and maintain service delivery.

Three largest capital projects

The 3 largest projects were related to energy efficiency, increasing capacity and the expansion of services.

1. Energy Efficiency and Demand Side Management – The Municipality replaced 903 light fittings with energy saving LED fittings with an EEDSM grant. This project completed the retrofitting of all the fittings in the Municipality. The project also funded the Energy Performance Certification of the two buildings that required certification.

2. Industrial Second Supply Phase 4 - Install 700m PILC MV Cable – According to the Electrical master Plan the Municipality needed a second supply from OTK/Obaro Substation to the Industrial Substation. The project was the 4th and last phase of this new supply and was completed and energized.

3. High Mast Lights Leeuwfontein RDP – The Municipality expanded the public lighting service by installing 6 new mast lights at the Leeuwfontein RDP section. ESKOM must still provide supply points

4. High Mast Lights Malebitsa – The Municipality expanded the public lighting service by installing 6 new additional mast lights at Malebitsa. ESKOM must still provide supply points.

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

Electrical network supply reliability has been maintained but all the old medium voltage cables will have to be replaced, which the Municipality has been doing in phases every year. Metering/billing accuracy has been maintained because the Municipality continued with its own meter reading with electronic meter reading devices with images for verification. Billing data must still be cleaned up and will be done during the Revenue Plan. There will have to be a continuous replacement of meters and therefore there is another project in the new year again for the acquisition of 100 meters. Correct metering must be installed at all SSEG installations. Losses have managed well below NERSA levels (12%) at 5.53%, which is good news for the Municipality and its customers. The Electrical business is still financially viable but needs to be rung fenced and the Revenue Plan will provide a detailed Cost of Supply study to revise the tariff structures. The Municipality does not owe ESKOM on any of its accounts.

ESKOM

All villages have been grid connected to the electrical supply. ESKOM succeeded in the completion of 7 planned projects with 542 connections and 194 infills. One project was split into 2 phases due to the fast-growing number of connections required. 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 and there is a huge backlog. There is still no proper planning for new extensions in tribal controlled areas and at the beginning of every project resident quickly starts 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 provides waste management services that includes waste collection, street cleaning (in Marble Hall town only), and waste disposal at Marble Hall Landfill site. Clearing and cleaning illegal dumping of waste it is done as and when is required throughout the Municipal jurisdiction. Regular solid waste collection service is provided to business, institutions and households within the jurisdiction of the Municipality. Waste collection from residential premises is carried out on a weekly or bi- weekly basis either by kerbside and /or

communal bin collection. Rent a bin services/number of skip bins requested by clients are also rendered to residents in Marble Hall according to the approved tariffs and they are collected as and when the bin is full for safer disposal. The total percentage of households is as stated per the Stats SA census 2022 and the figures is used for all the planning and reporting in the Municipality.

The Municipality managed to consistently deliver a weekly kerb side refuse collection service in the following villages namely Marble Hall (ward 7), Leeuwnfontein (ward 8), Leeuwnfontein RDP (ward 8), Elandskraal (ward 15) as per schedule.

Number of bulk containers (skip bins) are strategically placed at the villages to give communities further access to weekly refuse collection and to reduce illegal dumping of waste to the following villages, Moganayaka, Manapyane, Regae, Mamphokgo, Makgatlé, Letebejana and Matlerekeeng (one container per village) to be collected once a week or as required.

Provision of refuse removal services is rendered also to the businesses and industries to be collected once, or more times a week or daily depending on the nature of the business.

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.

There is only one landfill site in the Municipality which is situated in Marble Hall town. The site is permitted, and it is classified as a GMB- landfill site. There is a proper access road, the site is adequately fenced with lockable gates and 24 hours security guards, offices and cloakrooms are available. The current permit was issued during site establishment in 1997 by the then Department of Water Affairs and Forestry.

The Municipal current landfill airspace is at 0 years, an expert assessment of the remaining useful life (RUL) of the landfill was commissioned and conducted by Jones and Wagener Engineering and Environmental Consultants (JAWS) in July 2024. Based on the topographical survey and the legal limitation on the height of the landfill (3 meters above ground level – condition 3.10 in the permit), they concluded that the available airspace has been fully utilized. An adjacent property at the existing landfill side has been identified for the development of a new landfill site. Mamadi and Company SA Pty Ltd have been appointed by the Department of Economic Development, Environment and Tourism (LEDET) in Limpopo Province as a professional service provider for assisting the Municipality with the Licensing and Development of Landfill Engineering Design. However, this is in the early stages and will take longer to be completed so that a new landfill can be taken into operation. The municipality needs to source funds for the finalization of the new landfill and also for the rehabilitation plan and closure of the existing landfill. In the meantime, the municipality is continuing to use the current landfill, despite the exceedance of the height limitation. The request for adjusting cell height will also be in the new permit application. This will allow more available airspace for disposal if the application is approved.

The site is receiving an estimate of 17000 tons of waste annually which is monthly electronically reported on the South African Waste Information System website. Waste for disposal is currently estimated.

A weighbridge is 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 to the weighbridge operations and training and license update will be done in the next financial year.

Sorting at source as part of the recycling process is also done by recyclers and collected by different recycling companies and individuals. Recycling is prioritised, and we also encourage individual community members to do recycling of bottles, papers, plastic etc. as this will result in a clean surroundings and job creation. 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 Integrated Waste Management Plan (IWMP).

In collaboration with the voluntary group of concern community members of the Letebjane, Mamphogo and Moganyaka 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, Provincial department (LEDET) and DFFE.

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

The Integrated Waste Management Plan is in a final draft form and the process to complete received support of the Provincial department (LEDET), with the appointment service provider Mamadi & Company to finalise a credible Integrated Waste Management Plan.

Designation in writing of a waste management officer (WMO) to coordinate waste management in the municipality. Following the retirement of the previous WMO, the departmental director was officially designated as the WMO on 3 November 2023.

As part of the commitment to the allocated EPWP grant and job creation, 06 employees were contracted for 06 months as EPWP employees to support waste management in Marble Hall town, to assist with illegal dumping and waste management.

Proper effective awareness campaigns to educate communities with Environmental issues such as waste management and cleanliness, clearing of illegal dumping of waste throughout the Municipality is an ongoing process and is already done at hotspot villages such as Leeuwfontein, Letebjana, Manapyan and Marble Hall Town.

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(human and capital resources) 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 Elandskraal 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.

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

Table 34: Refuse disposal for Households within EPMLM (RELY ON STATS SA FIGURES 2011 AND SURVEY 2016)

Description	Households			
	2021/2022	2022/2023	2023/2024	2024/2025
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<u>Solid Waste Removal: (Minimum level)</u>				
Removed at least once a week	6369	6369	6369	6369
<i>Minimum Service Level and Above sub-total</i>	6369	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 152 RDP houses to the municipality during the 2023/2024. 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 2023/2024 financial year and manages to provide for 911 beneficiaries who are on the indigent register by 30 June 2024.

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 by MIG and 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 also maintains all the roads within the Municipal area and there are teams dedicated to 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 970.9 km are gravel and 192.0 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 has managed to reduce the gravel backlog and increase the surfaced roads by 4.5 km since the financial year 2023/2024. The gravel roads back log is now sitting at 970.9km, and the surfaced roads length has increased to 192km.

Most of the existing surfaced road infrastructure has reached its design life span and routine maintenance is no longer the solution. The municipality needs 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 35: 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
2021/2022	158.40	12.25	0	1.35	179.92
2022/2023	179.92	4.28	0	0	184.20
2023/2024	187.5	4.50	0	0	192.00

Gravel Road Infrastructure Kilometres				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2021/2022	995.68	0	13.60	982.08
2022/2023	982.08	0	4.28	977.8
2023/2024	974.50	0	4.50	970.00

Cost of Construction/Maintenance R' 000						
	Gravel			Tar		
	New	Gravel – Tar	Maintained	New	Re-worked	Maintained
2021/2022	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
2023/2024	0.00	R36 755 000.00	R8 000 000.00	R0.00	R0.00	R8 000 000.00

Table 36: Road Service Policy Objectives Taken From IDP

Road Service Policy Objectives Taken From IDP

Service Objectives Service Indicators	Outline Service Targets (ii)	Year 1(2021/2022)		Year 2(2022/2023)			Year 3(2023/2024)		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Previous Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
Elimination of gravel roads in townships	192.00Kilometers of gravel roads tarred (970.00 Kilometres of gravel road remaining)	5.450kms 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	4.50 kms of roads tarred	4.8km5	4.3kms
Development of municipal roads as required	172kms of municipal roads developed	5.450kms	13.60kms	12.25kms	4.28kms	0kms	4.5km	4.8km5	4.3kms

Table 37: Financial Performance Year 0: Road Services

Financial Performance Year 0: Road Services 000					
Details	2022/2023	2023/2024			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	R0.00				
Expenditure:					
Employees	8 862 015.00				
Repairs and Maintenance	2 150 730.83	5 000 000.00	3 000 000.00	8 000 000.00	3 000 000.00
Other	0.00				

Capital Operational Expenditure					
Capital Operational Expenditure					

Capital expenditure variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.

Capital Expenditure Year 2023/2024: Road Services R 000					
Capital Projects	2023/2024				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	R 36 755 000,00	R 0.00	R 36 755 000,00	R 0.00	

Rathoke Internal Street (Multi Year)	R4 878 532,00	R6 208 688,68	R 6 208 688,68	R0.00	R 30 364 209,97
Morarela Access Road (Multi Year)	R16 544 484,00	R13 542 129,69	R 13 610 034,81	R67 905.012	R 21 774 833,78
Uitvlugt Bus Route (Multi Year)	R16 001 286,00	R15 034 481,63	R 14 944 178,56	R90 303.07	R 39 770 000,01

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

In the financial year 2023/2024, the allocation was R 36 755 000,00.

MUNICIPAL INFRASTRUCTURE GRANT EXPENDITURE

The percentage of MIG Expenditure for 2023/2024 was 100.0% including PMU establishment fees.

Table 38: Municipal Infrastructure Grant Funded Projects

Municipal Infrastructure Grant Funded Projects R 54 830 000.00	
MIG projects	MIG projects Budget
Rathoke Internal Street (Multi Year)	R 6 208 688,68
Morarela Access Road (Multi Year)	R 13 610 034,81
Uitvlugt Bus Route (Multi Year)	R 14 944 178,56
PMU Establishment	R 1 992 097,95

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 modes of transport in EPMLM, taxi, bus, private cars etc. The most well-established transport mode 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.

Challenges

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.

3.8.1 LICENSING

Department of Transport and Community Safety together with Ephraim Mogale Municipality share the services of Driving Licence Testing Centers in a ratio of 80:20 (DOTCS gets 80 percent and EMPLM gets 20%). The Licensing and Registration Centre (DLTC) is a Grade B. The municipality uses electronic Learners License. The electronic learners' license is the corrective measure implemented to curb corruption in the DLTC. The system is user-friendly and 100% fair and has been found to eliminate fraud and corruption in the Learners Licence tests. 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, EPMLM Spatial Development Framework, 2018, EPMLM Land Use Management Scheme 2019 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 receives 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, unopposed applications are 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 District 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 Joint Municipality and the other 3 Municipalities for the establishment of Sekhukhune Joint District Municipal Planning Tribunal.

Table 39: Below are all applications received and for the financial year 2023/2024

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	Approved
21/07/2022	Category 2:	Application for exemption in terms of section 71: Farm next to road R573	Approved
25/07/2022	Category 1:	Application for Rezoning from Business 1 to public garage on the farm Loskop Noord	Not Approved
3/10/2022	Category 2:	Application for Relaxation of erf 259 Marble Hall	Approved
10/10/2022	Category 2	Application for Special consent on Erf 2301	Not Approved
3/10/2022	Category 2	Application for Special consent on Erf 272	Not Approved
3/10/2022	Category 2	Application for Special Consent on Erf 178	Approved
03/02/2023	Category 2	Application for Rezoning of Remainder of the farm Krondraai 712-KS	Not Approved
15/02/2023	Category 1	Application for Subdivision on farm Hindostan 680 KS	Not Approved
01/03/2023	Category 1	Application for Special Consent on Portion 1 of Erf 835	Approved
29/03/2023	Category 2	Application for rezoning on farm Hindostan 680 KS	Not Approved
01 June 2023	Category 2	Application for relaxation of building line 2044 Brown Matlala Street, Marble Hall Extension 6	Not Approved

Date Received	Category	Description	Approved/Not Approved
08 June 2023	Category 2	Application for relaxation of building line 1940 Frans Mohlala Street, marble hall Extension 6.	Approved.
09 June 2023	Category 2	1835 Joe Slovo Street, Marble Hall Extension 6	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 is an important document which guides 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 40: 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 41: 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 42: LED Job Creation

Jobs Created during 2023/2024 through CWP & EPWP	
Year	No Jobs created through CWP
2023/2024	1090
Year	No Jobs created through EPWP

2023/2024	118
Year	No Jobs created through MIG
2023/2024	69
Year	No Jobs created through DFFE
2023/2024	480

The Community Works Programme remains the biggest government initiative that provides employment safety net for the unemployed active citizens, and which created 1090 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

Library services are regulated by the National Library of South Africa Act, 1998 (Act 92 Of 1998), with the intention to collect, preserve and make available a country's history to all of its citizens. The municipality has one library which is situated in Marble Hall town which has just been renovated this financial year under review. The library is administered by the Department and the municipality through a Service Level Agreement entered between the two parties. 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 but fortunately one (1) library in Moutse West is under construction. The municipality will continue to engage the DSAC for the allocation of other additional libraries in the other parts of the municipality. The municipality is operating with only one librarian seconded by the Provincial Department.

3.13 CEMETRIES

The municipality planned to fence two (2) cemeteries in Leeuwfontein and Mamphokgo during the year under review, but the target was not achieved due to limited budget. The directorate will continue to fence village-based cemeteries according to the priority list in the next financial year. There are 55 cemeteries at sixteen (16) wards in the Municipal area. The municipality is currently operating only at Marble Hall town, Regae, Leeuwfontein, Elandsdraal and Matlelerekeng cemeteries. There is no crematorium in the municipal area.sz

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. 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 extension of cemeteries in most villages as their cemeteries have reached their full capacity which then working together with Councilors and Traditional leaders will assist in that regard.

3.14 SOCIAL PROGRAMMES - CHILD CARE, AGED CARE

Table 43: 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

Table 44: Number of Early Childhood Development (ECD) centres

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

COMPONENT D: 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 2023/2024 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 E: 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 F: SECURITY AND SAFETY

3.20 POLICE

Police function is a national function coordinated at the Provincial Department. The Municipality provides public safety services through effective and informed Law Enforcement of the National Road Traffic Act, National Land Transport Act, National Land Transport Transition act and the Municipal By-Laws. Other services provided also include but are not limited to escorts and point duties that promote the free flow of traffic at accidents and events or marches. The Traffic Division also aims at having a well-informed and educated public

by working together with the Limpopo Department of Transport {Road Safety Division} in their Educational and Road Safety Programs. The purpose of the safety and security unit is to ensure that vehicle and pedestrian traffic are controlled effectively (24) twenty-four hours a day (365) three hundred and sixty-five days a year. Municipality works jointly with Limpopo Provincial Department of Transport and the SAPS to reduce accidents during the festive seasons that include the Easter and Christmas holidays. The municipality is responsible for Community Safety Forum (CSF) 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.

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 G: 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 H: 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

For the year under review, the municipality was engaged in numerous litigation matters, varying from disputes about the implementation of the municipal rebates, irregular appointment, water treatment and sewer issues, judicial review of an appointment, civil recovery and claim for damages.

The municipality had a total of eight (8) High Court matters in the financial year under review. Seven (5) were against the municipality and one (3) was instituted by the municipality against third parties.

One matter involving the sale of the remaining erven at Extension 6 was concluded on the 11th of June 2024 at the High Court sitting in Polokwane.

All these matters are in the High Court except one (Recovery of monies paid over to a Contractor) that is in the Regional Court. All these matters are sub judice.

COMPONENT I: 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 2021/2022 – 2023/2024

Table 45: 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 for 2021/2022 FY			Annual Performance Targets for 2022/2023 FY			Annual Performance Targets for 2023/2024 FY			
		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	08	05	63%	11	10	91%	12	07	05	58%
2	Basic Service Delivery and Infrastructure Development	58	44	76%	48	35	73%	41	35	06	85%
3	Local Economic Development	13	11	85%	15	14	93%	15	14	01	93%

4	Municipal Transformation and Institutional Development	35	34	97%	28	22	79%	32	30	02	94%
5	Municipal Financial Viability and Management	18	18	100%	16	16	100%	17	17	0	100%
6	Good Governance and Public Participation	56	46	82%	47	42	89%	48	43	05	90%
	TOTAL	188	158	84%	165	139	84%	165	146	19	88%

Table 46: Individual Departmental performance

No	Department	Annual Performance Targets for 2023/2024 FY			
		Total KPI's Assessed	Targets Achieved	Targets Not Achieved	% Target Achieved
1	Budget & Treasury Services	17	17	0	100%
2	Office of the Municipal Manager	43	40	03	93%
3	Corporate Services	29	26	03	90%
4	Community Services	23	20	03	87%
5	Infrastructure Services	26	22	04	85%
6	Planning & Economic Development	27	21	06	78%
	TOTAL	165	146	19	88%



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

The tables below depict the number of vacant positions within the whole municipality divided by the total number of positions within the whole municipality multiplied by 100 equals your vacancy rate.

Table 47: Employee totals, turnover and vacancies

Description	2023/2024			
	Approved Posts	Employees	vacancies	Variance
	No.	No.	No.	%
Municipal Manager's Office	35	26	9	74%
Infrastructure Services	74	58	16	78%
Budget and Treasury Services	33	26	7	79%
Planning & Economic Development Services	11	9	2	82%
Community Services	123	82	41	67%
Corporate Services	51	38	13	75%
Totals	327	239	88	73%

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 (2023-2027). 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 48: Approved and reviewed policies

Ref	Policy Name	Approved	Reviewed	File/Resolution Number
1	Credit Control & Debt Collection policy	Yes	27/05/2022	17/17/5/1 & 17/17/5
2	Tariffs and Rates policy	Yes	27/05/2022	17/17/5/1 & 17/17/5
4	Property Rates policy	Yes	27/05/2022	17/17/5/1 & 17/17/5
5	Asset Management policy	Yes	27/05/2022	17/17/5/1 & 17/17/5
6	Supply chain policy	Yes	27/05/2022	17/17/5/1 & 17/17/5
7	Virement policy	Yes	27/05/2022	17/17/5/1 & 17/17/5
8	Indigent policy	Yes	27/05/2022	17/17/5/1 & 17/17/5

Ref	Policy Name	Approved	Reviewed	File/Resolution Number
9	Funding and Reserves policy	Yes	27/05/2022	17/17/5/1 & 17/17/5
10	Budget policy	Yes	27/05/2022	17/17/5/1 & 17/17/5
13	Fleet Management policy	Yes	27/05/2022	17/17/5/1 & 17/17/5
14	Appointment of Consultant Policy	Yes	27/05/2022	17/17/5/1 & 17/17/5
15	Unknown Direct Deposit Policy	Yes	27/05/2022	17/17/5/1 & 17/17/5
17	Acting Allowance Policy	Yes	22/05/2024	ESC/03/2024
18	Travel and Subsistence policy	Yes	22/05/2024	ESC/03/2024
19	Transport Allowance Policy	Yes	22/05/2024	ESC/03/2024
20	Overtime, standby and emergency work policy	Yes	22/05/2024	ESC/03/2024
21	Recruitment, Selection and Appointment Policy	Yes	22/05/2024	ESC/03/2024
22	Cellphone and Mobile Data allowance Policy	Yes	22/05/2024	ESC/03/2024
23	Training and Development Policy	Yes	22/05/2024	ESC/03/2024
24	Dress Code in the Workplace Policy	Yes	22/05/2024	ESC/03/2024
25	Attendance and Punctuality Policy	Yes	22/05/2024	ESC/03/2024
26	Cellphone and Mobile Data Policy for Senior Managers and Councillors	Yes	22/05/2024	ESC/03/2024
27	Leave administration Policy	Yes	22/05/2024	ESC/03/2024

Ref	Policy Name	Approved	Reviewed	File/Resolution Number
28	Incapacity due to ill health	Yes	22/05/2024	ESC/03/2024
29	Sexual Harassment Policy	Yes	22/05/2024	ESC/03/2024
30	Bursary Policy for Employees	Yes	22/05/2024	ESC/03/2024

4.3 INJURIES, SICKNESS AND SUSPENSIONS

- One (01) official was suspended from duty for misconduct during the year under review.
- None of our employees were dismissed from duty for misconduct during the year under review.
- Nine (09) injuries were reported on duty and the incidents were reported to the Department of Labour.

Table 49: 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	16	9	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 (9) 1 day	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
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4.4 PERFORMANCE REWARDS

The municipality conducted the 2022/2023 annual performance assessment and 2023/2024 Mid-year performance assessments for Municipal Manager and all Directors who signed the performance agreement with the municipality, and no one qualified for bonuses.

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.

In the 2022/2023 financial years, only three senior managers qualified for performance reviews based on the fact that they have been engaged with the municipality for more than six (6) months during the period under review. The senior managers are indicated below:

- Director Corporate services: Rampedi M.R.
- Director Community services: Maphutha-Mashaba M.Y.
- Director Planning & Economic Development services: Tjebane T.

In the 2023/2024 financial years, only five senior managers qualified for performance reviews based on the fact that they have been engaged with the municipality for less than six (6) months during the period under review. The senior managers are indicated below:

- Municipal Manager: Moropa M.E.
- Chief Financial Officer: Modisane T.T.
- Director Corporate services: Rampedi M.R.
- Director Community services: Maphutha-Mashaba M.Y.
- Director Planning & Economic Development services: Tjebane T.

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 600 000.00 on employees training.

Table 50: Training for officials

PROGRAMME	NO. OF OFFICIALS	STATUS
Training Committee Induction	06	Completed
SCM BID Committees Workshop	10	Completed
Performance Management & Development System (PMDS) Workshop	01	Completed
Supply Chain Management Workshop	01	Completed
SMDP NQF 4	03	Completed
BID Committees	02	Completed
Municipal Leaders Media & Stakeholder Engagement (MSEP)	01	Completed
Municipal Staff Regulations (MSR) Workshop	15	Completed
Women Empowerment Leadership Programme	03	Completed
Cascading of performance management to officials	50	Completed
Total	89	

Table 51: Training for Councillors

PROGRAMME	NO. OF COUNCILLORS	STATUS
Municipal Leaders Media & Stakeholder Engagement (MSEP)	06	Completed
Basic Computing	03	Completed
Policy Conference	29	Completed
Total	38	

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 2023/2024. 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	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	684 000	(365 000)	319 000	96 500	(222 500)	1
Service charges	92 148 000	(6 367 000)	85 781 000	77 946 160	(7 834 840)	2
Rental of facilities and equipment	188 000	(97 000)	91 000	67 643	(23 357)	3
Agency fees	5 828 000	7 000	5 835 000	5 594 755	(240 245)	4
Other income	460 000	(6 000)	454 000	851 845	397 845	5
Interest received	15 000 000	8 000 000	23 000 000	27 144 082	4 144 082	6
Total revenue from exchange transactions	114 308 000	1 172 000	115 480 000	111 700 985	(3 779 015)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	50 000 000	(585 000)	49 415 000	55 328 009	5 913 009	7
Basic Electricity Levy	-	-	-	11 692 930	11 692 930	2
Interest on outstanding receivable balances	8 862 000	6 162 000	15 024 000	11 156 236	(3 867 764)	8

Transfer revenue

Government grants & subsidies	202 450 000	343 000	202 793 000	242 769 959	39 976 959	9
Fines, Penalties and Forfeits	207 000	(87 000)	120 000	453 296	333 296	10
Total revenue from non-exchange transactions	261 519 000	5 833 000	267 352 000	321 400 430	54 048 430	
Total revenue	375 827 000	7 005 000	382 832 000	433 101 415	50 269 415	

Expenditure						
Employee related costs	(113 248 000)	2 572 000	(110 676 000)	(108 962 225)	1 713 775	11
Remuneration of councillors	(16 874 000)	1 894 000	(14 980 000)	(15 050 571)	(70 571)	12
Repairs and Maintenance	(23 569 000)	(3 137 000)	(26 706 000)	(19 173 047)	7 532 953	13
Depreciation and amortisation	(50 128 000)	(13 412 000)	(63 540 000)	(62 410 051)	1 129 949	14
Finance costs	(2 094 000)	(706 000)	(2 800 000)	(8 652 108)	(5 852 108)	15
Operating Lease Expense	(1 819 568)	-	(1 819 568)	(1 626 783)	192 785	16
Debt Impairment	(12 339 000)	(3 682 000)	(16 021 000)	(10 153 760)	5 867 240	17
Impairment of Assets	-	-	-	(1 620 606)	(1 620 606)	14
Bulk purchases	(50 000 000)	-	(50 000 000)	(56 886 156)	(6 886 156)	18
Contracted Services	(43 961 000)	1 819 000	(42 142 000)	(35 234 590)	6 907 410	19
Grants and Subsidies	(2 989 490)	-	(2 989 490)	(12 870 282)	(9 880 792)	20
General Expenses	(58 643 942)	(7 413 000)	(66 056 942)	(57 025 397)	9 031 545	21
Total expenditure	(375 666 000)	(22 065 000)	(397 731 000)	(389 665 576)	8 065 424	
Operating surplus	161 000	(15 060 000)	(14 899 000)	43 435 839	58 334 839	
Profit / (Loss) on disposal of fixed assets	-	-	-	(1 126 039)	(1 126 039)	22
Fair value adjustments	-	-	-	2 105 730	2 105 730	23
Actuarial gains/losses	-	-	-	(3 949 076)	(3 949 076)	23.1
	-	-	-	(2 969 385)	(2 969 385)	

Property rates

The original budget of property rates for 2023/2024 financial year was R49 million. The actual revenue generated was R55 million mainly as a results of continuous data cleansing.

Service charges

The service charges for electricity and refuse removal original budget was R92 million, which was adjusted to R85 Million. The actual revenue collected was R77 Million. Most This could be attributed to most of household now utilizing alternative energy such as Solar Pannels and Gus due to Load shedding.

Interest received.

The original budget for interest received was R15 million which was adjusted to R23 million. The actual interest received was R27 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 R39 Million which was adjusted to R36 million. There was 100% spent of MIG Grant.

Comments on Financial Performance: Expenditure

Employee related cost

The original budget for employee costs was R113 million, and it was adjusted downwards to R110 million. The actual expenditure incurred is R 108 million and this resulted in a saving of R1.7 million mainly because of vacant positions which were not filled in 2023/2024 Financial year.

Depreciation and asset impairment

Provision was made in the budget for capital asset depreciation and impairment and the budget thereof was R50 Million, it was adjusted to R63 Million.

Bulk purchases

The major portion of this line item was mainly for the purchase of electricity. The original budget thereof was R50 Million. The actual expenditure incurred was R56 Million and this resulted in a variance of R6 Million.

General expenditure

The original budget was R58 Million, and it was adjusted upward to R 66 million and the actual expenditure incurred was R57 Million and this resulted in a favorable variance of R9 million.

5.2 GRANTS

Description	Final Budget	YTD Actual
Equitable share	R191 533 000	R191 533 000
MIG	R3 100 000	R3 100 000
EEDMS	R2 560 000	R2 560 000
FMG	R5 600 000	R5 600 000
	R202 793 000	R202 793 000

Comment on Operating Transfers and Grants

All grants gazetted for 2023/2024 financial year were received. The total amount received on operational grants amounted to R202 million during the 2023/2024 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	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	38 962 000	(171 000)	38 791 000	36 694 142	(2 096 858)	24
Receivables from exchange transactions	23 732 000	(1 368 000)	22 364 000	4	(22 363 996)	25
Receivables from non-exchange transactions	61 241 000	379 000	61 620 000	4 089 586	(57 530 414)	26
VAT receivable	89 359 000	-	89 359 000	380 943	(88 978 057)	27
Consumer debtors	20 504 000	-	20 504 000	88 461 207	67 957 207	28
Cash and cash equivalents	240 147 000	3 007 000	243 154 000	359 462 684	116 308 684	29
	473 945 000	1 847 000	475 792 000	489 088 566	13 296 566	

Non-Current Assets

Investment property	139 618 000	-	139 618 000	74 377 561	(65 240 439)	30
Property, plant and equipment	963 563 000	(19 457 000)	944 106 000	876 397 101	(67 708 899)	31
Intangible assets	23 000	-	23 000	-	(23 000)	32
Heritage assets	157 000	-	157 000	191 160	34 160	33
Eskom Deposits	-	-	-	1 861 591	1 861 591	34
	1 103 361 000	(19 457 000)	1 083 904 000	952 827 415	(131 076 585)	
Total Assets	1 577 306 000	(17 610 000)	1 559 696 000	1 441 915 981	(117 780 019)	

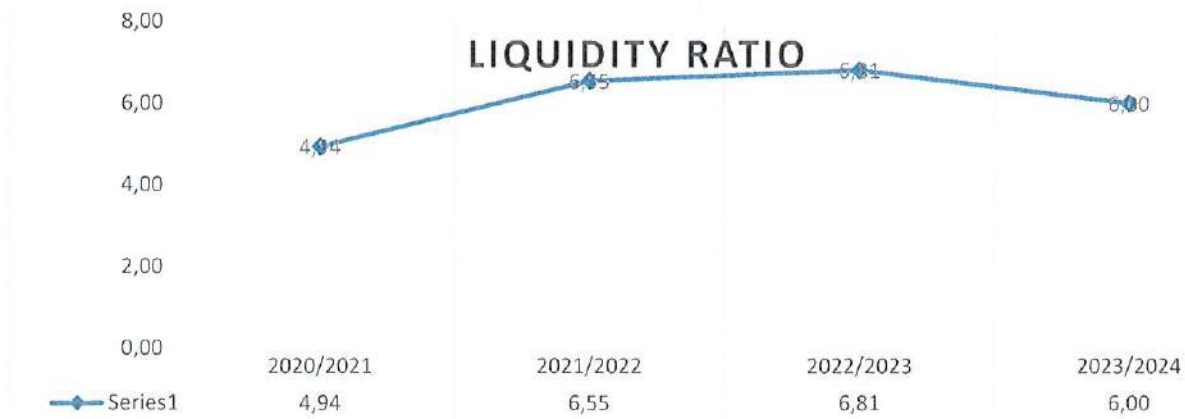
Comment on Asset Management:

The asset register value for 2023/2024 was budgeted for R1.5 billion. The value of the municipal assets is R1.4 billion.

5.4 FINANCIAL RATIO'S

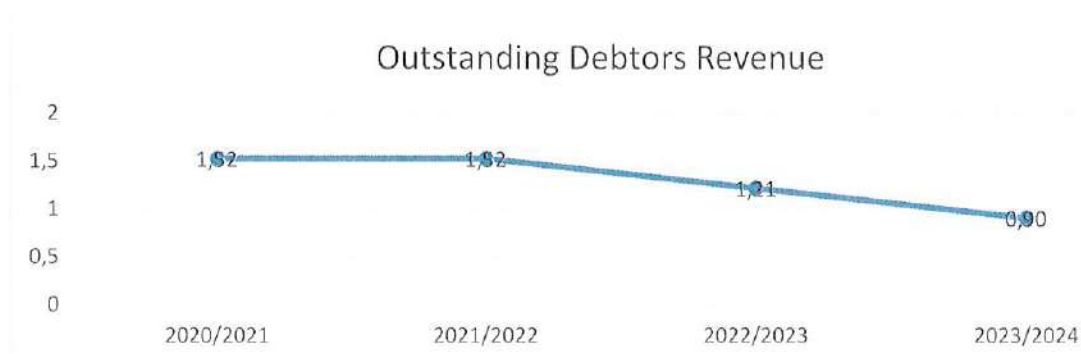
Graph 1: Liquidity ratio

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.



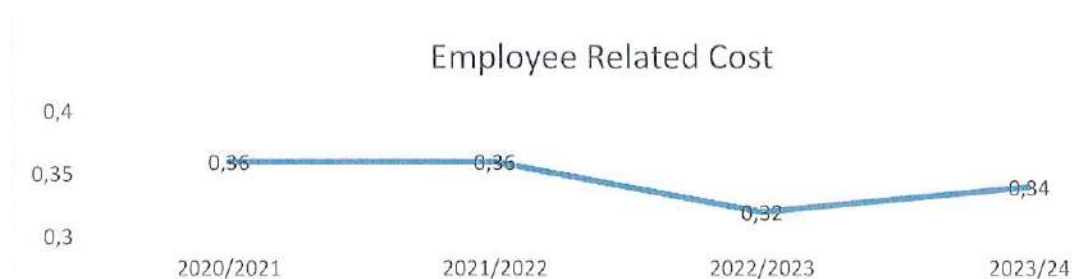
Graph 2: Outstanding Debtors to revenue

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.



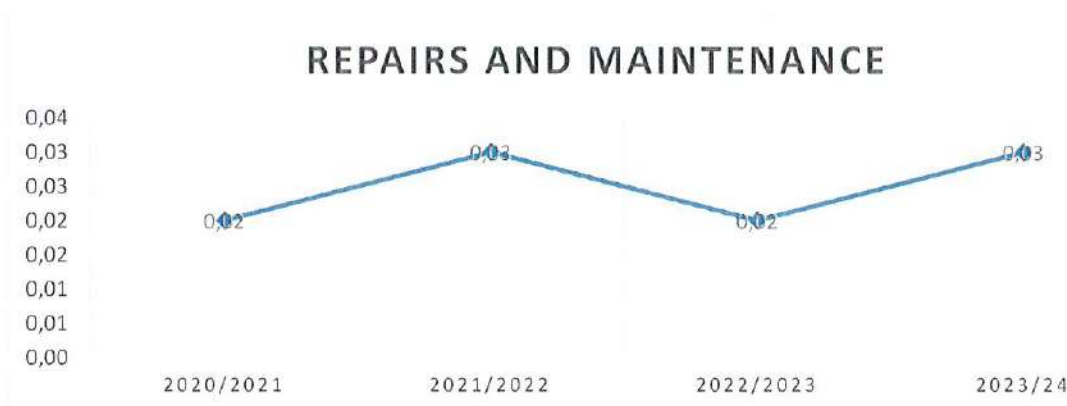
Graph 3: Employee cost

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 - 2024

	Opening balance	Additions	Disposals	Transfers	Changes in Landfill and valuation	Change in estimates	Depreciation	Impairment loss	Impairment reversal	Total
Land	5 875 219	-	-	-	-	-	-	-	-	5 875 219
Buildings	21 788 657	155 500	-	-	-	-	(1 294 968)	-	-	20 647 189
Plant and machinery	14 115 685	2 871 586	(31 842)	-	-	49 447	(2 928 407)	-	-	14 075 869
Motor vehicles	2 868 866	-	(13 050)	-	-	-	(762 844)	-	-	2 000 972
Office equipment	2 314 007	83 003	(10 951)	-	-	41 909	(531 403)	-	-	1 896 645
IT equipment	1 338 887	2 109 035	(30 620)	-	-	39 737	(578 335)	-	-	2 959 474
Infrastructure	695 011 531	784 900	(1 079 770)	50 703 003	-	583 506	(50 504 550)	(3 731 326)	2 448 019	689 953 365
Community	62 258 475	2 041 500	-	-	-	8 696	(2 411 966)	(277 299)	-	61 619 543
Work in progress	42 447 387	51 331 401	-	(50 703 003)	-	-	-	-	-	43 077 725
Leased assets	25 000 342	-	-	-	-	-	(2 580 372)	-	-	23 022 970
Landfill	788 427	-	-	-	11 814 323	-	(1 534 620)	-	-	11 066 130
	870 311 883	89 467 855	(1 168 241)	-	11 814 323	723 895	(63 133 808)	(4 068 625)	2 448 019	876 397 191

5.6 SOURCE OF FINANCE

Comment on Sources of Funding:

The capital budget for 2023/2024 financial year was funded from Municipal Infrastructure Grant and Internal Funding.

5.7 CAPITAL SPENDING ON LARGEST PROJECTS

Description	Annual Budget 2023/2024	Adjustment Budget 2023/2024	YTD Actual
Rathoke Internal Street	R6 208 689	R6 208 689	R6 208 689
Uitvlucht Internal Bus Route W	R15 034 481	R15 034 481	R15 034 481
Morarela Internal Road	R13 542 131	R13 542 131	R13 542 131
	R34 785 301	R34 785 301	R34 785 301

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 realized 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 a 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 R318 million. The actual cash and cash equivalent as at end of the financial year 2024 is R359 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 2021/2022 -2023/2024 - R'000			
Instrument	2021/2022	2022/2023	2023/2024
<u>Municipality</u>			

Actual Borrowings 2021/2022 -2023/2024 - 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	592	7 619
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
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

Actual Borrowings 2021/2022 -2023/2024 - R'000			
Bankers' acceptances	N/A	N/A	N/A
Financial derivatives	N/A	N/A	N/A
Other Securities	N/A	N/A	N/A
Entitles Total	N/A	N/A	N/A

Municipal and Entity Investments 2021/2022 – 2023/2024 - R'000			
Investment type	2021/2022	2022/2023	2023/2024
	Actual	Actuals	Actuals
<u>Municipality</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	–	–	–
<u>Municipal Entities</u>			
Securities - National government	–	–	–

Municipal and Entity Investments 2021/2022 – 2023/2024 - R'000			
Investment type	2021/2022 Actual	2022/2023 Actuals	2023/2024 Actuals
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 2023/2024 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.

The Municipality approved the planned capital projects through a procurement plan document which was also send to provincial treasury. The Procurement plan had 44 planned capital projects which amounted to R 78 408 990.00. the total project amount composed R 37 424 290.00 from Grants and R 41 984 700.00 from Own funding. The implementation of the plan was as follows

Item	Number of Projects	Project implementation status quo
1	08	8 of the 44 projects were re-advertised by the end of the financial year
2	10	10 out of the 44 projects were not initiated for procurement however reprioritized during budget adjustment to other projects
3	16	16 out of the 44 projects were appointed as planned
4	10	Ten out of the 44 projects where part of the contracted services (e.g. Multiyear Projects)

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 2023/2024.

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

6.1 AUDITOR GENERAL'S REPORT 2023/2024

Refer attached report from the office of the Auditor General for the 2023/2024 financial year ended 30 June 2024.

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 for 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 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 their 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

ANNUAL PERFORMANCE REPORT – 2023/2024



“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 2023/2024. The scorecards were developed to reflect ***cumulative performance***; therefore, the status of indicators is a reflection of the overall performance level achieved year to date.

2. Executive Summary

This report serves as the **Annual Performance Report** for the **2023/2024** financial year ending **30th of June 2024**. 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 Fourth Quarter Institutional performance achieved for the 2023/2024 financial year reflected an **88%** with only **146** out of **165** KPI's assessed attaining set targets.

Improvement performance levels were experienced in four key performance areas as depicted in the Table Ref No1 except key performance areas 6 which has dropped by 1 % and 2 which shows a stagnant performance. The 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 Organizational 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 2021/2022 – 2023/2024

Table 1: Institutional Performance Comparison

KPA No	KPA	Annual Performance Targets for 2021/2022 FY			Annual Performance Targets for 2022/2023 FY			Annual Performance Targets for 2023/2024 FY			
		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	08	05	63%	11	10	91%	12	07	05	58%
2	Basic Service Delivery and Infrastructure Development	58	44	76%	48	35	73%	41	35	06	85%
3	Local Economic Development	13	11	85%	15	14	93%	15	14	01	93%
4	Municipal Transformation and Institutional Development	35	34	97%	28	22	79%	32	30	02	94%
5	Municipal Financial Viability and Management	18	18	100%	16	16	100%	17	17	0	100%
6	Good Governance and Public Participation	56	46	82%	47	42	89%	48	43	05	90%
	TOTAL	188	158	84%	165	139	84%	165	146	19	88%

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 for 2023/2024 FY			
		Total KPI's Assessed	Targets Achieved	Targets Not Achieved	% Target Achieved
1	Budget & Treasury Services	17	17	0	100%
2	Office of the Municipal Manager	43	40	03	93%
3	Corporate Services	29	26	03	90%
4	Community Services	23	20	03	87%
5	Infrastructure Services	26	22	04	85%
6	Planning & Economic Development	27	21	06	78%
	TOTAL	165	146	19	88%

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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 Programme	KPI	IDP Ref No	Budget	Actual	Baseline 2022/2023	Annual Performance Targets for 2023/2024 FY			Portfolio of Evidence	Responsible Department
							Target	Actual	Challenges	Corrective Action	
Compliance with Town Planning Scheme regulations	Land Use Management	% of land use complaint applications received and processed within 60 days as per the SPLUMA Act 16 of 2013	SR01	Internal	Internal	100%	100%	100% (9/9)	None.	None.	Planning & Economic Development
		Reviewed Land Use Scheme-law gazetted by Jun 2024	SR02	600 000.00	0.00	1	1	0	Non-responsive bidders	To re-advertise the project	
Compliance with National Building Regulations	Building Plans Administration	% 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% (3/3)	None.	None.	
		% 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% (1/1)	None.	None.	Building Plans and submission register

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		% 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 plans and submission register
		% of land use contraventions attended to per quarter	Internal	Internal	New	100%	100%	100%	Achieved	None	None	Land use contraventions register and issue Letters
Feasibility study: Landing strip		No of Landing strip Feasibility study done by Jun 2024	SR04	600 000.00	0.00	New	1	0	Not Achieved	Non-responsive bidders	To re-advertise the project	Feasibility study: Landing strip
Land alienation and acquisition		No Land acquisition and alienation policy developed by Jun 2024	SR08	200 000.00	0.00	New	1	1	Achieved	None	None	Developed Land acquisition and alienation policy
Subdivision of ERF 625 of Marble Hall EXT5		Develop general plan for Subdivision of ERF 625 of Marble Hall EXT5 by Jun 2024	SR05	570 000.00	0.00	New	1	0	Not Achieved	Non-responsive bidders	To re-advertise the project	Approved General plan
Site Demarcation		No. of General Plan developed and approved by Council by Jun 2024	SR10	500 000	0.00	New	1	0	Not Achieved	Non-responsive bidders	To re-advertise the project	Approved General Plan
Human settlement	Facilities Maintenance Management	No. of quarterly progress reports in terms of new housing units provided by COGHSTA submitted to Council per quarter	SR07	Internal	Internal	1	4	4	Achieved	None	None.	Quarterly Progress Report

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Supply of GIS Tools, Datasets and Technical Assistance	Management of GIS System	Upgrading of GIS system and updating of GIS datasets by Jun 2024	SR11	418 800.00	0.00	New	Upgraded GIS system and updated GIS datasets	No Upgraded GIS system and updated GIS datasets	Not Achieved	Non-responsive bidders	To re-advertise the project	Delivery note & completion certificate
Operation Clean Audit (OPCA)	Operation Clean Audit (OPCA)	% of Auditor General matters resolved as per the approved Audit Action plan (PED) by Jun 2024	SR12	Internal	Internal	New	100%	N/A	No matters raised by AGSA	None	None	Progress report on implementation AGSA remedial plan

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	Budget	Actual	Baseline 2022/2023	Annual Performance Targets for 2023/2024 FY				Corrective Action	Portfolio of Evidence	Responsible Department
							Target	Actual	Achievements	Challenges			
Transformer Maintenance and oil testing Ring Main Unit Maintenance	Electricity	No. of transformers tested by June 2024	BS01	3 901 400	1 066 288	51	52 transformers tested	10 transformers tested	Not Achieved	Delays experience with Manufacturing of special components	Acceleration of the works and Application for extension of time.	52 test results	Infrastructure Services
		No. of ring main units serviced by June 2024	BS02			20	20 Ring main units serviced	20 Ring main units serviced	Achieved	None	None	20 RMU service reports	

Public Lighting- Inspection of streets lights	No. of Street light fittings routinely inspected by June 2024	BS0 3	526 502	280 277	4012	3980	3980	Achieved	None	None	Inspection monthly reports
Public Lighting- Maintenance of streetlight s	% of faulty Street light fittings repaired after routine inspection per quarter.	BS0 4			100%	100%	100%	Achieved	None	None	Inspection/repair monthly reports
Public Lighting- Inspection of Mast lights	No. of Mast lights fittings routinely Inspected by June 2024	BS0 5			2172	2460	2460	Achieved	None	None	Inspection monthly reports
Public Lighting- Maintenance of Mast Lights	% of Faulty Mast light fittings repaired after routine inspection per quarter	BS0 6			100%	100%	100%	Achieved	None	None	Inspection/repair monthly reports
Energy Efficiency and Demand Side Managem ent	Number of light fittings replaced with LED fittings by June 2024	BS0 7	5 600 000	5 600 000	New	801	903	Achieved	None	None	Light fitting LED Replacement reports
Purchase kWh meters.	Number of kWh meters purchased by June 2024	BS0 8	300 000	295 247	30	100 kWh meters purchased	100 kWh meters purchased	Achieved	None	None	Delivery note and invoice.
Install Quality of Supply Recorders	No. of recorders installed by June 2024	BS0 9	1 800 000	790 272	New	4 Recorders installed	4 Recorders installed	Achieved	None	None	Delivery note and invoice.

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Industrial Substation Second Supply Phase 4 (cable)	Meter of new cable installed from stand 863 to Ind Substation by June 2024	BS10	3 500 000	1 807 022	New	700m cable installed	700m cable installed	Achieved	None	None	Completion certificate
Chain Saw and Brush cutter	Number of chain saws and brush cutters purchased	BS14	24 500	24 502	New	1 chain saw and 1 brush cutter purchased	1 chain saw and 1 brush cutter purchased	Achieved	None	None	Delivery note and invoice.
Security upgrade	Number of alarm systems installed, and number installations fenced	BS16	250 000	0.00	New	0 alarm systems installed, 0 palisade fence and 0 doors secured	10 alarm systems installed, 1 palisade fence and four doors secured	Not Achieved	ESKOM busy with new fencing and security and ESKOM fence will most likely cover Municipal yard. ESKOM will move Municipal substation.	Municipality should benchmark, align planning with ESKOM and revise the specification to meet the technology used by ESKOM	Completion certificates
Generator for Traffic Centre	No of supplied, delivered and installed generators by June 2024	BS17	780 000	894 976	New	1 generator installed	1 generator installed	Achieved	None	None	Completion certificate
High mast lights connections - Moganyaka	No of revised mast lights quotations paid by June 2024	BS30	945 761	428 645	New	0 revised mast lights light connections quotations paid	4 revised mast lights light connections quotations paid	Not Achieved	ESKOM delayed and/or refuse to provide new /revised quotations. Special intervention meeting with ESKOM and CoGHSTA yielded no results	Matter escalated to the Ministerial oversight committee PIGF (Premier's Inter-governmental Forums) and CoGHSTA intervention meetings	Proof of payment.
High mast lights - Leeuwin RDP	No of mast lights installed by June 2024	BS31	3 000 000	2 670 000	New	6 mast lights installed	6 mast lights installed	Achieved	None	None	Completion certificate
High Mast lights Malebitsa	No of mast lights installed by June 2024	BS40	3 000 000	2 550 917.39	New	6 mast lights installed	6 mast lights installed	Achieved	None	None	Completion certificate

Operation Clean Audit (OPCA)	Operation on Clean Audit (OPCA)	% of Auditor General matters resolved as per the approved Audit Action plan (Infrastructure e) by Jun 2024	BS1 38	Intern al	Intern al	New	100%	100%	Achieved	None	None	Progress report on implementation AGSA remedial plan
Leeuwfont ein sports complex	Roads & Stormw ater	No of combi cours Refurbished by Jun 2024	BS5 9	1 615 616.1 0	1 615 616.1 0	Grassing on the pitch	1 combi court refurbished	1 combi court refurbished	Achieved	None	None	Completion Certificate
Rathoke Internal Street		Km of roads to be constructed by Jun 2024	BS6 5	6 208 688.6 8	6 208 688.6 8	0km	2km of road Constructed	2km of road Constructed	Achieved	None	None	Completion Certificate
Morarela Access Road (multi- year)		Km of roads to be constructed by Jun 2024	BS1 01	13 542 129	13.61 0.034 .81	0km	2.5km of road constructed	2.5km of road constructed	Achieved	None	None	Completion Certificate, Progress Report
Uitvlucht Internal streets		Km of road earthwork constructed by Jun 2024	BS1 07	15 034 481.6 3	18,25 6,441 13	Design report	4.85km earthworks constructed	4.85km earthworks constructed	Achieved	None	None	Progress Report
Purchasin g of a mechanica l roads' sweeper		No. of mechanical roads sweeper purchased by Jun 2024	BS8 5	1 884 383.9 0	0.00	New	1 mechanical roads sweeper purchased	0 mechanical roads sweeper purchased	Not Achieved	The service provider was appointed and declined the offer	Readvertise the project during 2024/2025 financial year	Delivery note and invoice

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Keerom Community Hall	M ² of wall plate (Brickwork) of community hall constructed by Jun 2024	BS1 08	4 984 383.90	3 859 455.75	New	324 m ² of Wall plate (Brickwork) construction	324 m ² of Wall plate (Brickwork) construction	Achieved	None	None	Progress Report	
Streets	Kilometres of roads graded per quarter	BS1 10	12 200 000.00	11 882 338.00	1622.51 km	1500km	2735.3km	Achieved	None	None	Inspection report	
	M ² of base and surface patched per quarter	BS1 11			7657.14 m ²	2500m ²	3799.65 m ²	Achieved	None	None	Inspection report	
	Kilometres of stormwater drains and channels cleaned per quarter	BS1 12			55.751km	27.7 km	29.314km	Achieved	None	None	Inspection report	
	KM of surfaced roads marked by per quarter	BS1 13	300 000.00	385 735.00	173.045 km	172 km	197.01km	Achieved	None	None	Inspection report	Community Services
Maintenance of Municipal buildings	No. of quarterly status report in terms of municipal buildings maintained as per the approved municipal maintenance plan	BS1 14	4 000 000.00	0.00	5	4	4	Achieved	None	None	Maintenance report.	Corporate Services

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Landscaping & Greening	Parks Management	No. of landscaping and greening implemented by Jun 2024	BS1 26	1 350 000.00	1229 756.73	0	1	1	Achieved	None	None	Final progress report	Community Services
Ride on mowers		Number of Ride on mowers purchased by Mar 2024	BS1 30	500 000.00	4886 00.00	0	2 Ride on mowers purchased	2 Ride on mowers purchased	Achieved	None	None	Delivery note and invoice	
Lawn mowers		Number of lawn mowers purchased by Mar 2024	BS1 31	40 000.00	2900 0.00	0	2 Lawn mowers purchased	2 Lawn mowers purchased	Achieved	None	None	Delivery note and invoice	
Parks Tools		% of parks tools purchased by Mar 2024	BS1 33	300 000.00	206 786.00	0	100% parks tools purchased	100% parks tools purchased	Achieved	None	None	Delivery note and invoice	
Refuse Containers	Waste Management	Number of Refuse Containers purchased by Mar 2024	BS1 16	1 600 000.00	1189 100.00	New	5 Refuse Containers purchased	5 Refuse Containers purchased	Achieved	None	None	Delivery note and invoice	
Boom gate landfill site		Number of boom gate in the landfill site installed	BS1 18	45 000.00	4485 0.00	New	1 Boom gate installed	1 Boom gate installed	Achieved	None	None	Delivery note and invoice	
Compactor Truck		Number of compactor truck purchased by June 2024	New	6 800 000.00	0.00	New	1 Compactor Truck Purchased	0 Compactor Truck Purchased	Not Achieved	Delay in delivering the Compactor Truck Purchased	None	Delivery note and invoice	
Upgrading & Maintenance		Number of landfill site upgraded and maintained by Mar 2024	BS1 20	350 000.00	198 100.00	1	1 landfill report	1 landfill report	Achieved	None	None	Landfill report	

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Waste Collection	Number of villages with access to a minimum level of basic waste collection per quarter	BS1 29	Interim al	Interim al	3 Villages	3 villages per week 156 annually Leeuwfontein Elandskraal Leeuwfontein RDP	Achieved	None	None	Quarterly signed waste collection reports, logbook & Work schedule	
	Number of households in Marble Hall with access to a minimum level of basic waste collection per quarter (once a week)		Interim al	Interim al	±915 h/h week	±915 h/h week 47580 households annually	Achieved	None	None	Monthly signed waste collection reports & Billing reports	
	Number of Refuse containers placed in villages for access to refuse collection per quarter. (once a week removal)		Interim al	Interim al	4	5 villages per week 260 annually	Achieved	None	None	Monthly signed waste collection reports, Logbooks & schedule of work	
Fencing of cemeteries	Cemetery	BS1 34	850 000.00	0.00	1	1 cemeteries fenced	0 cemeteries fenced	Not Achieved	Market responsive above budget provision	To re-advertise the project and provide sufficient budgeting	Final handover certificate

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Operation Clean Audit (OPCA)	Operation Clean Audit (OPCA)	% of Auditor General matters resolved as per the approved Audit Action plan (Community) by Jun 2024	BS1 39	Internal	Internal	New	100%	100%	Achieved	None	None	Progress report on implementation AGSA remedial plan
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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	Budget	Actual	Baseline 2022/2023	Annual Performance Targets for 2023/2024 FY				Portfolio of Evidence	Responsible Department
							Target	Actual	Achievements	Challenges	Corrective Action	
LED Support	Local Economic Development	No. of training workshops conducted for SMME's per quarter	LED01	Internal	Internal	4	4	4	Achieved	None	None	Reports and Attendance registers
LED forum		No. of quarterly LED forum meetings held per quarter	LED02	65 652.14	65 601.00	4	4	4	Achieved	None	None	Minutes and Attendance Registers
LED Summit		Hosting of Summit by 30 Jun 2024	LED03	134 213.88	134 200.00	1	2	2	Achieved	None	None	Reports and Attendance Register
Effective CWP Local Reference Forum		No. of quarterly CWP Local Reference Forum meetings held per quarter	LED06	Internal	Internal	4	4	4	Achieved	None	None	Minutes and Attendance Register

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EPWP Expense	EPWP	No. of EPWP job opportunities created through EPWP by Dec 2023	LED07	2 560 000.00	2 560 000.00	N/A	84	96	Achieved	None	None	Signed Contracts between the EPWP beneficiaries and the Municipality
		No. of EPWP progress reports provided per quarter		Internal	Internal	4	4	4	Achieved	None	None	Quarterly reports
Tourism Initiatives	Promotion of Tourism	No. of Tourism Maps Developed by Dec 2023	LED08	200 000.00	199 892.00	New	1	1	Achieved	None	None	Tourism Map
Review LED Strategy	Local Economic Development	No. of LED strategy reviewed by Jun 2024	LED10	400 000.00	0.00	0	1	0	Not Achieved	Delay in site inspection due to unavailability of business owners.	Arrange further site inspections and finalise the Strategy in 2024/25	Reviewed LED Strategy
LED Exhibition		No. of LED Exhibition conducted by Sep 2023	LED12	100 000.00	90778.40	1	1	1	Achieved	None	None	Report and the register of Exhibitors
LED Support		No. of No. of LED SMMEs & Cooperatives projects supported by Jun 2024	LED11	1 000 000.00	0.00	20	25	27	Achieved	None	None	Report and Attendance Register
		No. of Reports on Status of LED funded projects compiled by Jun 2024		Internal	Internal	2	2	2	Achieved	None	None	Quarterly Reports

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 Jun 2024	LED14	Internal	Internal	Internal	2	2	2	Achieved	None	None	Quarterly Reports
Management of Informal Traders	No. of Quarterly Marble Hall Hawkers Forum meetings held per quarter	LED16	Internal	Internal	Internal	4	4	4	Achieved	None	None	Minutes and attendance register
	No. of business Licensing awareness workshop held by Dec 2023		Internal	Internal	Internal	2	2	2	Achieved	None	None	Invitation, Report and attendance register
	No. of quarterly reports on the implementation of Limpopo Business Regulation Act per quarter		Internal	Internal	Internal	2	4	4	Achieved	None	None	Quarterly Reports

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5.4 KPA 4: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

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

Strategic Objective A: Develop and retain skilled and experienced members													Responsible Department
Project Name	Priority Programme	KPI	IDP Ref No	Budget	Actual	Baseline 2022/2023	Annual Performance Targets for 2023/2024 FY				Portfolio of Evidence		
							Target	Actual	Achievements	Challenges		Corrective Action	
Employment Equity	Institutional Development	No. of EE Committee meetings held per quarter	MTOD001	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 Jun 2024	MTOD002	Internal	Internal	1	1	1	Achieved	None	None	Approved Organizational structure and council resolution	
Training Courses		No. of training committee meeting held by the per quarter	MTOD003	Internal	Internal	New	4	4	4	Achieved	None	None	
		Number of workforce & Councilors trained as per target of Workplace Skill Plan (WSP) per quarter		1 627 046.38	0.00	40	60	130	Achieved	None	None	Quarterly reports.	
Occupational Health and Safety	Workplace Health, Safety	No. of quarterly Workplace Health and Safety Forum meetings held per quarter	MTOD004	319 858.50	0.00	4	4	4	Achieved	None	None	Invitation, minutes and attendance register.	
		No. of Health and Safety policy developed/review by Jun 2024		Internal	Internal	1	1	1	1	Achieved	None	None	

Employee programmes	Employee programmes	Number of Employee Wellness Programs held by June 2023	MTOD04	429 497.20	0.00	4	4	4	Achieved	None	None	EAP reports and Attendance registers
Top learners Awards	Institutional Development	Number of reports for learners' awards conducted by Mar 2024	MTOD07	170 733.24	170 733.00	N/A	1	1	Achieved	None	None	Invitation, Top learners Awards report and Attendance registers
Labour Forum	Labour Relations	No. of monthly Local Labour Forum (LLF) held as scheduled per quarter	MTOD08	Internal	Internal	4	12	12	Achieved	None	None	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 Jun 2024	MTOD09	Internal	Internal	19	10	18	Achieved	None	None	Developed/ Reviewed Policy submitted to Council.
Operation Clean Audit (OPCA)	Operation Clean Audit (OPCA)	% of Auditor General matters resolved as per the approved Audit Action plan (Corporate) by Jun 2024	MTOD28	Internal	Internal	New	100%	100%	Achieved	None	None	Progress report on implementation AGSA remedial plan
Bursary fund: community members	Institutional Development	No. of annual community bursaries allocated by Jan 2024	MTOD11	575 850.00	0.00	10	4	5	Achieved	None	None	Report and proof of registration.
Bursary fund: staff		No. of annual staff bursaries allocated by Jan 2024	MTOD12	575 850.00	0.00	29	15	23	Achieved	None	None	Report and proof of registration.

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Records management	Records management	No. of quarterly status reports in terms of the record management system submitted to the Municipal Manager	MTOD13	Internal	Internal	4	4	4	Achieved	None	None	Quarterly report compiled.
Customer care	Customer / Stakeholder Relations Management	No. of quarterly Customer Complaint reports submitted to the Municipal Manager (inclusive of Premier & Presidential Hotline) per quarter	MTOD14	Internal	Internal	4	4	4	Achieved	None	None	Quarterly reports Compiled.
		No. of Batho Pele committee meetings held per quarter		Internal	Internal	10	10	10	Achieved	None	None	Invitation, Minutes and attendance register
		No. of Batho Pele Outreach Event held by Sep 2024		50 000.00	49 419.56	1	1	1	Achieved	None	None	Invitation, Event Report and Attendance Register
Purchase of office furniture		% of office furniture procured by June 2024	MTOD16	300 000.00	New	100%	100%	0%	Not Achieved	The budget was reprioritised to landfill compactor truck	To be budgeted for in the financial year	Delivery note
Mobile Office		% of units of office mobile offices procured by June 2024	MTOD17	2 600 000.00	New	0	100%	0%	Not Achieved	Non-responsive bidders	To re-advertise the project	Delivery note
Programming	ICT	No. of quarterly network maintenance conducted per quarter	MTOD18	9 123 595.00	R 4 350 400.00	4	4	4	Achieved	None	None	Quarterly reports

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ICT steering committee meetings	No. of quarterly ICT steering committee meetings held in terms of the implementation of the ICT governance strategy and policy per quarter	MTOD19	Internal	Internal	4	4	4	Achieved	None	None	Invitation, Minutes and attendance register	Office of the Municipal Manager
Website Hosting	% of hosting and management of the website by SITA per quarter	MTOD21	150 000	0	100%	100%	100%	Achieved	None	None	Quarterly reports	
Legal Service	% of Civil & Labour Litigations attended by per quarter	MTOD 23	5 652 176.00	4 979 74 6,00	100%	100%	100%	Achieved	None	N/A	Quarterly reports	
	% of Service Level Agreements (SLA's) processed within the time frame of 30 days of the appointment of the service provider per quarter		Internal	Internal	100%	100%	100%	Achieved	None	N/A	Quarterly Report on SLA's.	
	% Employment Contracts processed within the time frame of 30 days from the date of appointment per quarter		Internal	Internal	100%	100%	100%	Achieved	None	None	Quarterly Report on Employment Contracts	
IDP Process	2024/2025 Final IDP tabled and approved by Council by the May 2024	MTOD24	Internal	Internal	1	1	1	Achieved	None	None	Council Resolution	

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		2024/2025 IDP/Budget review Process Plan developed by Aug 2023		Internal	Internal	1	1	1	1	Achieved	None	None	Council Resolution
		Annual Strategic Lekgotla Planning session convened as scheduled by Feb 2024		489 593.73	489 593.00	1	1	1	1	Achieved	None	None	Minutes and attendance register
Performance Assessments	Performance Management	No. of performance review for section 54/56 conducted by Mar 2024	MTOD24	Internal	Internal	2	2	2	2	Achieved	None	None	Section 54/56 Performance Assessments report
Review performance management Framework		Reviewed Performance Management Framework by Jun 2024	MTOD26	Internal	Internal	1	1	1	1	Achieved	None	None	Reviewed performance management Framework
PMS Quarterly Lekgotla		No. of Quarterly institutional Performance Reports submitted to Council per quarter	MTOD27	116 900.00	116 899.00	4	4	4	4	Achieved	None	None	Quarterly institutional Performance Reports

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5.5 KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

Strategic Objective: Become Financially Viable

Project Name	Priority Programme	KPI	IDP Ref No	Budget	Actual	Baseline 2022/2023	Annual Performance Targets for 2023/2024 FY				Portfolio of Evidence	Responsible Department
							Target	Actual	Achievements	Challenges	Corrective Action	
Revenue enhancement	Financial Management	% outstanding service debtors to revenue per quarter	FV01	Internal	Internal	15.92%	60%	67.20%	Achieved	None	None	Submitted Section 71 report.
		% improvement in revenue enhancement per quarter		Internal	Internal	13.2%	40%	42.37%	Achieved	None	None	Billing reports
		% of consumer payment received with respect to municipal services provided as compared to that billed per quarter		Internal	Internal	>85%	>85%	>85%	Achieved	None	None	Billing collection report
Creditors payments	Financial Accounting (Expenditure)	% of approved (compliant) invoices paid within 30 days per quarter	FV02	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 2024	FV03	Internal	Internal	1	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 per quarter	FV04	Internal	Internal	4	4	4	Achieved	None	None	Submitted Section 71 report

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Implementation of SCM regulations and policies	Supply Chain Management	No. of monthly section 71 MFMA reports submitted to EXCO per quarter	Internal	Internal	12	12	12	Achieved	None	None	Submitted Section 52(d) report
		Section 72 (midyear) MFMA report submitted to the Mayor by Jan 2024	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
GAMAP/GRAP Asset Register	Asset Management	No. of quarterly SCM procurement plan reports submitted to the Executive Committee per quarter	Internal	Internal	4	4	4	Achieved	None	None	Quarterly SCM reports
		No. of quarterly deviation reports submitted to the MMI per quarter	Internal	Internal	12	12	12	Achieved	None	None	Quarterly SCM reports
		GRAP Compliance Register in place July 2024	Internal	Internal	1	1	1	Achieved	None	None	Fixed Assets Register
Fleet Management	Fleet Management	No. of Fleet Management reports submitted to Council per quarter	Internal	Internal	4	4	4	Achieved	None	None	Monthly Fleet Management report
		Annual submission of the asset verification report to the MMI by Sept 2024	Internal	Internal	1	1	1	Achieved	None	None	Asset verification report

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Annual Financial Statement	Financial Management	Draft Annual Financial Statements (AFS) submitted on or before the Aug 2024	FV08	Internal	Internal	1	1	1	Achieved	None	None	Proof of submission from AG
Financial Management Grant		% of FMG grant spent per quarter	FV09	Internal	Internal	100%	100%	100%	Achieved	None	None	FMG report
Operation Clean Audit (OPCA)	Operation Clean Audit (OPCA)	% of Auditor General matters resolved as per the approved Audit Action plan (BTO) by Jun 2024	MTOD28	Internal	Internal	New	100%	100%	Achieved	None	None	Progress report on implementation on AGSA remedial plan

5.6 KPA 6: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Strategic Objective: Sound Governance through effective oversight

Project Name	Priority Programme	KPI	IDP Ref No	Budget	Actual	Baseline 2022/2023	Annual Performance Targets for 2023/2024 FY				Portfolio of Evidence	Responsible Department
							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 per quarter	GG01	353 297.59	353 296.00	12	4	4	Achieved	None	None	Invitation, report and attendance register
Public participation	Public Participation	No. of Public participation consultation held by Jun 2024	GG02	450 000.00	594 000.00	12	2	2	Achieved	None	None	Invitation, Report and Attendance register

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State of Municipal Address	State of Municipal Address conducted by Jun 2024		310 000.00	0.00	1	1	0	Not Achieved	Unavailability of councillors due to preparation of National Elections	To be rescheduled and conducted during the first quarter of 2024/25 FY	Invitation, Report and attendance register.
Ward committee support	Ward Committee	GG03	2 880 000.00	2 880.00	112	192	192	Achieved	None	None	Report, and attendance register
	No. of monthly Ward Committees meetings held per quarter		500 000.00	498 520	New	1	1	Achieved	None	None	Invitation, Report and attendance register
	Hosting of Annual Ward Committee Conference by Dec 2023		Internal	Internal	0	1	1	Achieved	None	None	Annual ward committee report
	No. of annual Ward Committee operational plans submitted to Council by Dec 2023		629 247.00	629 200	New	1	1	Achieved	None	None	Invitation, Training Report & attendance register
	No. of Ward Committee Training conducted by Jun 2024		Internal	Internal	100%	100%	100%	Achieved	None	None	Indigent Register, Quarterly summary report and Eskom Invoices
	% of (indigents) households with access to free basic electricity services per quarter		Internal	Internal	4	4	4	Achieved	None	None	Reviewed indigent register Reports
	No. of reports on reviewed indigent register compiled per quarter										

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Mayoral programme: Youth development	Youth Development	No. of Youth programmes / initiatives implemented per quarter	GG04	580 000.00	579 030.00	4	4	4	4	Achieved	None	None	Invitation, Quarterly Youth reports and attendance register
		No. of Youth strategy developed by Jun 2024		Internal	Internal	N/A	1	1	1	Achieved	None	None	Council Resolution
		Career Week hosted by Dec 2023		Internal	Internal	1	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 per quarter	GG05	500 000.00	500 000.00	4	4	4	2	Not Achieved	Budgetary constraints	Provide adequate budget	Published Newsletters
		Number of report generated on media platforms per quarter				4	4	4	4	Achieved	None	None	Municipal media platforms quarterly reports
Council Functionality		No. of ordinary Council meeting held per quarter as per the approved Calendar of events	GG06	Internal	Internal	9	6	6	6	Achieved	None	None	Council Resolution, minutes and Attendance register
		No. of sets of Council meetings resolved within the prescribed timeframe of (3) months (Total organisation)		Internal	Internal	4	4	4	4	Achieved	None	None	Council Resolution register
		No. of monthly EXCO meetings held per quarter		Internal	Internal	12	12	12	12	Achieved	None	None	Notice, minutes and attendance register

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	No. of Section 79 Committee meetings held per quarter	Internal	Internal	4	12	9	Not Achieved	Non-adherence to SCA	Meetings should sit as per the SCA	Minutes of Section 79 Committee meeting
	No. of Council meetings 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
MPAC functionality	No. of quarterly MPAC meetings held per quarter	Internal	Internal	4	8	8	Achieved	None	None	Invitation, MPAC meeting reports and attendance register.
	Submission of Oversight Report to Council by the Mar 2024	Internal	Internal	N/A	1	1	Achieved	None	None	Annual Performance Oversight Report
Disaster Awareness Campaigns	Number of disaster awareness campaigns conducted per quarter	407 709.06	324 955.10	8	8	8	Achieved	None	None	Disaster Awareness Campaigns reports and attendance registers
Arrive Alive Campaigns	Number of Arrive Alive Campaigns conducted by Jun 2024	26 364.51	26 364.3 5	10	10	10	Achieved	None	None	Arrive Alive Plan and report
Mayor's cup	Number of mayors cup events held by Mar 2024	272 941.38	272 941.38	1	1	1	Achieved	None	None	Final report of Mayors cup
Heritage Day celebration	Number of Heritage events held by Sep 2023	151 194.00	151 100.00	1	1	1	Achieved	None	None	Final report of Heritage celebration

Beauty Pageant		Number of Beauty Pageant held by Jun 2024	GG2 2	149 250.00	0.00	1	1	0	Not Achieved	Budgetary constraints	Provide adequate budget	Final report of Beauty Pageant event
Security Management Services	Security Services	% Implementation of Security upgrade plan activities per quarter	GG2 4	226 692.25	226 692.00	100%	100%	100%	Achieved	None	None	Appointment letter and Delivery note
		No. of Security monitoring & Incident management reports complied per quarter		Internal	Internal	4	4	4	Achieved	None	None	Security monitoring & Incident management reports
		No. of Security awareness/educational campaigns conducted per quarter		Internal	Internal	2	2	2	Achieved	None	None	Attendance Register and Program
		No. of Municipal Buildings Safe-guarded through contracted service provider per quarter		7 500 000.00	7 685 404.51	25	25	25	Achieved	None	None	Security management meeting report and attendance register.
Performance Management	Performance Management	Submission of Final audited consolidated Annual Report 2022/2023 to Council on or before Jan 2024	GG2 5	Internal	Internal	1	1	1	Achieved	None	None	Signed Annual Report
		Adjusted Budget and 2022/2023 SDBIP approved by the Mayor by Feb 2024		Internal	Internal	1	1	1	Achieved	None	None	Signed Adjusted Budget and SDBIP
Office of the Municipal Manager												

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Internal Audit		Final 2024/2025 SDBIP approved by the mayor within 28 days after approval of Budget		Internal	Internal	1	1	1	Achieved	None	None	Signed SDBIP
	Risk Based audit	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)	GG2 6	1 750 0.00	1 759 880.13	4	20	20	Achieved	None	None	Quarterly Internal audit reports.
	Internal Audit	Audit Committee Charter reviewed by the Council by the Jun 2024		Internal	Internal	1	1	1	Achieved	None	None	Council resolution
		Internal Audit governance documents and Strategic Internal Audit Plan approved by Audit Committee by Jun 2024		Internal	Internal	3	3	3	Achieved	None	None	3-year strategic audit plan and Annual Internal Audit Plan, IA Methodology and IA Charter- approved by AC
		% Of the progress made on monitoring of the Internal Audit Action Plan per quarter (Total Organisation)		Internal	Internal	4	100%	100%	Achieved	None	None	Quarterly Internal audit monitoring /follow-up reports

ME

		external quality assurance review/assessment of the internal audit function by Jun 2024		365 450.00	357 085.15	New	1	0	Not Achieved	To conduct internal assessment readiness before external quality assurance review	To conduct external quality assurance review	External quality assurance assessment report
Operation Clean Audit (OPCA)	OPCA	Action Plan on issues raised by the Auditor General compiled and tabled to Council by Jan 2024	GG28	Internal	Internal	0	1	1	Achieved	None	None	Approved Action Plan
		% Of the progress made on monitoring of the Auditor General Audit Action plan by Jun 2024 (Total organisation)		Internal	Internal	0%	100%	100%	Achieved	None	None	Quarterly AG Action Plan monitoring /follow-up report
Audit & Performance Committee	Audit & Performance Committee	No. of quarterly Audit & Performance Committee Meetings held per quarter	GG29	470 120.00	(627 867.92)	4	4	4	Achieved	None	None	Invitation, Minutes of the A&P Committee meetings with attendance register
		Number of quarterly Audit & Performance Committee Reports to council per quarter				New	4	4	Achieved	None	None	Council resolutions
Anti-fraud awareness workshops/campaigns	Risk Management	Anti-fraud and Corruption Activity plan approved by Jun 2024	GG30	Internal	Internal	1	1	1	Achieved	None	None	Anti-fraud and corruption activity plan

3

		% execution per quarter of activities outlined in the Anti-fraud and corruption activity plan (Total Organisation)		Internal	Internal	100%	100%	100%	100%	Achieved	None	None	Quarterly Risk management reports and activity reports
		No. of quarterly anti-fraud and corruption awareness campaigns held per quarter		Internal	Internal	4	4	4	4	Achieved	None	None	Quarterly Anti-Fraud & Corruption article and The Voice of Ephraim Mogale Local Municipality Newsletter.
Risk Management Committee	Risk Management	No. of quarterly Risk Committee Meetings held per quarter	G63 1	Internal	Internal	4	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	4	Achieved	None	None	Quarterly Risk Report
		% execution of Risk management plan within prescribed timeframes per quarter (Total organisation)		Internal	Internal	100%	100%	100%	100%	Achieved	None	None	Quarterly Risk management reports

13/04

6. PERFORMANCE OF SERVICE PROVIDERS FOR 2023/2024 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	Month to Month	Not Applicable	Schedule of rates	R 31 883,75	5
Banking Services	FNB	01/07/2023	30/06/2026	Not Applicable	Schedule of rates	R 52 128,80	4
Prepaid vending services	CONLOG	01/11/2021	30/10/2024	Not Applicable	Schedule of rates	R152 248,20	5
Postage of customer statements	Mailtronic	01/06/2024	31/05/2027	Not Applicable	Schedule of rates	R32 949,14	4
Asset Management	TJ Rasimeni Projects	01/06/2024	30/06/2027	Not Applicable	R9 240 370,43	R 1 087 697,88	5
Data Enrichment	Gensize Consulting	23/08/ 2023	23/08 2026	Not Applicable	R 1 268 450,00	0	5
Financial System	Munsoft	01/07/2022	30/06/2025	Not Applicable	Schedule of rates	R2 761 368,32	5
Debt Collection	Peo Global Solutions	01/03/2024	28/02/2027	Not Applicable	9% on collection	R127 138,10	3
Valuation Services	Montani Valuers	10/01/2022	30/06/2027	Not Applicable	Schedule of rates	R857 250	5
Quarterly Maintenance of Server Room and Fire Detectors in Registry.	Multinet Systems Pty Ltd	10 February 2022	01 March 2025	Not Applicable	R200 159,80	R16,273,36	5
Offsite Document Archiving.	Ironmountain (Pty) Ltd, formerly (Docufile Pty Ltd)	15 May 2014	Month to Month	Not Applicable	Monthly cost: R6302.13	R6302.13	5
Rathoke Internal Street (multi-year)	Maditsi Jan Construction	17/10/2022	08/09/2023	Not Applicable		R5,523,254,87	3
	Morula Consulting	12/08/2020	12/08/2023	Not Applicable	R6 208 688,68	R685,433,81	3

Service /Project	Service Provider	Date appointed	End of the Contract	Revised completion date	Bid Amount	Expenditure	Performance Rating 1-5
Morarela Access Road (multi-year)	Ectorroopers Construction	01/12/2022	30/06/2023	Not Applicable	R13 542 129.00	R12,329,333.06	2
	T3 Consulting	12/08/2020	30/06/2023	Not Applicable		R1,280,701.75	3
Leeufontein sports complex	PheladiChuehe Maintenance & General Supply	08/06/2022	31/07/2022	Not Applicable	1 615 616.10	1 615 616.10	4
Keerom Community Hall	PheladiChuehe /Best Enough JV	21/02/2024	27/08/2024	Not Applicable	R4 984 383.90	R4,438,374.12	4
Uitvlucht Internal streets	Rabbitfoot/Onboard Consulting JV	31/10/2024	02/02/2025	Not Applicable	R15 034 481.63	R18,256,441.12	4
EPMLM/8/3/424 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 290 000	R 264 578.94	1
EPMLM/8/3/439 Supply and installation of high mast lights at Moganyaka	Green 8 Trading	24/04/2023	26/07/2023	Not Applicable	R 400 000	R 428 645.00	3
EPMLM/8/3/490 Transformer Maintenance	Mmakikha Matshetso Joint Venture	22/03/2024	04/07/2024	Not Applicable	R1 412 545.00	R 871 900.00	2
EPMLM/8/3/473 Ring Main Unit Maintenance	Kingki Electrical Contractor	22/03/2024	04/07/2024	Not Applicable	R1 342 386.37	R 1 105 351.25	3
EPMLM/8/3/480 Supply and installation of energy saving lights within Ephraim Mogale Local Municipality	Ntlepo Corporate	21/02/2024	27/08/2024	Not Applicable	R5 406 616.70	R5 600 000.00	2
EPMLM/8/3/472 Supply and delivery of 100kWh meters (Re-advert)	Matshetso Pty (Ltd)	22/04/2024	30/06/2024	Not Applicable	R295 247.55	R 295 247.55	3
EPMLM/8/3/481 Supply and installation of 700-meter MV cable	Seteshe Group	22/04/2024	31/08/2024	Not Applicable	R2 906 846.03	R 1 807 022.14	3
EPMLM/8/3/476 Supply and installation of 100kVA stand-by generator	Kingki Electrical Contractor	22/02/2024	31/08/2024	Not Applicable	R1 342 386.37	R 1 105 351.25	3
EPMLM/8/3/488 Supply and installation of High Mast Lights at Leeufontein RDP	Ntlepo Corporate (Pty) Ltd/Manyoka Investment JV	22/04/2024	31/07/2024	Not Applicable	R3 404 115.00	R 2 670 000	3
EPMLM/8/3/487 Supply and installation of High Mast Lights at Malebitsa	Izweni Trading	22/04/2024	31/07/2024	Not Applicable	R3 368 442.00	R 2 550 917.39	3
EPMLM/8/3/438-Maintenance of roads and stormwater for 36 months	Kgwadi ya Madiba projects	31/01/2023	31/01/2026	Not Applicable	Rate only	R8 344 531.44	5

me

Service /Project	Service Provider	Date appointed	End of the Contract	Revised completion date	Bid Amount	Expenditure	Performance Rating 1-5
EPMLM/8/3/467 - Supply, delivery and off-loading of cold and hot mix asphalt, bitumen and crack filler (as and when required) for a period of thirty-six months (36) months	Dimpho Tsa Mogale projects	19/12/2023	19/12/2026	Not Applicable	Rate only	R661 500.00	4
EPMLM/8/3/467 - Supply, delivery and off-loading of cold and hot mix asphalt, bitumen and crack filler (as and when required) for a period of thirty-six months (36) months	Sechaba Sa Naledi (Pty)Ltd	19/12/2023	19/12/2026	Not Applicable	Rate only	R630 000.00	5
SITA	Municipal Website Maintenance	1/July/2019	30 June 2022	05/Dec 2019	Quarterly cost: R 16,445.21	R 130,380.17	5
Telkom SA	Telephone and VPN Connection	14 /04/2011	Month to month	01/31/2020	Quarterly Cost R 263,078.68	R 820,645.68	5
Matupunuka ICT	Routine Maintenance of Municipal ICT Infrastructure	30/06/2023	30/06/2026	Not Applicable	Quarterly cost: R 756 000.00	R 1 120 000.00	5
TJ Rasimeni Projects	Internal audit services	12 /05/2022	03-year contract	Not Applicable	Schedule of rates	R 1 853 910.03	5

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

30/08/2024
Date:



Ephraim Mogale Local Municipality
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024
Published 31 August 2024

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2024

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 Sedibane FS(Exco member) Cllr Mashiane SM 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 Modipa SR Cllr Mmeshi SJ Cllr Maelane KM Cllr Mmanaswe TM (Exco member) Cllr Mabaso T Cllr Moela JM(Deceased) Cllr Rabalao S Cllr Lekgoathi L
Grading of local authority	Grade 2
Capacity of local authority	Low Capacity

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2024

General Information

Municipal demarcation code	LIM 471
Accounting Officer	Mr M Moropa
Chief Finance Officer (CFO)	Mr TT Modisane
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)
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 Verveen Attorneys NJ Morero Inc TJ Machete Attorneys Rachoene Attorneys Kgolishi A Mamabolo Attorneys Dabishi Nthambeleni Inc KNT Attorneys Machaka NC Inc Mmakola Matsimela Inc

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2024

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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 2024

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 2025 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 102 which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2024 and were signed by:

Moropa M E
Accounting Officer

Saturday, 31 August 2024

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2024

Audit Committee Report

REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE FOR THE YEAR ENDED 30 JUNE 2024

The report herein provides the year-end report for the Audit and Performance Committee (herein referred as "the Audit Committee") as of 30 June 2024.

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 2024.

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 2024

AUDIT AND PERFORMANCE COMMITTEE MEMBERS AND ATTENDANCE

The audit committee comprises of 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 2024, the audit committee met eleven (11) times. The table below shows the attendance of these meetings.

NAME OF THE MEMBER	POSITON	DATE OF APPOINTMENT	OF QUALIFICATIONS	ORDINARY MEETINGS	SPECIAL MEETINGS
Mr. LM Malapela	Chairperson	01 November 2020	CFE-Certified Fraud Examiner CIA-Certified Internal Auditor CCSA-Certification in Control Self Assessment Master of Philosophy (MPhil: Internal Auditing) Post Graduate Diploma: Internal Auditing BTech-Internal Auditing National Diploma Internal Auditing	4	7

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2024

Audit Committee Report

NAME OF THE MEMBER	POSITION	DATE OF APPOINTMENT	QUALIFICATIONS	ORDINARY MEETINGS	SPECIAL MEETINGS
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. Juris Degree	4	7
Mr. ML Mokwena	Member	01 November 2020	Certificate in Municipal Finance Certificate in Real Estate Articles of Training BCom Accounting	4	7
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	2	3
Mr. MA Mmapheto	Member	01 November 2020	National Diploma in Internal Auditing B Tech: Internal Audit, Post Graduate Diploma: Internal Audit	4	7

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, on matters related to governance, internal control, and risk in the municipality, throughout the reporting period. The committee also held a meeting with the honourable 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 2023/24 Annual Financial Statements prior to submission to the Auditor General South Africa on 31 August 2024.

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2024

Audit Committee Report

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.

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 2023/24 financial year. The internal audit function found that the control environment was effective; however, some specific control weaknesses were identified on audit of performance information, 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 South Africa on internal controls for the year ended 30 June 2024.

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 quarterly reports from the Risk Management Committee

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.

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2024

Audit Committee Report

CONCLUSION

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

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

Mr. LM Malapela
Chairperson of Audit and Performance Committee

Saturday, 31 August 2024

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2024.

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 40 466 454 (2023: surplus R 71 666 122) 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.

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 ME	South African	Appointed Tuesday, 02 May 2023, to date

6. Council , Mayor and Internal Audit

Councillors

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

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

Ephraim Mogale Local Municipality

(Registration number LIM 471)

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

- 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 a Chief Audit Executive and a 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 2024

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	10	36 694 142	36 704 040
Receivables from non-exchange transactions	4&5	4 089 586	1 457 457
VAT receivable	8&9	380 943	1 938 255
Consumer debtors from exchange transactions	6	31 916 802	27 817 979
Consumer debtors from non exchange transactions	6	56 544 405	45 722 509
Cash and cash equivalents	3	359 462 684	318 629 848
		489 088 562	432 270 088
Non-Current Assets			
Investment property	11	74 377 561	72 292 561
Property, plant and equipment	12	876 397 101	870 311 883
Heritage assets	13	191 160	170 430
Eskom Deposits	7	1 861 591	12 950 925
		952 827 413	955 725 799
Total Assets		1 441 915 975	1 387 995 887
Liabilities			
Current Liabilities			
Finance lease obligation	54	8 649 743	7 619 435
Payables from exchange transactions	15	61 881 885	62 664 955
Consumer deposits	16	1 293 811	1 342 905
Employee benefit obligation	19	999 950	573 893
Provisions	18	2 977 684	-
		75 803 053	72 201 188
Non-Current Liabilities			
Finance lease obligation	54	8 952 691	17 602 435
Employee benefit obligation	19	25 196 946	18 864 640
Provisions	18	41 346 666	29 177 473
		75 496 303	65 644 548
Total Liabilities		151 299 356	137 845 736
Net Assets		1 290 616 619	1 250 150 151
Reserves			
Revaluation reserve		149 510	149 510
Accumulated surplus		1 290 467 106	1 250 000 652
Total Net Assets		1 290 616 616	1 250 150 162

* See Note 55 & 47

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		96 500	113 901
Service charges	20	77 946 160	71 016 163
Rental of facilities and equipment		67 643	218 431
Agency fees	55	5 594 755	5 687 860
Other income	21	851 845	2 922 443
Interest received	22	27 144 082	15 950 165
Total revenue from exchange transactions		111 700 985	95 908 963
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	55 328 009	40 126 248
Basic Electricity levy		11 692 930	10 309 528
Interest on outstanding receivable balances	22	11 156 236	8 649 757
Transfer revenue and other receipts			
Government grants & subsidies	24	242 769 959	240 057 025
Fines, Penalties and Forfeits		453 296	531 277
Total revenue from non-exchange transactions		321 400 430	299 673 835
Total revenue		433 101 415	395 582 798
Expenditure			
Employee related costs	25	(108 962 225)	(103 711 615)
Remuneration of councillors	26	(15 050 571)	(13 928 800)
Repairs and Maintenance		(19 173 047)	(14 966 807)
Depreciation and amortisation	27	(62 410 051)	(57 352 099)
Finance costs	28	(8 652 108)	(6 369 225)
Operating Lease Expense	49	(1 626 783)	(1 387 365)
Debt Impairment	29	(10 153 760)	(8 788 372)
Impairment of assets	12	(1 620 606)	(4 925 871)
Bulk purchases	30	(56 886 156)	(46 859 516)
Contracted services	31	(35 234 590)	(28 634 619)
Grants and Subsidies	50	(12 870 282)	(1 659 823)
General Expenses	32	(57 025 397)	(50 392 541)
Total expenditure		(389 665 576)	(338 976 653)
Operating surplus		43 435 839	56 606 145
Profit / (Loss) on disposal of fixed assets	12	(1 126 039)	277 893
Fair value adjustments	33	2 105 730	5 546 420
Actuarial Gain / (Loss)	19	(3 949 076)	9 478 103
Inventories losses/write-downs	10	-	(242 439)
		(2 969 385)	15 059 977
Surplus for the year		40 466 454	71 666 122

* See Note 55 & 47

Ephraim Mogale Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2022	149 510	1 178 334 530	1 178 484 040
Changes in net assets	-	71 666 122	71 666 122
Surplus for the year	-	71 666 122	71 666 122
Total changes	-	71 666 122	71 666 122
Restated* Balance at 01 July 2023	149 510	1 250 000 652	1 250 150 162
Changes in net assets	-	40 466 454	40 466 454
Surplus for the year	-	40 466 454	40 466 454
Total changes	-	40 466 454	40 466 454
Balance at 30 June 2024	149 510	1 290 467 106	1 290 616 616

Note(s)

* See Note 55 & 47

Cash flow statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		136 040 639	121 571 255
Government grants and subsidies		242 769 959	240 054 000
Interest income		27 144 082	15 950 165
Other receipts		948 345	3 036 344
		406 903 025	380 611 764
Payments			
Employee costs		(121 537 647)	(132 247 050)
Suppliers		(185 753 885)	(121 818 352)
Finance costs		(2 780 721)	(274 277)
		(310 072 253)	(254 339 679)
Net cash flows from operating activities	35	96 830 772	126 272 085
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(59 467 855)	(70 704 360)
Deposit (Security held in advance) movement		11 089 334	(677 072)
Net cash flows from investing activities		(48 378 521)	(71 381 432)
Cash flows from financing activities			
Finance lease payments		(7 619 436)	-
Net increase/(decrease) in cash and cash equivalents		40 832 815	54 890 653
Cash and cash equivalents at the beginning of the year		318 629 848	263 739 154
Cash and cash equivalents at the end of the year	3	359 462 663	318 629 807

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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						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	684 000	(365 000)	319 000	96 500	(222 500)	1
Service charges	92 148 000	(6 367 000)	85 781 000	77 946 160	(7 834 840)	2
Rental of facilities and equipment	188 000	(97 000)	91 000	87 643	(23 357)	3
Agency fees	5 828 000	7 000	5 835 000	5 594 755	(240 245)	4
Other income	460 000	(6 000)	454 000	851 845	397 845	5
Interest received	15 000 000	8 000 000	23 000 000	27 144 082	4 144 082	6
Total revenue from exchange transactions	114 308 000	1 172 000	115 480 000	111 700 985	(3 779 015)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	50 000 000	(585 000)	49 415 000	55 328 009	5 913 009	7
Basic Electricity Levy	-	-	-	11 692 930	11 692 930	2
Interest on outstanding receivable balances	8 862 000	6 162 000	15 024 000	11 156 236	(3 867 764)	8
Transfer revenue						
Government grants & subsidies	202 450 000	343 000	202 793 000	242 769 959	39 976 959	9
Fines, Penalties and Forfeits	207 000	(87 000)	120 000	453 296	333 296	10
Total revenue from non-exchange transactions	261 519 000	5 833 000	267 352 000	321 400 430	54 048 430	
Total revenue	375 827 000	7 005 000	382 832 000	433 101 415	50 269 415	
Expenditure						
Employee related costs	(113 248 000)	2 572 000	(110 676 000)	(108 982 225)	1 713 775	11
Remuneration of councillors	(16 874 000)	1 894 000	(14 980 000)	(15 050 571)	(70 571)	12
Repairs and Maintenance	(23 569 000)	(3 137 000)	(26 706 000)	(19 173 047)	7 532 953	13
Depreciation and amortisation	(50 128 000)	(13 412 000)	(63 540 000)	(62 410 051)	1 129 949	14
Finance costs	(2 094 000)	(706 000)	(2 800 000)	(8 652 108)	(5 852 108)	15
Operating Lease Expense	(1 819 568)	-	(1 819 568)	(1 626 783)	192 785	16
Debt Impairment	(12 339 000)	(3 682 000)	(16 021 000)	(10 153 760)	5 867 240	17
Impairment of Assets	-	-	-	(1 620 606)	(1 620 606)	14
Bulk purchases	(50 000 000)	-	(50 000 000)	(56 886 156)	(6 886 156)	18
Contracted Services	(43 961 000)	1 819 000	(42 142 000)	(35 234 590)	6 907 410	19
Grants and Subsidies	(2 989 490)	-	(2 989 490)	(12 870 282)	(9 880 792)	20
General Expenses	(58 643 942)	(7 413 000)	(66 056 942)	(57 025 397)	9 031 545	21
Total expenditure	(375 666 000)	(22 065 000)	(397 731 000)	(389 665 576)	8 085 424	
Operating surplus	161 000	(15 060 000)	(14 899 000)	43 435 839	58 334 839	
Profit / (Loss) on disposal of fixed assets	-	-	-	(1 126 039)	(1 126 039)	22
Fair value adjustments	-	-	-	2 105 730	2 105 730	23
Actuarial gains/losses	-	-	-	(3 949 076)	(3 949 076)	23.1
	-	-	-	(2 969 385)	(2 969 385)	

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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						
Surplus / (Deficit)	161 000	(15 060 000)	(14 899 000)	40 466 454	55 365 454	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	161 000	(15 060 000)	(14 899 000)	40 466 454	55 365 454	

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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
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	38 962 000	(171 000)	38 791 000	38 694 142	(2 096 858)	24
Receivables from exchange transactions	23 732 000	(1 368 000)	22 364 000	4	(22 363 996)	25
Receivables from non-exchange transactions	61 241 000	379 000	61 620 000	4 089 586	(57 530 414)	26
VAT receivable	89 359 000	-	89 359 000	380 943	(88 978 057)	27
Consumer debtors	20 504 000	-	20 504 000	88 461 207	67 957 207	28
Cash and cash equivalents	240 147 000	3 007 000	243 154 000	359 462 684	116 308 684	29
	473 945 000	1 847 000	475 792 000	489 088 566	13 296 566	

Non-Current Assets

Investment property	139 618 000	-	139 618 000	74 377 561	(65 240 439)	30
Property, plant and equipment	963 563 000	(19 457 000)	944 106 000	876 397 101	(67 708 899)	31
Intangible assets	23 000	-	23 000	-	(23 000)	32
Heritage assets	157 000	-	157 000	191 160	34 160	33
Eskom Deposits	-	-	-	1 861 591	1 861 591	34
	-	-	-	-	-	
	1 103 361 000	(19 457 000)	1 083 904 000	952 827 415	(131 076 585)	

Total Assets	1 577 306 000	(17 610 000)	1 559 696 000	1 441 915 981	(117 780 019)	
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Liabilities

Current Liabilities

Finance lease obligation	-	-	-	8 649 743	8 649 743	35
Payables from exchange transactions	55 057 000	85 000	55 142 000	61 881 885	6 739 885	35
Trade and other Payables from non-exchange Transactions	6 000	-	6 000	-	(6 000)	
VAT payable	86 998 000	-	86 998 000	-	(86 998 000)	27
Consumer deposits	1 739 000	-	1 739 000	1 293 811	(445 189)	37
Employee benefit obligation	3 538 000	-	3 538 000	999 950	(2 538 050)	38
Provisions	17 865 000	-	17 865 000	2 977 664	(14 887 336)	39
	165 203 000	85 000	165 288 000	75 803 053	(89 484 947)	

Non-Current Liabilities

Finance lease obligation	-	-	-	8 952 691	8 952 691	40
Employee benefit obligation	16 873 000	-	16 873 000	25 196 946	8 323 946	41
Provisions	18 067 000	-	18 067 000	41 346 666	23 279 666	42
	34 940 000	-	34 940 000	75 496 303	40 556 303	

Total Liabilities	200 143 000	85 000	200 228 000	151 299 356	(48 928 644)	
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Net Assets	1 377 163 000	(17 695 000)	1 359 468 000	1 290 616 625	(68 851 375)	
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Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

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						
Net Assets						
Reserves						
Revaluation reserve	157 000	-	157 000	149 510	(7 490)	43
Accumulated surplus	1 377 006 000	(17 695 000)	1 359 311 000	1 290 467 115	(68 843 885)	44
Total Net Assets	1 377 163 000	(17 695 000)	1 359 468 000	1 290 616 625	(68 851 375)	

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Annual Financial Statements for the year ended 30 June 2024

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

Sale of goods and services	164 838 000	(2 059 000)	162 779 000	136 040 639	(26 738 361)	45
Government grants and subsidies	241 839 000	(2 291 000)	239 548 000	242 769 959	3 221 959	45
Interest income	15 000 000	8 000 000	23 000 000	27 144 082	4 144 082	45
Other receipts	7 299 000	(456 000)	6 843 000	948 345	(5 894 655)	45
	428 976 000	3 194 000	432 170 000	406 903 025	(25 266 975)	

Payments

Employee Cost and Suppliers	(311 304 000)	(4 716 000)	(316 020 000)	(307 199 517)	8 820 483	46
Finance costs	(2 099 000)	-	(2 099 000)	(2 780 721)	(681 721)	46
	(313 403 000)	(4 716 000)	(318 119 000)	(309 980 238)	8 138 762	

Net cash flows from operating activities	115 573 000	(1 522 000)	114 051 000	96 922 787	(17 128 213)	
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Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

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	(79 359 000)	6 045 000	(73 314 000)	(59 467 855)	13 846 145	47
Purchase of eskom deposits	-	-	-	11 089 334	11 089 334	47
Net cash flows from investing activities	(79 359 000)	6 045 000	(73 314 000)	(48 378 521)	24 935 479	
Net increase/(decrease) in cash and cash equivalents	36 214 000	4 523 000	40 737 000	48 544 266	7 807 266	
Cash and cash equivalents at the beginning of the year	241 645 000	-	241 645 000	318 629 848	76 984 848	48
Cash and cash equivalents at the end of the year	277 859 000	4 523 000	282 382 000	367 174 114	84 792 114	

Ephraim Mogale Local Municipality

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (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 2024

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 18 - 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 19.

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 2024

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 commitment.

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

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:

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.3 Investment property (continued)

- 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.

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.

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Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.4 Property, plant and equipment (continued)

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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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 13 - 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	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Eskom deposits	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

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

Initial recognition

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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 uncollectability 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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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 and 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 occur

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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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 38.

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Accounting Policies

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.

Basic Electricity Levy

Basic electricity charges are levied on all conventional meters based on the customer account category and the type of electrical load (either single-phase or three-phase). These levies are included in the annual tariffs approved by the council. Additionally, a basic vacant levy is charged on all unoccupied residential properties

Basic electricity levies are billed monthly and are not dependent on consumption..

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 when it is 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, whichever is earlier. When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the 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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Accounting Policies

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

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 49.

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-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the 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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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 and wasteful 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 2023/07/01 to 2024/06/30.

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

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

1.28 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 management in their dealings with the municipality.

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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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand	2024	2022 Restated
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the is not material.
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact of the is not material.

2.2 Standards and Interpretations early adopted

The municipality did not early adopt any standards and interpretations:

2.3 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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): 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	2024	2023
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	336 619 388	318 629 848
Short-term deposits	22 843 296	-
	359 462 684	318 629 848

The short term deposit of R22 843 296 is inclusive of R13 582 000 which is a guarantee for the Marble Hall town bulk upgrade at the Eskom substation

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 counterpart 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 2022/2023 and 2023/2024 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	336 619 388	318 629 848
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
FNB Cheque A/C	332 165 217	318 615 064	263 734 318	336 619 388	318 629 848	263 739 091
FNB Call Account	22 843 296	-	-	22 843 296	-	-
Total	355 008 513	318 615 064	263 734 318	359 462 684	318 629 848	263 739 091

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
4. Receivables		
Gross balances		
Receivables- other	660 368	660 368
Fines	7 734 566	7 377 566
	8 394 934	8 037 934
Less: Allowance for impairment		
Receivables- other	(660 368)	(660 368)
Fines	(7 296 744)	(6 835 300)
	(7 957 112)	(7 495 668)
Net balance		
Fines	437 822	542 266
Traffic Fines		
31 - 60 days	58 000	50 700
61 - 90 days	40 750	72 750
91 - 120 days	24 250	86 750
121 - 365 days	7 611 566	7 167 365
Impairment	(7 296 744)	(6 835 299)
	437 822	542 266
Operational Debtors		
> 365 days	660 370	660 368
Reconciliation of allowance for impairment		
Balance at beginning of the year	(7 495 666)	(6 896 128)
Contributions to allowance	(461 446)	(599 538)
	(7 957 112)	(7 495 666)
5. Receivables from non-exchange transactions		
Unauthorised debit orders	29 826	410 065
Staff Debtors	399 979	399 979
Department of transport(Licensing)	-	105 147
Government grant and subsidies	3 221 959	-
Fines	437 822	542 266
	4 089 586	1 457 457

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	437 822	542 266
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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Consumer debtors		
Gross balances		
Rates	119 716 479	103 763 521
Electricity	5 513 974	8 843 759
Refuse	11 057 892	9 370 782
Basic electricity - Non Exchange	10 831 534	9 540 872
Other	55 939 230	48 923 432
	203 059 109	180 442 366
Less: Allowance for impairment		
Rates	(68 194 078)	(62 281 176)
Electricity	(353 280)	(3 472 217)
Refuse	(7 387 851)	(6 353 628)
Basic electricity - Non Exchange	(5 809 530)	(5 300 708)
Other	(32 853 163)	(29 494 149)
	(114 597 902)	(106 901 878)
Net balance		
Rates	51 522 401	41 482 345
Electricity	5 160 694	5 371 542
Refuse	3 670 041	3 017 154
Basic electricity - Non Exchange	5 022 004	4 240 164
Other	23 086 067	19 429 283
	88 461 207	73 540 488
Included in above is receivables from exchange transactions		
Electricity	5 160 694	5 371 542
Refuse	3 670 041	3 017 154
Other	23 086 067	19 429 283
	31 916 802	27 817 979
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	51 522 401	41 482 345
Basic electricity - non exchange	5 022 004	4 240 164
	56 544 405	45 722 509
Net balance	88 461 207	73 540 488
Rates		
Current (0 -30 days)	7 708 640	3 002 183
31 - 60 days	2 464 517	1 699 077
61 - 90 days	2 258 772	1 648 781
91 - 365 days	107 284 549	97 413 479
Impairment	(68 194 077)	(62 281 175)
	51 522 401	41 482 345

Ephraim Mogale Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
6. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	4 623 683	3 160 952
31 - 60 days	134 920	177 985
61 - 90 days	59 518	134 343
91 - 365 days	695 853	5 370 478
Impairment	(353 280)	(3 472 216)
	5 160 694	5 371 542
Refuse		
Current (0 -30 days)	484 174	372 238
31 - 60 days	183 116	172 602
61 - 90 days	159 535	153 303
91 - 365days	10 231 059	8 672 360
Impairment	(7 387 843)	(6 353 349)
	3 670 041	3 017 154
Basic Electricity -non exchange		
Current (0 -30 days)	1 089 006	701 905
31 - 60 days	257 619	231 593
61 - 90 days	222 421	220 772
91 - 365 days	9 262 489	8 386 601
Impairment	(5 809 531)	(5 300 707)
	5 022 004	4 240 164
Other		
Current (0 -30 days)	3 081 471	1 809 484
31 - 60 days	1 276 627	1 136 700
61 - 90 days	1 204 446	1 103 335
91 - 365 days	50 376 685	44 873 872
Impairment	(32 853 162)	(29 494 108)
	23 086 067	19 429 283

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6. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	3 236 079	2 290 216
31 - 60 days	1 267 104	1 091 944
61 - 90 days	1 125 189	983 327
91 - 365 days	63 883 306	53 988 333
	69 511 678	58 353 820
Less: Allowance for impairment	(41 340 489)	(35 246 693)
	28 171 189	23 107 127
Industrial/ commercial		
Current (0 -30 days)	13 672 229	6 702 216
31 - 60 days	3 007 217	2 304 931
61 - 90 days	2 754 614	2 256 614
91 - 365 days	113 058 759	109 934 589
	132 492 819	121 198 350
Less: Allowance for impairment	(72 683 344)	(71 157 877)
	59 809 475	50 040 473
National and provincial government		
Current (0 -30 days)	76 718	54 523
31 - 60 days	42 479	21 081
61 - 90 days	24 890	20 593
91 - 365 days	908 399	793 868
	1 052 486	890 065
Less: Allowance for impairment	(574 059)	(497 295)
	478 427	392 770
Total		
Current (0 -30 days)	16 986 974	9 046 764
31 - 60 days	4 316 800	3 417 957
61 - 90 days	3 904 693	3 260 534
91 - 365 days	177 850 464	164 717 098
	203 058 931	180 442 353
Less: Allowance for impairment	(114 597 724)	(106 901 865)
	88 461 207	73 540 488
Less: Allowance for impairment		
Less: Allowance for impairment	(114 597 902)	(106 901 878)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(106 901 878)	(102 990 857)
Contributions to allowance	(7 696 024)	(3 911 021)
	(114 597 902)	(106 901 878)

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Annual Financial Statements for the year ended 30 June 2024

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6. 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 108 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	55 328 008	41 482 345
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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.

7. Eskom Deposits

Eskom Deposit	1 861 591	12 950 925
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A security deposit is held by Eskom who is the bulk electricity supplier to the municipality. Eskom pays interest annually on the security deposit held.

An amount of R11 493 554 previously held by Eskom as security deposit has been expensed for the purpose of electricity upgrades.

Ephraim Mogale Local Municipality

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Notes to the Annual Financial Statements

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8. VAT - Basis

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

9. VAT receivable

VAT receivables	380 943	1 938 255
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	-	2024 June	2023 June
VAT Accrual		-2 813 299,51	-3 656 114,27
VAT Cash basis		3 194 243,45	5 594 369,27
	-	380 943,94	1 938 255,00

The municipality accounts for Value-Added Tax (VAT) on both an accrual and cash basis, as follows:

- VAT on Accrual Basis:** This represents VAT amounts that have not yet been claimed from or submitted to the South African Revenue Service (SARS). These amounts are recognized and will be submitted to SARS once the municipality receives the corresponding payments from customers.
- VAT on Cash Basis:** This includes VAT received or paid, net of cash receipts and payments, which has already been submitted to SARS. These balances represent amounts that the municipality expects SARS to refund.
- Net VAT Accounting:** VAT is accounted for on a net basis, reflecting the nature of VAT transactions as either receivables or payables with SARS. The municipality claims VAT refunds net of VAT payable and receivable amounts, ensuring alignment with SARS's submission requirements.

Presenting VAT as separate payable (liability) and receivable (asset) amounts may imply that these balances are mutually exclusive. However, they are interrelated and should be considered together. Therefore, the municipality discloses VAT on a net basis in the financial statements to provide a more accurate representation of its VAT position. This approach aligns with the guidance provided in the VAT 419 Guide for Municipalities, which emphasizes the importance of accurate VAT accounting and reporting.

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).

The above VAT balance accumulates every time the municipality transacts in taxable supplies.

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. There 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

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
10. Inventories		
Consumables	764 142	774 040
Unsold Properties Held for Resale	35 930 000	35 930 000
	36 694 142	36 704 040

Inventory classification - Consumables, are held in stock for use in the municipality'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	774 040	1 214 321
Issues	(3 320 807)	(1 180 920)
Returns	14 700	17 629
Write off	30	(234 442)
Purchases	3 296 209	957 452
Closing balance	764 142	774 040

11. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property land	74 377 561	-	74 377 561	72 292 561	-	72 292 561

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property land	72 292 561	2 085 000	74 377 561

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property land	68 100 061	4 192 500	72 292 561

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
11. Investment property (continued)		
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 2024. 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	67 643	218 431

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12. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	5 975 219	-	5 975 219	5 975 219	-	5 975 219
Buildings	39 145 507	(18 498 318)	20 647 189	38 990 006	(17 203 349)	21 786 657
Plant and machinery	44 451 284	(30 375 415)	14 075 869	42 030 488	(27 915 403)	14 115 085
Motor vehicles	8 364 552	(6 271 580)	2 092 972	8 870 918	(6 002 052)	2 868 866
Office equipment	7 523 951	(5 627 306)	1 896 645	7 480 292	(5 176 285)	2 314 007
IT equipment	5 925 558	(2 956 084)	2 969 474	3 791 083	(2 452 196)	1 338 887
Infrastructure	1 272 169 935	(582 216 570)	689 953 365	1 223 115 055	(532 303 524)	690 811 531
Community	74 558 021	(12 938 478)	61 619 543	72 516 445	(10 257 970)	62 258 475
Work in progress	43 077 725	-	43 077 725	42 447 387	-	42 447 387
Leased assets	25 814 273	(2 791 303)	23 022 970	25 814 273	(204 931)	25 609 342
Landfill	19 468 514	(8 402 384)	11 066 130	7 654 191	(6 867 764)	786 427
Total	1 546 474 539	(670 077 438)	876 397 101	1 478 695 357	(608 383 474)	870 311 883

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Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Changes in Landfill site valuation	Change in estimates	Depreciation	Impairment loss	Impairment reversal	Total
Land	5 975 219	-	-	-	-	-	-	-	-	5 975 219
Buildings	21 786 657	155 500	-	-	-	-	(1 294 968)	-	-	20 847 189
Plant and machinery	14 115 085	2 871 586	(31 842)	-	-	49 447	(2 928 407)	-	-	14 075 869
Motor vehicles	2 868 866	-	(13 050)	-	-	-	(762 844)	-	-	2 092 972
Office equipment	2 314 007	83 083	(10 951)	-	-	41 909	(531 403)	-	-	1 896 645
IT equipment	1 338 887	2 199 805	(30 620)	-	-	39 737	(578 335)	-	-	2 969 474
Infrastructure	690 811 531	784 800	(1 079 778)	50 701 063	-	583 906	(50 504 950)	(3 791 326)	2 448 019	689 953 365
Community	62 258 475	2 041 580	-	-	-	8 696	(2 411 909)	(277 299)	-	61 619 543
Work in progress	42 447 387	51 331 401	-	(50 701 063)	-	-	-	-	-	43 077 725
Leased assets	25 609 342	-	-	-	-	-	(2 586 372)	-	-	23 022 970
Landfill	786 427	-	-	-	11 814 323	-	(1 534 620)	-	-	11 066 130
	870 311 883	59 467 855	(1 166 241)	-	11 814 323	723 695	(63 133 808)	(4 068 625)	2 448 019	876 397 101

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Notes to the Annual Financial Statements

Figures in Rand

12. 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	23 265 421	22 050	-	-	-	-	(1 300 142)	(200 672)	21 786 657
Plant and machinery	15 767 376	1 285 435	-	-	-	293 152	(3 214 605)	(16 273)	14 115 085
Motor vehicles	2 969 316	780 295	(36 947)	-	-	-	(843 798)	-	2 868 866
Office equipment	2 505 846	436 924	(63 893)	-	-	59 898	(624 768)	-	2 314 007
IT equipment	1 598 958	235 843	(39 907)	-	-	11 777	(467 784)	-	1 338 887
Infrastructure	651 119 378	1 597 785	(285 226)	91 572 429	-	136 806	(48 822 593)	(4 507 048)	690 811 531
Community	45 313 559	1 955 428	60	17 296 363	-	-	(2 105 057)	(201 878)	62 258 475
Work in progress	86 925 576	64 390 600	-	(108 868 789)	-	-	-	-	42 447 387
Leased assets	-	25 814 273	-	-	-	-	(204 931)	-	25 609 341
Landfill	4 012 184	-	-	-	(2 955 669)	-	(270 088)	-	786 427
	839 452 832	96 518 633	(425 913)	3	(2 955 669)	501 533	(57 853 766)	(4 925 871)	870 311 882

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2023

12. Property, plant and equipment (continued)

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete..

Project name	Commence date	Reason for taking long	2 024	2 023
Stormwater EXT:6	2018/06/30	Completed in the current year and transferred to fixed asset register.	-	21 819 636
Morarela Internal Road	2021/06/30	Completed in the current year and transferred to fixed asset register.	-	7 434 959
Tshikanoshi Sports Complex	2021/06/30	The project is on hold due to budget constraints.	5 013 938	5 013 938
Driefontein Internal Road	2022/06/30	The project is on hold due to budget constraints.	1 895 570	1 895 570
Mathukuthela Internal Road	2022/06/30	The project is on hold due to budget constraints.	2 119 113	2 119 113
Matlala Ramoshebo Internal Road	2022/06/30	The project is on hold due to budget constraints. Construction is planned to commence in 2024/25 financial year.	2 073 108	2 073 108
Matlerekeng Internal Bus Route	2022/06/30	The project is on hold due to budget constraints.	2 110 652	2 110 652
Moeding Internal Street	2022/06/30	The project is on hold due to budget constraints.	1 918 568	1 918 568
Mokwaneng Internal Road	2022/06/30	The project is on hold due to budget constraints.	1 579 523	1 579 523
Parks Development Landscaping	2022/06/30	The project is ongoing, it is within set timeframes.	1 776 818	547 062
Total			18 487 290	46 512 128

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

Amounts received from insurance proceeds as follows: 2024 R37 500 (2023 R0)

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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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12. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	36 886 387	5 561 000	42 447 387
Additions/capital expenditure	45 304 014	6 027 387	51 331 401
Transferred to completed items	(50 701 065)	-	(50 701 065)
	31 489 336	11 588 387	43 077 723

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	65 830 022	21 295 553	86 925 575
Additions/capital expenditure	62 927 492	1 463 110	64 390 602
Transferred to completed items	(91 671 127)	(17 197 663)	(108 868 790)
	36 886 387	5 561 000	42 447 387

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	13 322 651	9 446 341
Vehicles	3 990 549	3 412 280
Buildings	1 384 535	1 126 010
IT Equipment	41 058	93 200
Community Asset	82 389	392 247
Plant and Equipment	370 866	476 531
Office Equipment	-	2 098
	19 192 048	14 948 707

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

Mamphokgo Sports Complex was constructed and completed during the 2021/22 financial year. The complex was transferred to fixed asset register at a total cost of R24 327 424. However, damages were encountered on the complex which have delayed the opening of the facility to public use and Council has approved R9 million on the 2024/25 budget to undertake major maintenance. Designs for maintenance have been completed and approved by management.

During the year under review, management embarked on annual review of assets useful life in line with the requirements of GRAP 17. Per license condition the landfill site has reached its end of useful life. However, Landfill site was re-assessed by environmental experts and confirmed that it has physical capacity to operate for the next 6 years till 30 June 2030. The estimated useful life is based on the approved Reviewed Municipal Integrated Development Plan and Municipal Integrated Waste Management Plan. The municipality, with the support of LEDET, is currently in the process of developing the designs for new landfill site.

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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13. Heritage assets

	2024			2023		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Sculptures	100 240	-	100 240	83 080	-	83 080
Artefacts	500	-	500	500	-	500
Mayoral chains	90 420	-	90 420	86 850	-	86 850
Total	191 160	-	191 160	170 430	-	170 430

Reconciliation of heritage assets 2024

	Opening balance	Revaluation increase/(decrease)	Total
Sculptures	83 080	17 160	100 240
Artefacts	500	-	500
Mayoral chains	86 850	3 570	90 420
	170 430	20 730	191 160

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

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 basis.

The mayoral chains were valued by independent valuers, Messer's Benjamin Jewellers of Groblersdal, the effective date being 30 June 2024. 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 2024. 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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Notes to the Annual Financial Statements

Figures in Rand	2024	2023
14. Other financial assets		
Residual interest at cost		
VBS Investment	77 546 148	77 546 148
<p>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.</p>		
	77 546 148	77 546 148
Impairment	(77 546 148)	(77 546 148)
	-	-
15. Payables from exchange transactions		
Trade payables	17 154 206	16 542 345
Accrued leave	14 762 822	12 722 605
Accrued 13th cheque	2 234 056	2 069 558
Retentions	21 013 625	21 965 487
Credit balances on receivables	4 257 832	4 066 022
Accrued salaries	367 834	338 064
Other creditors - Library and Town Hall deposits	238 655	237 655
Unallocated deposit account	1 814 816	4 656 017
License and Motor vehicle agency function	38 039	67 202
	61 881 885	62 664 955
16. Consumer deposits		
Electricity	1 293 811	1 342 905

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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17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

See note 24 for reconciliation of grants from National/Provincial Government.

18. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Interest Charg e annual	Change in discount factor	Total
Environmental rehabilitation	29 177 473	3 332 534	11 814 323	44 324 330

Reconciliation of provisions - 2023

	Opening Balance	Interest Charg e annual	Change in discount factor	Total
Environmental rehabilitation	29 051 241	3 081 901	(2 955 669)	29 177 473
Non-current liabilities			41 346 666	29 177 473
Current liabilities			2 977 664	-
			44 324 330	29 177 473

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 2024 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 date. The average of the CPI for the last three months amounted to 5.1704%.

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 3 years was used, i.e.5% above CPI..

Key financial assumptions used Assumption 2023-2024

CPI 5.1704%,Discount rate 10.1704%,Net effective discount rate 5.%

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Figures in Rand	2024	2023
19. 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 2024. 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(Post retirement medical aid plan)	(21 102 055)	(14 891 573)
Present value:defined benefit obligation-partly or wholly funded(Long service awards)	(5 094 839)	(4 546 958)
	(26 196 894)	(19 438 531)
Non-current liabilities	(25 196 946)	(18 864 640)
Current liabilities	(999 950)	(573 893)
	(26 196 896)	(19 438 533)
Net expense of the defined benefit obligation (medical aid) recognised in the statement of financial performance		
Current service cost	742 838	1 060 549
Interest cost	2 076 553	2 534 639
Actuarial (gains) losses	3 703 894	(8 973 423)
Meducal Aid Subsidies paid to pensioners	(312 802)	(396 453)
	6 210 483	(5 774 888)
Changes in the present value of the long service award obligation are as follows:		
Opening balance	4 546 958	5 051 798
Contributions by Employer-(Benefits paid)	(557 030)	(912 275)
Net Expense -Contributions and Value adjustments	1 104 911	407 435
	5 094 839	4 546 958
Net expense of the long service award recognised in the statement of financial performance		
Current year service costs	397 429	445 516
Expected return-Interest Charge	462 300	478 408
Actuarial gains (losses)	245 182	(516 489)
Contributions by employer	(557 030)	(912 275)
	547 881	(504 840)

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Figures in Rand	2024	2023
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19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate used-Post employment continued medical aid benefits	13,25 %	14,04 %
Discount rates used-Long service leave provision benefits	10,40%	10,6%
Normal Salary rate increase	5,85 %	6,32 %
Medical cost trend rates	8,68%	9,52%
General earning inflation rate (long-term)	4,85 %	5,32 %

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	3 241 312	2 445 982
Effect on the aggregate of the service cost and interest cost-long service leave benefit	920 698	804 365
Effect on the aggregate of the service cost and interest cost-medical aid-discount rate	2 621 792	3 052 795
Effect on the aggregate of the service cost and interest cost-long service leave benefit discount rate	847 982	872 401

Amounts for the current and previous four years are as follows:

	2024	2023	2022	2021	2020
Defined benefit obligation(Medical Aid Benefit)	21 102 055	14 891 573	20 666 261	18 130 832	14 673 000
Long Service Award (obligation)	5 094 839	4 546 958	5 051 798	4 617 046	4 118 000

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.

20. Service charges

Sale of electricity	71 725 589	65 099 166
Solid waste - Refuse removal	6 220 571	5 916 997
	77 946 160	71 016 163

21. Other income

Sundry income	764 520	2 551 366
Recoveries	-	257 528
Fees	87 325	113 549
	851 845	2 922 443

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Figures in Rand	2024	2023
22. Interest received		
Interest on Eskom Deposits	404 221	507 782
Interest from exchange on outstanding receivable balances	2 931 991	1 996 623
Interest from non-exchange on outstanding receivable balances	11 156 236	8 649 757
Interest on current account	22 190 574	13 445 760
Interest on call account	1 617 296	-
	38 300 318	24 599 922
23. Property rates		
Rates billed		
Agricultural	28 019 508	17 839 547
Business and commercial	13 532 005	11 455 127
Residential	9 205 265	6 499 291
State owned	4 571 231	4 332 283
	55 328 009	40 126 248
Valuations		
Agricultural	3 045 042 000	1 801 053 647
Business and commercial	500 203 000	456 437 000
Educational	6 020 000	16 302 000
Municipal	189 695 000	189 695 000
Public service infrastructure	4 796 900	16 974 100
Religious	23 490 000	25 500 000
Residential	801 113 000	771 577 000
State owned	908 401 000	849 502 000
Vacant	32 496 000	117 105 450
	5 491 256 900	4 224 146 197
Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2023. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Montani Property Valuers an independent registered valuer performed the valuation in terms of all the legal requirements.		
Rates are levied on a month to month basis.		
24. Government grants and subsidies		
Operating grants		
Equitable share	191 533 000	178 826 000
Financial Management Grant	3 100 000	3 100 000
Expanded Public Works Programme Grant	2 560 000	1 310 000
Energy Efficiency and Demand Side Management Grant	5 600 000	25
	202 793 000	183 236 025
Capital grants		
Municipal Infrastructure Grant	39 976 959	56 821 000
	242 769 959	240 057 025

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Figures in Rand	2024	2023
24. Government grants and subsidies (continued)		
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	51 236 959	61 231 000
Unconditional grants received	191 533 000	178 826 000
	242 769 959	240 057 000
Municipal Infrastructure Grant		
Current-year receipts	36 755 000	56 821 000
Internal Funding-(Debtor Treasury)	3 221 960	-
Conditions met - transferred to revenue	(39 976 960)	(56 821 000)
	-	-
This grant is for the provision of Municipal Infrastructure.		
The Municipality has spent R3 221 960 from own funding and has raised a debtor (National Treasury)		
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	2 560 000	1 310 000
Conditions met - transferred to revenue	(2 560 000)	(1 310 000)
	-	-
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
Current-year receipts	5 600 000	-
Conditions met - transferred to revenue	(5 600 000)	(3 022)
	-	-

The Programme supports Municipalities in their efforts to reduce electricity consumption optimising use of energy..

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25. Employee related costs		
13th Cheque	5 013 947	5 140 685
Acting allowances	328 062	472 538
Basic	61 425 195	61 309 057
COVID 19 Allowance	-	2 066
Current service cost - Post employment medical aid incentive scheme	742 838	1 060 549
Current service cost - long service awards bonus	408 230	433 707
Defined contribution plans	12 325 512	11 785 981
EPWP Salaries	2 583 938	1 358 111
Group life insurance	238 952	219 949
Housing benefits and allowances	268 425	209 445
Leave pay provision charge	4 331 479	2 166 946
Medical aid - company contributions	3 589 910	3 439 138
Other payroll levies Bargaining Council	34 216	33 199
Overtime payments	2 997 985	2 736 283
SDL	831 267	800 120
Short term benefit - Cellphone allowances	1 126 241	1 044 580
Standby allowance	487 352	463 653
Internships Stipend	611 381	857 503
Travel, motor car, accommodation, subsistence and other allowances	10 646 803	9 513 176
UIF	493 508	494 742
WCA	476 984	170 187
	108 962 225	103 711 615

Remuneration Municipal Manager: Moropa M

Annual Remuneration	846 708	126 493
Contributions to UIF, Medical and Pension Funds	119 072	19 186
Other Allowances	28 426	4 496
Travel and Subsistence Allowance	157 034	23 122
SALGA	138	22
SDL	9 250	1 394
	1 160 628	174 712

Remuneration Municipal Manager: Matladi S

Annual Remuneration	-	337 860
Annual Bonus	-	43 960
Contributions to UIF, Medical and Pension Funds	-	64 317
Leave Pay	-	65 412
Other Allowances	-	9 716
Travel and Subsistence Allowance	-	47 419
SALGA	-	43
SDL	-	4 792
	-	573 319

Remuneration of acting Position - Municipal Manager -Rampedi M

Acting Allowance	-	18 444
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Figures in Rand	2024	2023
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25. Employee related costs (continued)

Remuneration Director Community Services-Maphutha Mashaba MY

Annual Remuneration	710 274	643 975
Travel and Subsistence Allowance	137 881	135 149
Contributions to UIF, Medical and Pension Funds	100 464	94 898
Other Allowances	21 751	20 637
SALGA	144	130
SDL	7 905	7 242
	978 419	902 031

Remuneration of Chief Financial Officer - Modisane T

Annual Remuneration	674 175	107 329
Contributions to UIF, Medical and Pension Funds	98 145	15 816
Other Allowances	21 751	3 439
Travel and Subsistence Allowance	136 647	23 515
SALGA	138	22
SDL	7 541	1 206
	938 397	151 327

Remuneration of acting Position - Chief Financial Officer - Mabiya K

Annual Remuneration	-	76 644
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Person acted from 1 august 2022 to 28 February 2023

Remuneration of acting Position - Chief Financial Officer - Madisha MSJ

Annual Remuneration	-	20 648
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Figures in Rand	2024	2023
25. Employee related costs (continued)		
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	836 476	759 636
Travel and Subsistence Allowance	197 072	216 984
Contributions to UIF, Medical and Pension Funds	123 009	116 166
Other Allowances	21 751	22 561
SALGA	137	130
SDL	9 573	9 075
	1 188 018	1 124 552

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Figures in Rand	2024	2023
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25. Employee related costs (continued)

Remuneration of Director Planning : Tjebane P

Annual Remuneration	706 987	550 939
Contributions to UIF, Medical and Pension Funds	100 232	86 990
Travel and Subsistence Allowance	150 953	135 907
Other Allowances	21 751	18 917
SALGA	144	119
SDL	7 885	6 261
	987 952	799 133

Remuneration Director of Infrastructure-Mashile P

Annual Remuneration	-	498 255
Leave Pay	-	107 866
Contributions to UIF, Medical and Pension Funds	-	108 833
SALGA	-	88
Other Allowances	-	13 758
SDL	-	6 316
	-	735 114

Remuneration Director of Infrastructure-Maphutha T

Annual Remuneration	398 147	-
Travel and Subsistence Allowance	141 181	-
Contributions to UIF, Medical and Pension Funds	104 348	-
SALGA	102	-
SDL	5 027	-
	648 805	-

Remuneration of Acting Position Director of Infrastructure- Durle J

Annual Remuneration	-	10 738
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The Person acted from 1 June 2023

Remuneration of Acting Position Director of Infrastructure - Ramatshelela T

Annual Remuneration	-	99 088
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The Person acted from 1 August 2022 to 31 May 2023

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Figures in Rand	2024	2023
26. Remuneration of councillors		
Mayor	1 005 224	939 590
Speaker	826 650	761 223
Chief Whip	452 932	427 960
Executive Councillors	2 799 324	2 878 502
Councillors	9 966 441	8 921 525
	15 050 571	13 928 800

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.

27. Depreciation and amortisation

Property, plant and equipment	62 410 051	57 352 099
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28. Finance costs

Finance leases	2 780 721	274 277
Landfill site	3 332 534	3 081 901
Post-retirement medical aid benefit	2 076 553	2 534 639
Long service awards	462 300	478 408
	8 652 108	6 369 225

29. Debt impairment

Debt incentive write-off/discount	1 996 289	4 277 815
Contributions to debt impairment allowance	8 157 471	4 510 557
	10 153 760	8 788 372

Included in the above balance for 2024 year is R461 443.99 being traffic fines impaired, R7 696 027.21 for debt impairment on Consumer debtors and R 1 996 289 for debt write-off as a result of Council debt incentive scheme.

Included in the above balance for 2023 year is R599 538 being traffic fines impairment, R3 911 088.18 for debt impairment on Consumer debtors and R 4 277 815 for debt write-off as a result of Council debt incentive scheme.

30. Bulk purchases

Electricity - Eskom	56 886 156	46 859 516
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31. Contracted services

Presented previously		
Information Technology Services	11 325 337	5 481 895
Fleet Services and Security services	10 886 531	8 143 293
Valuation services	1 558 239	1 469 935
Specialist Services	825 274	2 479 201
Other Contractors	10 639 209	11 060 295
	35 234 590	28 634 619

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Figures in Rand	2024	2023
32. General expenses		
Assets expensed	57 800	52 850
Audit Fees	5 991 095	4 712 372
Bank charges	212 116	227 958
CONLOG services	511 205	748 484
Catering and Hire Charges	3 366 760	2 714 671
Cleaning and Municipal operating cost	1 176 591	986 610
Conferences and seminars	5 959 052	5 254 509
Consulting - collection cost and legal fees	5 090 302	7 324 000
Consumables	1 192 534	1 079 746
Entertainment	21 578	20 688
Fines and penalties	40 220	-
Fuel and oil	6 426 141	6 388 486
Insurance	3 629 014	2 592 539
Audit committee	1 585 736	1 590 828
Marketing	2 084 193	1 642 696
Postage and courier	220 408	334 234
Printing and stationery	107 295	19 965
Promotions and sponsorships	312 957	393 945
Protective clothing	2 710 163	427 342
Ward committee stipend	2 659 500	2 676 000
Services: adverts and corporate image	1 894 352	1 487 937
Sewerage consumer account	35 209	231 830
Staff welfare	696 450	242 456
Subscriptions and membership fees	1 533 160	1 587 220
Telephone and fax	1 199 788	1 563 847
Training	115 061	176 323
Transport and freight	1 186 874	915 698
Travel - local	444 937	343 212
Utilities - Other including electricity connection increase in capacity project	6 564 906	4 656 095
	57 025 397	50 392 541

CONLOG services was renamed to Administration expenses

33. Fair value adjustments

Investment property and heritage assets(Fair value model)	2 105 730	5 546 420
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34. Auditors' remuneration

Fees	5 991 095	4 712 372
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Figures in Rand	2024	2023
35. Cash generated from operations		
Surplus	40 466 454	71 666 122
Adjustments for:		
Depreciation and amortisation	62 410 051	57 352 099
Gain or (Loss)-on sale of assets	1 126 039	(277 893)
Actuarial gain / losses	3 949 076	(9 478 103)
Fair value adjustments	(2 105 730)	(5 546 420)
Assets Impairment	1 620 606	4 925 871
Debt impairment	10 153 760	8 788 372
Finance charges -Landfill interest	3 332 534	3 081 901
Movements in employee benefit liability	(880 634)	(2 802 984)
Finance charges -Employee cost provision	2 538 853	3 013 047
Inventory losses or write-downs	-	242 439
Current service cost	1 151 068	2 988 512
Accrued leave	2 040 217	(12 722 605)
Accrued 13th cheque	164 498	(2 069 558)
Changes in working capital:		
Inventories	9 898	197 842
Consumer debtors	(25 074 479)	(16 402 100)
Receivables from non exchange transactions	(2 632 129)	(198 412)
Payables from exchange transactions	(2 947 528)	21 884 477
VAT	1 557 312	1 672 296
Unspent conditional grants and receipts	-	(3 025)
Consumer deposits	(49 094)	(39 793)
	96 830 772	126 272 085

36. Financial instruments disclosure

36.1 Fair value of financial instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the annual financial statements approximate their fair values. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow

Financial assets

	Carrying Amount 2024	Fair value 2024	Carrying Amount 2023	Fair value 2023
Receivables from non-exchange transactions	4 089 586	4 089 586	1 457 457	1 457 457
Consumer debtors	36 949 873	36 949 873	32 058 143	32 058 143
Cash and cash equivalents	359 462 684	359 462 684	318 629 848	318 629 848
Eskom Deposits	1 861 591	1 861 591	12 950 925	12 950 925
	402 363 734	402 363 734	365 096 373	365 096 373

A total amount of R 83 658 548 short term deposit owed to the municipality by VBS was fully impaired.

Financial liabilities

	Carrying Amount 2024	Fair value 2024	Carrying Amount 2023	Fair value 2024
Payables from Exchange transactions	61 881 885	61 881 885	62 664 955	62 664 955
Consumer deposits	1 293 811	1 293 811	1 342 905	1 342 905
Finance Lease	8 649 743	8 649 743	7 619 435	7 619 435
	71 825 439	71 825 439	71 627 295	71 627 295

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36. Financial instruments disclosure (continued)

Fair Values.

The fair values of financial assets and financial liabilities at the end of reporting period are determined as follows:

Fair values for financial assets are based on quoted market prices in active markets for an identical instrument. For financial liabilities the contractual undiscounted cash flow is used. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

30 June 2024

Maturity Analysis

	Within 1 year	2 to 3 years	Total
Payables from Exchange transactions	61 881 885	-	61 881 885
Consumer deposits	1 293 811	-	1 293 811
Finance Lease	8 649 743	8 952 691	17 602 434
	71 825 439	8 952 691	80 778 130

30 June 2023

Maturity Analysis

	Within 1 year	2 to 3 years	Total
Payables from Exchange transactions	62 664 955	-	62 664 955
Consumer deposits	1 342 905	-	1 342 905
Finance Lease	7 619 435	17 602 435	25 221 870
	71 627 295	17 602 435	89 229 730

37. Commitments

Already contracted for but not provided for		
• Property, plant and equipment	22 899 663	24 008 866

Total capital commitments		
Already contracted for but not provided for	22 899 663	24 008 866

Total commitments

Total commitments		
Authorised capital expenditure	22 899 663	24 008 866
• Operating lease	886 276	2 014 455
	23 785 939	26 023 321

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37. Commitments (continued)		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	462 405	665 773
- in second to fifth year inclusive	423 871	1 348 682
	886 276	2 014 455

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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38. Contingencies

38. Contingent Assets and Liabilities

Contingent Asset

Mathara Monica Mathebela and Khabo Anna Ramosibi Civil Recovery

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. The matter will be kept in abeyance until the liquidation process is finalised. The potential Asset or Recovery R81 207 600.00(2023/2024) and 81 207 600.00 (2022/2023)

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 (2023/2024)R2 206 182.87 and R2022/2023 (R2 206 182.87)

AL Mphago CIVIL JV Kgants Developers

The municipality realised retention to the Al Mphago Civil JV Kgants Developers company before the completion of the project. The Potential assets recovery is R999 284.00(2024/2023) and R999 284.00(2023/2022)

Dimo Survey & Civil Construction (oc2/06/2022)

Appointment of service providers without proper SCM processes. The Potential assets recovery is R576 980.00(2024/2023) and R576 980.00(2023/2022).

SK Sesego Security

Appointment of service providers without proper SCM processes. The Potential assets recovery is R343 000.00(2024/2023) and R343 000.00(2023/2022)

SCM and User Department (OC5/05/2023)

The municipality has incurred an expenditure to Basadzi Personnel Media for re-advertisement of a service provider for the development of the shopping Mall. The Potential assets recovery is R4 650.67(2024/2023) and R4 650.67(2023/2022)

SCM and User Department (OC5/05/2023)

The municipality has incurred an expenditure to Basadzi Personnel Media for re-advertisement of a service provider for the provision of traffic camera service. The Potential assets recovery is R3 349.35(2024/2023) and R3 349.35(2023/2022)

SCM and User Department (OC5/05/2023)

The municipality has incurred an expenditure to Basadzi Personnel Media for re-advertisement of a service provider for the provision of traffic management system. The Potential assets recovery is R3 349.35(2024/2023) and R3 349.35(2023/2022)

MVE Consulting (OC5/05/2023)

The municipality paid MVE Consulting an amount for items that should not form part of professional services. The Potential assets recovery is R490 000.00(2024/2023) and R490 000.00(2023/2022)

Loge Construction (OC5/05/2023)

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38. Contingencies (continued)

The municipality has made an over-payment to Loge Construction Company. Potential assets recovery is R118 901.00(2024/2023) and R118 901.00(2023/2022)

Loge Construction (OC5/05/2023)

The municipality has made a payment to Loge Construction Company work done not adhering to specification. The Potential assets recovery is R796 960.00(2024/2023) and R796 960.00(2023/2022)

Loge Construction (OC5/05/2023)

The municipality has made a payment to Loge Construction Company work incurring a financial loss as a result of quality deficiencies done not adhering to specification. The Potential assets recovery is R60 670.00(2024/2023) and R60 670.00(2023/2022)

ISIBANI Chartered Accountants (OC5/05/2023)

The municipality has made a payment to ISIBANI Chartered Accountants Company work already performed by Internal Audit. The Potential assets recovery is R180 000.00 (2024/2023) and R180 000.00(2023/2022)

AL Mphago CIVIL (OC2-06-2022)

The municipality has made a payment to AL Mphago Civil JV Kgants Developers company, the payment was made in excess of work done and items not verified on site. The Potential assets recovery is R2 790 030.304.00(2024/2023) and R2 790 030.30(2023/2022)

Expenditure Department (OC2/06/2022)

The municipality made payment to SARS for interest charged due to overdue accounts. The Potential assets recovery is R190 760.08(2024/2023) and R190 760.08(2023/2022)

Expenditure AND Electrical Department (OC2/06/2022)

The municipality made payment to ESKOM for interest charged due to overdue accounts. The Potential assets recovery is R47 209.20(2024/2023) and R47 209.20(2023/2022)

Expenditure Department and Administration Unit (OC2/06/2022)

The municipality made payment to TELKOM for interest charged due to overdue accounts. The Potential assets recovery is R2 48.00(2024/2023) and R2 408.00(2023/2022)

User Departments (OC2/06/2022)

The municipality made payment for Re-advert/ Erratum. The Potential assets recovery is R95 372.91(2024/2023) and R95 372.91(2023/2022)

Council support Manager (OC2/06/2022)

The municipality made payment for booking of accommodation however officials did not attend. The Potential assets recovery is R4 445.00(2024/2023) and R4 445.00(2023/2022)

Expenditure AND Electrical Department (OC3/06/2024)

The municipality made payment to ESKOM for interest charged due to overdue accounts. The Potential assets recovery is R1 760.18(2024/2023) and R1 760.18(2023/2022)

User Departments (OC3/06/2024)

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38. Contingencies (continued)

The municipality made payment for Re-advert/ Erratum. The Potential assets recovery is R6 043.50(2024/2023) and

R6 043.50(2023/2022)

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 Estimated Potential Liability R2 500 000.00(2023/2024) and R2 500 000.00(2022/2023)

AfriForum NPC

Applicant approached the High Court, Polokwane for an order permitting its representatives to inspect the Marble Hall waste water treatment plant for the purposes of collecting samples of water/sewage, examine the plant and sending the samples to their water technicians for testing. The purpose is to ensure that the Marble Hall Water Waste Treatment is properly managed and operated in accordance with terms & conditions of the Water Use License and National Water Act 36 of 1998. The possibility of outflow can not be determined.

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 matter was settled out of court on 5th June 2024. The potential Liability R0.00(2023/2024) and R 35 930 000.00 - (2022/2023)

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.

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 (2023/2024) and R3 070 042.70(2022/2023).

Monica Mathebela

On the 8th November 2023 the former municipal manager instituted an action against the municipality Claiming damages. The potential contingent liabilities is R1 292 492,00 (2023/2024) and R0.00 (2022/2023)

Matladi Thabang Projects

The Plaintiff instituted civil proceedings at the High Court, Polokwane for services rendered, namely, the repairs done on the municipality's fleet. The potential Liability R1 004 145.69 (2023/2024) and R0.00(2022/2023).

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39. Related parties

Relationships

Accounting Officer

Post employment benefit plan for employees of entity and/or other related parties

Members of key management

Refer to accounting officers' report note

All qualifying Employees

Refer to detail disclosure for Councillors Note 39 and Management Remuneration Note 25

Remuneration of individual Councillors

2024

Councillor Code and Name	Basic Salary	Pension	cellphone and Data Allowance	Medical contribution	Car Allowance and Travel Claim	SDL	Grand Total
C000010 Jacobs P (Exco)	372 293	28 706	46 570	-	2 960	3 938	454 467
C000013 Sedibane F (Exco)	466 576	77 183	46 570	-	182 247	5 850	778 426
C000017 Mabaso T	387 135	41 103	46 570	-	160 061	5 066	639 935
C000020 Moimana G (Mayor)	791 834	133 303	46 570	-	26 077	7 439	1 005 223
C000021 Lentsoane R (Speal	709 053	54 886	46 570	8 979	-	7 163	826 650
C000023 Makola M	198 628	32 568	46 570	-	75 038	2 758	355 561
C000034 Tshiguvho E (Exco)	466 576	77 183	46 570	-	188 073	5 850	784 252
C000035 Letsela N	224 425	21 712	46 570	-	67 386	2 983	363 076
C000037 Mpe J	-	-	-	-	-	2	2
C000039 Phahlamohlaka T	254 044	41 795	46 570	-	96 994	3 397	442 801
C000040 Aphane K	210 838	34 739	46 570	-	60 664	2 744	355 554
C000041 Magalla N	269 714	44 581	46 570	-	86 180	3 380	450 425
C000042 Maelane K	210 838	34 739	46 570	-	62 747	2 744	357 637
C000043 Thobejane P	223 865	21 712	46 570	-	70 328	2 978	365 452
C000044 Modipa S	210 838	34 739	46 570	-	61 216	2 744	356 106
C000045 Lekoatsipa L	211 780	34 889	46 570	-	82 464	2 910	378 613
C000046 Mello M	34 336	7 098	6 262	-	12 695	448	60 839
C000047 Mahubane S	210 838	34 739	46 570	-	65 043	2 744	359 933
C000048 Kutu T	254 044	41 795	46 570	-	114 832	3 397	460 638
C000049 Magane L (Chief W	261 637	43 059	46 570	-	98 181	3 485	452 932
C000050 Maphopha M	254 044	41 795	46 570	-	103 340	3 397	449 147
C000051 Mmamahlako K	254 044	41 795	46 570	-	114 175	3 397	459 982
C000052 Ramphela R (Exco)	466 576	77 183	46 570	-	186 000	5 850	782 179
C000053 Nkoana T	254 044	41 795	46 570	-	111 588	3 397	457 395
C000054 Mameshi S	210 838	34 739	46 570	-	57 898	2 744	352 788
C000055 Mokwana B	254 044	41 795	46 570	-	107 035	3 397	452 841
C000056 Sebothoma K	224 425	21 712	46 570	-	68 205	2 983	363 895
C000057 Seloma R	252 894	41 795	46 570	-	100 751	3 386	445 395
C000060 Mogale J	226 231	21 712	46 570	-	63 798	3 002	361 313
C000061 Manasoe M	267 782	44 711	46 570	-	93 081	3 456	455 600
C000062 Priso D	204 844	34 739	46 570	-	61 011	2 683	349 847
C000063 Mashiane S	201 847	34 739	46 570	-	57 898	2 653	343 707
C000064 Moela J	81 356	14 436	18 695	-	23 341	1 066	138 893
C000065 Rabalago S	131 748	23 593	29 769	-	36 893	1 707	223 709
C000066 Legoathi L	93 743	18 932	22 296	-	29 127	1 258	165 356
Grand Total	9 347 754	1 375 997	1 474 122	8 979	2 727 324	116 394	15 050 570

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39. Related parties (continued)

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(Spez	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 W	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 Ramphete(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 80€

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40. Risk management

Financial risk management

Exposure to interest rates, liquidity and credit risk arises in the normal course of the Municipality's operations. This note presents information about the Municipality's exposure to each of the above risks, the policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

(Refer to Note 36 Additional information on Financial instrument)

Liquidity risk

Liquidity risk is the risk of the Municipality not being able to meet its obligations as they fall due. The Municipality's approach to managing liquidity risk is to ensure that sufficient cash is available to meet its expected operating expenses and liabilities when due, without incurring unacceptable losses or risking damage to the Municipality's reputation. This is achieved by the Municipality effectively managing its working capital, capital expenditure and cash flows forecasts.

(Refer to Note 36 Additional information on Financial instrument)

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 that arose from overpayments and transactions resulting 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	2024	2023
VBS Bank -Fully impaired on the Statement of Financial Position and Statement of Financial Performance	77 546 148	77 546 148
Receivable from exchange transactions -Receivables not impaired	437 822	542 266
Eskom deposits	1 861 591	12 950 925

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40. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, that may affect the Municipality's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the 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.

The Municipality's exposure to the risk of changes in market rates relates primarily to the municipality's investments with floating interest rates.

Fair value interest rate risk

Financial assets	Current interest rate	1 year or less	1-3 years	>3 years	Total
Bank Balance-Main Account	6,00 %	336 619 388	-	-	336 619 388
Short term deposits-Call account	8,10 %	22 843 296	-	-	22 843 296
Financial liabilities	Current interest rate	1 year or less	1-3 years	>3 years	Total
Finance lease	12,75 %	7 619 435	17 602 435	-	25 221 870

Sensitivity analysis

Financial assets

As at 30 June 2024, if the weighted average interest rate at that date had been 100 basis points higher, with all other variables held constant, the fair-value impact on the statement of financial performance would have been R363 million (2023: R321,8 million) with the opposite effect if the interest rate had been 100 basis points lower. The sensitivity analysis is performed by dividing the total investment interest earned for the year by the average interest rate earned to give the effect of a one-percent movement in interest rates.

Financial liabilities

Changes in the interest rate as at 30 June 2024 would have had no impact on the statement of financial performance, as all Finance lease are at a fixed interest rate.

41. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of 1 290 467 106 and that the municipality's total assets exceed its liabilities by 1 290 616 616.

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.

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41. Going concern (continued)

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.

42. Unauthorised expenditure

During the 2023/24 and 2022/23 financial periods no unauthorised expenditure were identified.

43. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure-Opening Balance	35 324	7 237 984
Add-Fruitless and Wasteful Expenditure for the financial period	2 002	20 383
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)
Payment Received	(15 032)	-
Irrecoverable OC3/06/2024	(13 683)	-
Recoverable OC3/06/2024	(7 804)	-
	807	35 324

Fruitless and wasteful expenditure for current year was brought to council and subsequently referred to council resolution OC3/06/2024 was tabled to council and resolved as follows :Fruit Add:Fruitless and Wasteful Expenditure for the financial period R2 002,Less-Irrecoverable OC3/06/2024 R(13 683),Less- Recoverable as per council resolution OC6/06/2024 R(7 804)

The Municipality has recovered an amount of R15 032.00 related to services rendered for previous work performed on assets impairment

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)

Fruitless and wasteful expenditure consists of

Opening Balance	35 324	7 237 984
Interest on Eskom Accounts	2 002	656
Tender re-adverts	-	19 727
Payment Received	(15 032)	-
Irrecoverable OC3/06/2024	(13 683)	-
Recoverable OC3/06/2024	(7 804)	-
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)
	807	35 324

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44. Irregular expenditure		
Opening balance	23 822 155	56 724 350
Additional (Subsequent payments) in Fin Year 2023	-	47 516 144
Add: Irregular 1st Quarter OC2/11/2024	846 456	-
Add: Irregular 2nd Quarter OC3/06/2024	7 885 379	-
Add: Irregular 3rd Quarter OC/09/2023	4 932 178	-
Add: Irregular 4th Quarter OC/07/2024	7 566 056	-
Less: Investigated by MPAC (OC2/11/2024)	(547 925)	-
Less: Investigated by MPAC OC03/06/2024)	(6 729 528)	-
Less: Investigated by MPAC SC7/05/2024	(4 932 178)	-
Less: Investigated by MPAC SC1/02/2023)	(11 498 869)	-
Less: Investigated by MPAC SC/02/2024)	(17 713 342)	-
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)
Additional Irregular Identified during Audit 2024	1 899 563	-
Add additional Irregular Exp (2023)	-	8 900 115
	5 529 945	23 822 155

Analysis of expenditure written off per age classification

Current year	21 230 069	47 516 144
Additional Irregular during Audit (2023)	-	56 724 350
Add: Irregular Expenditure 2023	23 822 155	-
Less: Irrecoverable Investigated by MPAC (OC2/06/2022)	-	(18 773 728)
Less: Recoverable Investigated by MPAC (OC2/06/2022)	-	(919 980)
Less: Total investigated by MPAC	(41 421 842)	-
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
Additional Irregular Identified during Audit 2024	1 899 563	-
	5 529 945	23 822 155

Details of irregular expenditure - Current Year	
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
The differences identified between the tender amount and appointment letter	731 964
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.	1 214 058
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	118 744
The differences identified between the tender amount and appointment letter	911 971
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.	993 321
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	480 000
The differences identified between the tender amount and appointment letter	315 812
The differences identified between the tender amount and appointment letter	806 134
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
The differences identified between the tender amount and appointment letter	297 471
The differences identified between the tender amount and appointment letter	601 781

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44. Irregular expenditure (continued)

Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	651 162
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	154 506
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
The differences identified between the tender amount and appointment letter	357 006
The differences identified between the tender amount and appointment letter	402 768
The differences identified between the tender amount and appointment letter	371 300
The differences identified between the tender amount and appointment letter	537 976
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.	86 569
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	163 981
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	119 209
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	218 142
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	288 301
Reasons for deviations not in line with the MFMA & SCM regulations	38 500
Reasons for deviations not in line with the MFMA & SCM regulations	45 000
The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.	1 456 031
Irregular appointment of employee - senior manager	744 366
Irregular appointment of employee - accountant	411 484
Irregular appointment of employee - senior manager	39 626
Irregular appointment of employee - accountant	72 441
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	447 925
Irregular appointment of employee - senior manager	77 859
Irregular appointment of employee - accountant	39 626
Irregular appointment of employee - senior manager	45 733
Irregular appointment of employee - accountant	23 247
Irregular appointment of employee - senior manager	66 140
Irregular appointment of employee - accountant	31 798
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
Irregular appointment of employee - senior manager	72 441
Irregular appointment of employee - accountant	39 626
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	707 250
The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.	3 728 508
The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.	38 500
Reasons for deviations not in line with the MFMA & SCM regulations	45 000

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44. Irregular expenditure (continued)

There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
There was no municipal council resolution for approval of contract for more than 3 years during the year under review.	50 000
The bid specification was not drafted in an unbiased manner which allow all potential providers to offer their goods and services.	2 186 503
Irregular appointment of employee - senior manager	41 872
Irregular appointment of employee - accountant	76 999
Tender Documents stated that the bidder must score 70% or more on functionality to be further evaluated for procurement points.	331 510
Procurement and Contract Management: Contract extension for Mabotwane Security Services is not inline to the SCM Policy, SCM Regulations & MFMA	1 899 563
Total	23 129 724

Details of irregular expenditure - 2022/2023	-
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
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 (Rateilei& Manja VIP Security Services and Yetsegala on ICT Service)	1 039 250

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44. Irregular expenditure (continued)

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
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	-

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44. Irregular expenditure (continued)

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
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	1 086 816
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 financial year 2023, Irregular expenditure had an opening Balance of R 56 724 350.00 with an additional R 47 516 144.00 as subsequent payments during the year. All these expenditures were reported to council and Investigated by Municipal Public Accounts Committee. A total amount of R 80 418 340.70 was written off after investigation and closing balance amounted to R 23 822 153.30 as Audited.

During the financial year 2023/2024 of reporting, the Irregular Expenditure had an Opening Balance of R 23 822 153.30. subsequent payments were incurred during the financial year which amounted to R 21 230 158,30 combined from four quarters of the financial year and were all tabled to council as and when reported. Council referred the expenditures to MPAC for further investigation and some of the expenditures were written off, (R 11 498 869,44) with council resolution number SC1/02/2023. A further (R 4 932 177) was written off with resolution SC7/05/2024.

Irregular Expenditure Amounted to R 3 640 383.96 as at 30 June 2024 as a closing balance for further investigation. All these Expenditures were tabled to council for consideration of MPAC. MPAC investigated further and has tabled to council a further write off during the first quarter of the financial year 2025 subsequent to the closure of the financial year 2023/2024 under review with an amount of (R 6 729 528.38) with council resolution number OC3/06/2024 and (R 547 925.00) with council resolution number OC2/11/2024 and (R 17 713 342.05) with council resolution number SC/02/2024.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 404 694	1 307 257
Amount paid - current year	(1 404 694)	(1 307 257)

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity Distribution Loss

Units	1 350 063	573 392
Distribution Loss %	4,12%	1,85%
Amount loss - current year (at average cost)	2 259 465	629 158

Distribution losses were below the norm of 7-10% as set by National Treasury in terms of Circular 71. The distribution loss was recorded at 4.12% for the financial year.

Audit fees

Current year subscription / fee	5 991 095	4 713 972
Amount paid - current year	(5 991 095)	(4 713 972)

Audit fees paid to the Office of the Auditor General amounted to R5 991 095 for 2023/2024 and R 4 713 972 for the 2022/2023 financial year. There were no outstanding audit fees in the respective year ends.

PAYE and UIF

Current year subscription / fee	17 097 612	16 013 009
Amount paid - current year	(17 097 612)	(16 013 009)

Pension and Medical Aid Deductions

Current year subscription / fee	26 178 872	25 238 411
Amount paid - current year	(26 178 872)	(25 238 411)

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

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45. 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	160 290	407 168
Impossible or impracticable to follow procedure	167 000	996 200
Emergency supplies	167 283	303 589
	494 573	1 706 957

DATE	NAME OF SUPPLIER	DEVIATION	AMOUNT	REASON FOR DEVIATION
20-07-2023	SALGA	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	25 000	SALGA is the host of the event and registration fees should be paid directly to them which will make it impractically impossible to follow the normal supply chain process of requesting at least three written price quotations.
28-07-2023	SAIMSA	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	11 000	Inter Municipal Sports of SA is the host of the event and registration fees should be paid directly to them which will make it impractically impossible to follow the normal supply chain process of requesting at least three written price quotations.
15-08-2023	Manja Trading	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".	38 500,00	VIP Protection for the Municipal Speaker
15-08-2023	Rateitei Security Service	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".	45 000,00	VIP Protection for the MunicipMayor
15-08-2023	Workshop Electronic	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	23 065,55	Calibration and service of a grade lane machine used to test vehicle and workshop electronic is the only service provider

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

15-08-2023	EAPA-SA	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	23 998,00	EAPA-SA is the host of the event and registration fees should be paid directly to them
15-08-2023	CIGFARO	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	45 630,00	CIGFARO is the host of the event and registration fees should be paid directly to them which will make it impractically impossible to follow the normal supply chain process of advertising on the notice board for atleast 7 days.
23-10-2023	Mamogobo Alf (Pty) LTD	Deviation Reason No 1; "In an emergency"	167 283,00	The municipal dozer is currently damaged and requires significant fixing which will take a while as per the diagnostic report from the manufacturer. The municipality urgently requires the services of a dozer at the landfill site for the services of covering of waste and compaction. The landfill is becoming a health hazard to the officials working at the landfill.
29-06-2024	CIGFARO	Deviation Reason No 2; "If such goods or services are produced or available from a single provider only"	31 596,00	CIGFARO is the host of the event and registration fees should be paid directly to them which will make it impractically impossible to follow the normal supply chain process of advertising on the municipal website for 7 days.
30-06-2024	Manja Trading	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".	38 500,00	VIP Protection for the Municipal Speaker
30-06-2024	Rateitei Security Services	Deviation Reason No 5; "In any other exceptional case where it is impractical or impossible to follow the official procurement processes".	45 000,00	VIP Protection for the MunicipMayor
Grand Total	-	-	494 572,55	-

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46. 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 having a number of users utilising alternative source of energy like gas,solar as a consequence of load shedding.

3. Rentals variance is mainly as a result of one of rental property of the municipality being burned down by fire.

4. Variance is attributed to less Licensing and registration being conducted that anticipated.

5. Unallocated deposit were recognised as revenue since they were unclaimed for 36 months.

6. Variance between actual and budget is mainly due to interest received on a short- term investment and current account interest.

7. The difference is as a result of continued data cleansing, supplementary valuation roll and implementation of new valuation roll.

8. Interest on outstanding debtor's variance can be attributed to incentives given to customers who wants to settle their long outstanding debt.

9. 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. Remuneration of councillors is based on government gazette on upper limits for councillors

13. Due to late appointment of service providers that resulted in subdued expenditure,

14. Attributed to some assets being derecognized such as access road on golf club.

15. No provision was made on this non-cash items such as interest on landfill sites.

16. Savings on photocopy machine was realized.

17. Variance is as a result of new valuation roll which derecognised and transferred some properties to sister municipalities.

18. More electricity was purchased due to relaxation of load shedding.

19. Attributed to less spending on contracted services than budgeted for resulting in savings.

20. Attributed to ESKOM upgrade to increase electricity supply/capacity to the municipality.

21. Attributed to non-spending of some budget items in general expenditure.

22. Attributed to profit and loss on disposal of assets.

23. Attributed to investment fair value adjudgment in the current year.

23.1 Attributed to current year assessment on employee obligations.

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46. Budget differences (continued)		
24. Less stock on hand than projected.		
25. Budget allocated to receivables instead of Consumer debtors		
26. Some Budget allocated to receivables instead of Consumer debtors		
27. Variance is caused by budget splitting VAT between Current assets and Liabilities.		
28. More consumer owing the Municipality at year end.		
29. 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.		
30. Derecognition of investment property where municipality has lost control in terms IGRAP 18 and more budget was provided than the realised investment property fair value.		
31. Attributed to less spending on internal capital projects.		
32.No procurement of intangible assets was made at year end.		
33. Attributed to fair value adjustments.		
34. Attributed to deposit held by ESKOM.		
35. Variance attributed to the reduction of unallocated deposits which have been allocated to respective consumer accounts as well as retention claims that were paid out.		
36. Attributed to more accruals being recognised in the current financial year.		
37. Slight difference is because of more estimate on consumer debtors that realized.		
38 Variance is as a result of yearly actuarial calculation of employee obligation.		
39 No current provision in the year under review.		
40. Recognition of long-term finance lease.		
41. Variance is as a result of yearly actuarial calculation of employee obligation.		
42. Variance is as a result of splitting provision between short term and long term.		
43. Immaterial.		
44. variance is emanating from all assets less all liabilities.		
45. Variance between budget and actual of service charges could be attributed to having a number of users utilising alternative source of energy like gas,solar as a consequence of load shedding.		
46. The variance on the operating activities is as a result of savings on supplies and employee cost payment.		
4.7 The variance on the investing activities is as a result of spending on capital expenditure.		
48. The variance is result of less estimate on cash and cash equivalents than realised.		

Changes from the approved budget to the final budget

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46. Budget differences (continued)

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.

47. Prior period errors

The following prior year errors were identified and adjusted retrospectively.

1(a). Skills development Levy(SDL) amounting to R800 120 was remapped from General expenses in prior year to Employee related cost.

2. Note 25 government grants and subsidies had casting error on conditional grants received of 19 000 000 and unconditional grants received of R50 075 000

Property Plant and Equipment

1) Roads

During the financial year ended 30 June 2024, it was identified that the municipality erroneously recorded roads in a golf club as part of its assets. These roads, with a cost of R10,057,775.51, do not belong to the municipality. The error resulted in an overstatement of both the cost and accumulated depreciation of the municipality's assets.

The error arose due to the incorrect inclusion of roads in a golf club in the municipality's asset register. This led to the overstatement of property, plant, and equipment (PPE) and depreciation expenses in the financial statements.

2) Work in Progress

During the financial year ended 30 June 2024, it was identified that certain work in progress (WIP) was not fully transferred to the appropriate accounts. The affected projects include Manapyane HML (R212,291.41), Dicheoung Internal Road (R8,000.00), and Leuwfontein Sports Complex (R498,400.00).

The error arose due to the failure to transfer the costs associated with these projects from the work in progress account to the relevant asset accounts. This resulted in an overstatement of the WIP and an understatement of the completed assets in the financial statements.

3) Investment Property (Land)

During the financial year ended 30 June 2024, it was identified that the municipality lost control over five investment properties classified as land with a total value of R 5 918 000. These properties were initially recognized as investment properties intended for capital appreciation. However constructions were carried out on these properties, resulting in the development of RDP houses and a school. The properties will be transferred to Substance Over Form (SOF) register since they are registered in the Municipality's name but does not have control over.

4) Duplicate entries

During the financial year ended 30 June 2024, it was identified that there was a duplication error in the recording of an electricity poles. The cost of the duplicated assets was R1,080,000, with depreciation of R43,151.04 and accumulated depreciation of R604,987.80.

The error arose due to the duplication of entries in the asset register, resulting in the overstatement of both the cost and accumulated depreciation of the electricity poles.

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47. Prior period errors (continued)

5)

Storm Water (WIP)

During the year ended 30 June 2024 it was noted that the Stormwater in extension 6 (amounting to R17 368 649,29) was completed in 2021 but was not transferred from Work In Progress to Infrastructure Assets. This error resulted in WIP being overstated and PPE stormwater understated by the same amount.

6) During the financial year ended 30 June 2024, Municipality identified an error in the calculation of depreciation for certain fixed assets. The error resulted from the use of incorrect depreciation rates applied to property, plant, and equipment over the past financial year

7) Commitments

In the current period, we identified a prior period error related to the classification and disclosure of a finance lease liability. Specifically, a finance lease liability amounting to R24,947,592 was incorrectly disclosed as both commitments and lease liabilities in the financial statements for the prior period.

The error involved the dual misclassification of the finance lease liability, which should have been accurately reported solely under finance lease liabilities. Instead, this amount was erroneously reported as both commitments and lease liabilities, leading to double reporting and misrepresentation of our financial obligations. It was also noted that commitments on operating lease was overstated by R 555 034. The effect of the error is disclosed below

Previously reported:	-
Capital Commitments	24 008 866
Operating lease	2 569 489
Finance lease	24 947 592
-	51 525 947
-	-
-	-
Restated commitments:	-
Capital Commitments	24 008 866
Operating lease	2 014 455
-	26 023 321

8. During the implementation of the new valuation roll, it was identified that there are properties that are in our municipal system which have no owner registered and others belonging to another local authority (either being Elias Motswaledi Local Municipality or Mookgopong Local Municipality). These properties were previously billed as they were included in the previous valuation roll and therefore credit notes were passed on those respective account numbers in 2024 financial year, however journals needed to be passed to allocate them to the current financial year and the previous financial year for comparative purposes.

9. Financial instrument disclosure note has derecognised statutory components on receivable from non-exchange transactions, consumer debtors and VAT receivables

10. During the year it was discovered that losses on disposal of fixed assets were erroneously mapped to fair value adjustments line which resulted in overstatement on profit on disposal and understatement of fair value adjustment by R425 971.

11. Note 22 (Interest received): Interest on cash and cash equivalents was separated to interest on current account and interest on call account while interest on investments was renamed interest on Eskom deposits

12. During the year under review, management discovered that infrastructure assets under construction were erroneously classified in work in progress reconciliation under note 12 as community assets. The total of R25 127 947 was reclassified from community assets to infrastructure assets.

13. Note 36 (Financial Instruments) and Note 40 (Risk Management) disclosures were revised to fully comply with GRAP 104 requirements.

14. Bursaries and Learnsip expenses were reclassified (also renamed) from Government grants and subsidies note 50, to Employee related costs -(Internship Stipend), note 25.

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47. Prior period errors (continued)

15. Note 45, (Additional disclosures in terms of Municipal Finance Management Act) item VAT disclosure was removed from the disclosures to comply with section 125 of the MFMA.

16. During the year, management discovered that there was R98 700 that was erroneously adjusted against infrastructure instead of community assets. The error resulted in understatement of infrastructure and overstatement of community assets.

17. Note 54 was revised to fully comply with GRAP 25 by excluding officials that were not permanently employed.

18. An amount of R18100 was reclassified through mapping from Audit Committee (general expenses) to Repairs and maintenance-(Expenditure)

19. Reclassification of expenses was done between contracted services (expenditure), note 31 and general expenses note 32.

20. Segment Reporting note 52 has been restarted in line with GRAP 18 requirements and some descriptions on the face of the note (table) have been shortened to allow full presentation.

(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).

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47. Prior period errors (continued)		
Statement of financial position		
PPE: Infrastructure roads cost (1)	-	(10 057 776)
Accumulated depreciation - Roads (1)	-	5 634 100
Accumulated surplus(1)	-	4 825 528
PPE: Infrastructure HML Cost (2)	-	212 291
PPE: Infrastructure Roads Cost (2)	-	8 000
PPE: Infrastructure Community Assets Cost (2)	-	498 400
Work In Progress (2)	-	(718 691)
Investment Property (3)	-	(5 918 000)
Accumulated surplus (3)	-	5 918 000
PPE: Electrical Infrastructure Cost (4)	-	(1 080 000)
Accumulated depreciation - Electrical (4)	-	604 987
Accumulated surplus (4)	-	518 163
PPE: Roads & Stormwater Infrastructure(5)	-	17 366 649
Work In Progress (5)	-	(17 366 649)
Accumulated depreciation (5)	-	(1 200 229)
Accumulated surplus(5)	-	505 563
Accumulated depreciation (2)	-	(15 912)
Infrastructure asset	-	98 700
Community asset	-	(98 700)
Community Assets: Accumulated depreciation (6)	-	28 472
Computer Equipment:Accumulated depreciation (6)	-	(3 055)
Furniture and Office Equipment: Accumulated depreciation (6)	-	10 602
Machinery and Equipment:Accumulated depreciation (6)	-	(84 086)
Infrastructure:Accumulated depreciation (6)	-	(153 214)
Transport Assets:Accumulated depreciation (6)	-	(12 721)
Debtors Rates (7)	-	3 543 932
Debtor Other (7)	-	1 796 109
Debtors -Property Rates (7)	-	(6 046 400)
Debtors-Interest(7)	-	(3 164 335)
Accumulated Surplus (7)	-	7 705 989
Increase in infrastructure work in progress (12)	-	25 127 945
Decrease in community assets work in progress (12)	-	(25 127 945)
Opening Accumulated Depreciation:Infrastructure Assets(6)	-	459 046
Opening Accumulated Depreciation:Community Assets Assets (6)	-	15 695
Opening Accumulated Depreciation:Buildings (6)	-	5 979
Accumulated surplus (6)	-	(468 762)
Accumulated Depreciation Electrical (2)	-	(8 179)
Defined Benefit Obligations:Medical:Actual employer benefit payments (17)	-	3 941
Provision:Long-service Awards (17)	-	11 809

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47. Prior period errors (continued)		
Statement of Financial Performance		
Employee related costs-SDL1(a)	-	800 120
General Expenses(SDL) 1(a)	-	(800 120)
Depreciation (1)	-	(401 852)
Depreciation (4)	-	(43 151)
Infrastructure: Storm water extension (5)	-	694 666
Community assets: Depreciation (2)	-	(15 912)
Electrical :Depreciation (2)	-	8 179
Computer Equipment: Depreciation (6)	-	3 055
Deprec community assets (6)	-	(28 472)
Furniture and Office Equipment:Depreciation (6)	-	(10 602)
Machinery and Equipment: Depreciation (6)	-	84 086
Infrastructure: Depreciation (6)	-	153 214
Transport Assets: Depreciation (6)	-	12 721
Property Rates (7)	-	826 210
Interest from Exchange Transactions (7)	-	678 547
Impairment-Rates (7)	-	(3 543 932)
Impairment -Other (7)	-	(1 796 109)
Profit or (loss) on disposal of fixed assets (10)	-	425 971
Fair value adjustments (10)	-	(425 971)
Employee related costs- Internships Stipend (14)	-	857 503
Government grants and subsidies-Bursaries and Learnership (expenses) (14)	-	(857 503)
Employee Related Cost:Municipal Staff:Salaries Wages and Allowances (17)	-	(11 809)
Repairs and Maintenance (18)	-	18 100
Audit Committee -(General expenses) (18)	-	(18 100)
General expences (subscription) (19)	-	9 850
General expenses(staff welfare) (19)	-	53 253
General expenses(Promotion and sponsor) (19)	-	51 810
General Expenses Advert and corp image (19)	-	7 804
General expenses Audit Committee (19)	-	102 062
General expences (utilities) (19)	-	25 450
Contracted Services (Special contractors) (19)	-	(78 703)
Contracted Services (other contractors) (19)	-	(171 526)

48. Events after the reporting date

There are no events after the reporting date.

49. Lease rentals on operating lease

Photocopiers		
Contractual amounts	1 626 783	1 387 365

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain office equipment and service delivery property. Leases are negotiated for an average term of 3 years. No contingent rent is payable.

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50. Government grants ,transfers and subsidies		
Other subsidies		
Indigent Relief	803 069	1 059 615
Eskom upgrade	11 493 554	-
Bursaries and Learnership	573 659	600 208
	12 870 282	1 659 823

51. Change in estimate

Property, plant and equipment

Change in estimate useful lives

During the year ended 30 June 2024 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 due to re-assess	-
Computer Equipment	-39 736,64
Furniture and Office Equipment	-41 909,04
Machinery and Equipment	-49 446,76
Community assets:	-8 759,86
Infrastructure:	-583 906,00
Grand Total	-723 758,30

52. Segment information

General information

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.

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52. Segment information (continued)

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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52. 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
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

2024

Statement of Financial Performance	Basic services	Community services	Executive & Council	Finance	Total
-	-	-	-	-	-
Total Revenue	135 666 048,53	-1 047 091,37	-2 618 692,04	-293 769 581,82	-433 101 413,76
Revenue (exchange)	-78 390 213,80	-146 445,37	-58 692,04	-33 105 632,89	-111 700 984,10
Interest received	-404 220,59	-	-	-26 739 860,36	-27 144 080,95
Other income	-26 135,36	-78 801,95	-	-746 908,05	-851 845,36
Rental of facilities and equipment	-	-67 643,42	-	-	-67 643,42
Sale of goods	-13 697,85	-	-58 692,04	-24 109,92	-96 499,81
Service charges	-77 946 160,00	-	-	-	-77 946 160,00
Agency fees	-	-	-	-5 594 754,56	-5 594 754,56
Revenue (non-exchange)	-57 275 834,73	-900 646,00	-2 560 000,00	-260 663 948,93	-321 400 429,66
Basic Electricity Levy	-11 692 930,00	-	-	-	-11 692 930,00
Interest received	-	-	-	-11 156 236,18	-11 156 236,18
Property rates	-	-	-	-55 328 008,48	-55 328 008,48
Transfer revenue and other income	-45 582 904,73	-447 350,00	-2 560 000,00	-194 179 704,27	-242 769 959,00
Fines, Penalties and Forfeits	-	-453 296,00	-	-	-453 296,00
Expenditure	121 380 440,68	32 815 515,17	45 926 465,68	189 543 147,69	389 665 569,20
Bulk Purchases	56 886 156,41	-	-	-	56 886 156,41
Contracted services	120 078,40	9 112 404,51	2 466 983,02	23 535 124,71	35 234 590,64
Debt Impairment	-	-	-	10 153 760,27	10 153 760,27
Depreciation and amortisation	-	-	-	62 410 050,53	62 410 050,53
Employee related costs	26 095 233,30	19 003 748,21	18 764 825,31	45 098 416,90	108 962 223,72
Finance costs	-	-	-	8 652 108,16	8 652 108,16
General Expenses	12 615 432,88	3 017 638,92	9 644 087,48	31 748 231,87	57 025 391,13
Operating Lease Expense	-	-	-	1 626 782,97	1 626 782,97
Remuneration of councillors	-	-	15 050 569,87	-	15 050 569,87
Grants and Subsidies	12 296 623,64	-	-	573 658,96	12 870 282,60
Repairs and Maintenance	13 366 916,05	1 681 723,53	-	4 124 407,07	19 173 046,65
Impairment of assets	-	-	-	1 620 606,25	1 620 606,25

Ephraim Mogale Local Municipality

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52. Segment Information (continued)

Operating surplus	-14 285 607,87	31 768 423,80	43 307 773,64	-104 226 434,13	-43 435 844,56
Inventories losses/write-down	-	-	-	-	-
Fair Value adjustments	-	-2 105 730,00	-	-	-2 105 730,00
Profit/(Loss) on disposal of fi	115 268,31	-	-	1 010 770,86	1 126 039,17
Actuarial Gain/ (Loss)	-	-	-	3 949 076,00	3 949 076,00
Surplus for the year	-14 170 339,56	29 662 693,80	43 307 773,64	-99 266 587,27	-40 466 459,39
	-	-	-	-	-
Statement of Financial Pos	Basic services	Community services	Executive & Council	Finance	Total
Assets	105 552 442,66	50 121 336,44	05 163 649,38	1 491 648 516,67	1 441 915 973,51
Current Assets	237 376 562,07	47 496 414,77	05 270 447,38	879 231 984,99	489 088 560,77
Cash and Cash equivalents	245 235 880,32	48 945 634,17	14 677 723,35	768 321 919,48	359 462 681,64
Consumer debtors (exchang	1 406 043,59	-5 820,18	-	30 516 578,59	31 916 802,00
Consumer debtors (non excl	-6 432 909,00	-	3 187 059,82	59 790 254,18	56 544 405,00
Inventories	-4 347 267,83	-1 912 384,62	-110 664,29	43 064 458,78	36 694 142,04
Receivables (non-exchange	-	1 357 132,00	-	2 732 455,09	4 089 587,09
VAT receivable	17 233 451,49	2 010 292,20	6 330 880,44	-25 193 681,13	380 943,00
Non-Current Assets	342 929 004,73	-2 624 921,67	106 798,00	612 416 531,68	952 827 412,74
Heritage assets	-	20 730,00	106 798,00	63 632,00	191 160,00
Investment property	-	1 590 500,00	-	72 787 060,97	74 377 560,97
Property, plant and equipme	342 929 004,73	-4 236 151,67	-	537 704 247,64	876 397 100,70
Eskom Deposits	-	-	-	1 861 591,07	1 861 591,07
Liabilities	6 042 039,46	-1 864 350,04	1 586 903,79	-157 063 948,14	-151 299 354,93
Current Liabilities	6 042 039,46	-1 864 350,04	1 586 903,79	-81 567 646,29	-75 803 053,08
Consumer deposits	146 821,85	-	-	-1 440 632,59	-1 293 810,74
Payables (exchange)	5 895 217,61	1 113 313,96	1 586 903,79	-70 477 320,40	-61 881 885,04
Employee benefit obligation	-	-	-	-999 950,00	-999 950,00
Finance lease obligation	-	-	-	-8 649 743,30	-8 649 743,30
Provisions	-	-2 977 664,00	-	-	-2 977 664,00
Non-Current Liabilities	-	-	-	-75 496 301,85	-75 496 301,85
Provisions	-	-	-	-41 346 666,00	-41 346 666,00
Employee benefit obligation	-	-	-	-25 196 944,53	-25 196 944,53
Finance lease obligation	-	-	-	-8 952 691,32	-8 952 691,32
Net Assets	111 594 482	-51 985 686	-103 576 746	1 334 584 569	1 290 616 619
Revaluation Reserve	-	-	-	149 510	149 510
Accumulated Surplus	111 444 970	-51 985 686	-103 576 746	1 334 584 569	1 290 467 107

2023

Statement of Financial Performance	Basic services	Community services	Executive & Council	Finance	Total
-	-	-	-	-	-
Total Revenue	-138 220 596	-880 773	-1 654 963	-254 826 465	-395 582 797
Revenue (exchange)	-71 089 816	-349 723	-344 963	-24 124 460	-95 908 962
Interest received	-	-	-	-15 950 165	-15 950 165
Other income	-73 653	-131 292	-257 528	-2 459 969	-2 922 442
Rental of facilities and equip	-	-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 (non-exchange)	-67 130 780	-531 050	-1 310 000	-230 702 005	-299 673 835
Basic Electricity levy	-10 309 528	-	-	-	-10 309 528
Property rates	-	-	-	-40 126 248	-40 126 248
Government grants & subsic	-56 821 025	-	-1 310 000	-181 926 000	-240 057 025

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52. Segment Information (continued)

Statement of Financial Performance	Basic services	Community services	Executive & Council	Finance	Total
Fines, Penalties and Forfeits	-227	-531 050			-531 277
Interest on o/s receivable ba				-8 649 757	-8 649 757
Expenditure	95 310 341	25 610 777	48 339 119	169 716 415	338 976 652
Bulk Purchases	46 859 516				46 859 516
Contracted services	2 530 602		10 408 814	15 695 203	28 634 619
Debt Impairment				8 788 372	8 788 372
Depreciation and amortisati				57 352 099	57 352 099
Employee related costs	27 288 952	21 528 774	15 645 131	39 248 758	103 711 615
Finance Costs				6 369 225	6 369 225
General Expenses	7 912 051	2 335 069	8 356 375	31 789 047	50 392 541
Operating Lease Expense				1 387 366	1 387 366
Remuneration of councillors			13 928 799		13 928 799
Grants and Subsidies	1 059 815			600 208	1 659 823
Repairs and Maintenance	9 659 605	1 746 935		3 560 268	14 966 807
Impairment of assets				4 925 871	4 925 871
Operating surplus	-42 910 255	24 730 004	46 684 156	-85 110 050	-56 606 145
Inventories losses/write-down				242 439	242 439
Profit / (Loss) disposal of fix				-277 893	-277 893
Actuarial Gain / (Loss)				-9 478 103	-9 478 103
Fair Value adjustments	-285 225	-5 016 371		-244 825	-5 546 421
-	-285 225	-5 016 371		-9 758 382	-15 059 978
Surplus for the year	-43 195 480	19 713 633	46 684 156	-94 868 432	-71 666 123
-					
Statement of Financial Pos	Basic services	Community services	Executive & Council	Finance	Total
Assets	76 227 934	-34 759 611	-89 531 231	1 436 058 799	1 387 995 892
Current Assets	-207 059 597	-30 249 146	-89 638 029	759 216 865	432 270 093
Cash and Cash equivalents	-219 545 294	-31 598 907	-98 336 496	668 110 548	318 629 850
Consumer debtors (exchange)	1 251 911	-6 453		26 572 521	27 817 979
Consumer debtors (non exc	-5 300 708		2 519 777	48 503 440	45 722 509
Inventories	-1 700 062	-1 415 385	-81 649	39 901 138	36 704 042
Receivables (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	676 841 935	955 725 799
heritage assets	-	-	106 798	63 632	170 430
Investment property	-	3 243 500	-	69 049 061	72 292 561
Property, plant and equipme	283 287 531	-7 753 964	-	594 778 317	870 311 883
Eskom Deposits	-	-	-	12 950 925	12 950 925
Liabilities	10 671 609	1 113 514	1 739 962	-151 370 820	-137 845 736
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 (exchange)	10 542 951	1 113 514	1 739 962	-76 061 382	-62 664 955
Unspent conditional grants a					-15
Employee benefit obligation				-573 893	-573 893
Finance lease obligation				-7 619 435	-7 619 435
Non-Current Liabilities				-65 644 548	-65 644 548
Provisions				-29 177 473	-29 177 473
Employee benefit obligation				-18 864 640	-18 864 640
Finance lease obligation				-17 602 435	-17 602 435
Net Assets	86 899 543	-33 646 097	-87 791 269	1 284 687 979	1 250 150 157
Revaluation Reserve				-149 510	-149 510
Accumulated Surplus	-86 899 543	33 646 097	87 791 269	-1 284 538 475	-1 250 000 652

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52. Segment information (continued)

53. 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	2024	2023
KIPP Consulting EngineersAppointment of a panel of Civil Engineering Consultants for Infrastructure Development Projects for period of 36 Months (8/3/453)	Metene, PZ - Spouse to the director Dept. of Economic Affairs and Social Development	119 209	-
Matshetso Supply and Delivery of 100kWh Meters (Re-advert) (8/3/472)	Mashwene, RM - Spouse to the director Limpopo - Health	295 248	-
Tshete le Barwa General Trading Supply and delivery of two ride on mowers (8/3/465)	Tsiane, TM - Spouse to the director Dept. of Science and Technology	488 600	-
Tshete le Barwa General Trading Supply, delivery, and installation of one guard house (Re-advert)	Tsiane, TM - Spouse to the director Dept. of Science and Technology	98 000	-
Munsoft -Financial Management and Internal Control system	M, Rerani Spouse to director Dept of Chief Justice	8 638 737	6 053 912
Musanda Travel Agency_x0002_Travel Management services for 36 months	Director's Spouse - Ledwaba, MP - Department of Education	486 096	614 121
CONLOG Vending Management System for a period of 36 months	Virvasha Moodley, spouse to the directorDept. of Health	577 677	863 133
Limpopo Floor Care Trading & Projects- Refreshment - water and energy drinks for IMSSA Games	Spouse to director Matlala Hospital,	-	22 272
Limpopo Floor Care Trading & Projects- Supply of a Digital Photo Camera	Spouse to director Matlala Hospital,	-	17 000

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53. Regulation 45 disclosure (continued)

Ken and Son Business Enterprise- Supply and Delivery of Road Marking Paint	Spouse to director Matlala Hospital,	-	246 482
Ken and Son Business Enterprise- Catering	Spouse to director Matlala Hospital,	-	29 150
Mphodics Supplies- Catering	Maria Aphane - business associate - Ephraim Mogale Municipality	-	25 760
Sekankoe Engineering HighMast Lights at Matseding_x0002_High Mast Lights at Matseding	Director's Spouse - Khalaki, ME- Dept. of Labour Mpumalanga	-	1 391 845
Electrateq Supply and delivery of electrical materials	Both, M - Spouse to the director SAPD	18 931	-
Kwaila Holdings Supply and delivery of water tankers; Installation of tiles; Supply of building materials	Langa, RZ - spouse to the director Gauteng Dept of Health	86 307	-
Matlukanobha Trading Hire of tables, tent, toilets and supply of bottled water	Baloyi, MV - spouse to the director Sekhukhune District Municipality	25 000	-
National Service Master Catering services and supply of cateridges	Matemane, MM - spouse to the director Dept of Health	37 580	-
OBARO Handel Supply of materials	Bronkhorst, JE - spouse to the director Laerskool Tygerpoort	40 369	-
Puleng Development Catering services	Khumalo, PM - spouse to the director SANDF	28 800	-
SALAfish Trading Supply of bottled water; tents, mobile toilets	Mashung, NG - spouse to the director Dept of Kokstad	4 000	-
SEB IT Consultancy Vetting of candidates; Branded municipal clocking books; Catering services	Sebei, TME - spouse to the director Elias Motsoaledi Local Municipality	44 200	-
Teknoplanet Supply of Cartridges	Tlale, SJ - spouse to the director North West Education	15 600	-
Sekhukhune Times Publication of adverts in newspaper	Motseo, GN Limpopo Education	88 862	-
Gijima Holdings Competency Assessment of director	Zilwa, LC - child to the director Dept of Health	7 200	-
Electrateq Supply and delivery of electrical materials	Mphela, KP and Tshabalala, P - children to the director Laerskool Marble Hall	18 930	-
Daph Phuti Sponges	Mphela, KP and Tshabalala, P - children to the director Socio-Economic Development and WillowRidge High School	28 500	-

Ephraim Mogale Local Municipality

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54. Finance lease obligation		
Minimum lease payments due		
- within one year	10 400 156	10 400 156
- in second to third year inclusive	9 533 476	19 933 632
	19 933 632	30 333 788
less: future finance charges	(2 331 198)	(5 111 918)
Present value of minimum lease payments	17 602 434	25 221 870
Non-current Portion	8 952 691	17 602 435
Current Portion	8 649 743	7 619 435
	17 602 434	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..

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note .

The fair value of finance lease liabilities approximates their carrying amounts.

55. Accounting by principal and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangements 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 agency fees. 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 5 594 755 for 2024 year and 5 687 860 for 2023 year.

Liabilities recognised:

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity are R38 039 at as 30 June 2024 and R 67 202 for 30 June 2023.

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 R511 205 for 2024 year and R 748 484 for 2023 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 2024, statement of financial performance, statement of changes in net asset, 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 2024 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 2023 (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 matters

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

Material impairment – Consumer debtors

7. As disclosed in note 6 to the financial statements, the gross consumer debtors amounted to R203 059 109, as a result of irrecoverable consumer debtors a material allowance for impairment of R114 597 902 was made.

Other matter

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

Unaudited disclosure notes

9. 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

10. 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.
11. 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

12. 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.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page XX, forms part of our auditor's report.

Report on the audit of the annual performance report

14. 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.

15. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected key performance area that measure 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

16. 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.

17. I performed procedures to test whether:

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

18. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

19. The material findings on the reported performance information for the selected key performance area are as follows:

Basic service delivery and infrastructure development

Various indicators

20. The reported achievements in the annual performance report were inconsistent with the commitments made in the approved planning documents. These discrepancies highlight misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.
21. In addition, adequate processes had not been established to consistently measure and reliably report on various indicators. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned indicators.
22. Furthermore, I could not determine if the reported achievements were correct, as adequate supporting documents was not provided for auditing. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement	Detail
Number of villages with access to a minimum level of basic waste collection per quarter	3 villages 156 annually	3 villages 156 annually	The reported achievement was inconsistent with the planned indicator, as the indicator referred to quarterly measurement and reported achievements to annual
Number of households in Marble Hall with access to a minimum level of basic waste collection per quarter (once a week)	+ - 915 h/h per week 47 580 annually	+ - 915 h/h per week 47 580 annually	The reported achievement was inconsistent with the planned indicator as the indicator referred to quarter (once a week) whilst reported achievement was measured annually.
Number of refuse containers placed in villages for access to refuse collection per quarter (once a week removal)	5 villages per week 260 annually	5 villages per week 260 annually	The reported achievement was inconsistent with planned indicator, as indicator referred to number of refuse containers and quarter (once a week) measurements whilst reported achievement was measured for number of villages and annually

Various indicators

23. A comparison of the actual performance for the year against the prior year performance was included in the annual performance report, however, the prior year performance was captured as zero kilometres despite reporting on 2km of road earthworks constructed, in the prior year.

- KM of roads to be constructed by June 2024 - Rathoke Internal Street

- KM of roads to be constructed by June 2024 - Morarela Access Road (Multi - Year)

Other matters

24. I draw attention to the matters below.

Achievement of planned targets

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

Basic service delivery and infrastructure development

<i>Targets achieved: 85%</i> <i>Budget spent 84%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of transformers tested by June 2024	52	10
Number of alarms systems installed, and number of installations	11	0
Number of revised mast quotation paid by June 2024	4	0
Number of mechanical roads sweeper purchased by June 2024	1	0
Number of compactor truck purchased by June 2024	1	0
Number of cemeteries fenced by June 2024	1	0

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 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.
33. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

34. Reasonable steps were not taken to prevent irregular expenditure amounting to R23 129 632 as disclosed in note 44 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 supply chain management regulations.

Procurement and contract management

35. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

Human resource management

36. 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

37. The performance management system and related controls were inadequate as it did not indicate 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

38. 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.
39. 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.
40. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
41. 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

42. 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.
43. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and compliance with legislation included in this report.
44. 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.
45. Management did not adequately review the annual performance report and monitor compliance with applicable legislation resulting in material non-compliances.

Material irregularities

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

Status of previously reported material irregularities

Overpayment of suppliers on Mamphokgo Sports Complex

47. In terms of section 65(2)(a) of the MFMA, the accounting officer must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.
48. The municipality appointed a service provider 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.
49. 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.
50. The municipality paid the full cost as per the bill of quantity, 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.
51. This constitutes non-compliance with section 65(2) (a) of the MFMA and resulted in an estimated material financial loss 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.
52. The accounting officer was notified of the material irregularity on 5 October 2022. The following action was taken to address 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 projects. 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 which was concluded on 25 November 2022.
 - Subsequent to the disciplinary process undertaken by the municipality, the director rendered his resignation to the accounting officer on 31 January 2023.
 - A compliance committee was appointed on 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 has undertaken a refresher course on general conditions of contracts on 22-23 June 2023.
53. The municipality referred the matter to the Financial Misconduct Board (FMB) on 27 July 2022 for further investigation in respect of the recoverability process for the financial loss and the investigation was completed on 11 October 2023. The council adopted and approved the investigation report of the FMB on 30 August 2024, with recommendations to the accounting officer to implement corrective action, recovery and training.
54. The accounting officer shall institute disciplinary proceedings within three months from the date from on which the council has adopted the report from the FMB. The accounting officer instructed the human resource unit to commence with disciplinary proceedings from 30 November 2024, in line with the provisions stipulated in the South African Local Government: Disciplinary Procedure: Collective Agreement.
55. Council approved a budget of R9 million for the 2024-25 financial year to finalise some of the outstanding work on the project.
56. I will follow up on the implementation of the planned actions during my next audit.

Overpayment of suppliers (Mooihoek / Mashemong Street)

57. In terms of section 65(2)(a) of the MFMA, the accounting officer must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal, and payment of funds.
58. 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 R22 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.
59. 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 R3 672 703. The accounting officer terminated the contract with the contractor on 20 December 2021 as per recommendation letter submitted by the consultant dated 29 October 2022.

60. The non-compliance with section 65(2) (a) of the MFMA resulted in a material financial loss amounting to R3 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 with the agreed specification, poor project management and lack of monitoring for the projects by the municipality and consultants. As a result, the municipality incurred a financial loss.
61. The accounting officer was notified of the material irregularity on 15 December 2022. The following action was taken to address 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 projects. 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 community.
 - A compliance committee was appointed on 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 conducted 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 Municipal Infrastructure Grant and the MFMA.
 - The performance management unit has undertaken a refresher course on General Conditions of Contracts on 22-23 June 2023.
62. The municipality has referred the matter to the FMB on 27 July 2022 for further investigation in respect of recoverability process for the financial loss and the investigation was completed on 11 October 2023. The council adopted and approved the investigation report of the FMB on 30 August 2024, with recommendations to the accounting officer to implement corrective action, recovery and training.

63. The accounting officer shall institute disciplinary proceedings within three months from the date from on which the council has adopted the report from the FMB. The accounting officer has instructed the human resource unit to commence with disciplinary proceedings from the 30 November 2024 in line with provisions stipulated in the South African Local Government: Disciplinary Procedure: Collective Agreement.
64. The case has been registered at Regional Court of Limpopo against the service providers on 7 August 2024 with case no. LP/BRF/R6229/2024.
65. I will follow up on the implementation of the planned actions during my next audit.

Other reports

66. 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.
67. 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.
68. 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 2024



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	<p>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)(iii), 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)</p>
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	<p>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)</p>
Municipal Systems Act 32 of 2000	<p>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)</p>

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)



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7,410+ 
4,991+ 
2,007+ 

MANAGEMENT REPORT

Ephraim Mogale Local Municipality

2023-24

Date: 30 November 2024

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INTRODUCTION


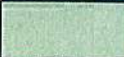
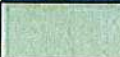












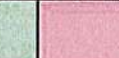

























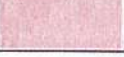


1. The purpose of this management report is to communicate the outcomes of the audit for the financial year ended 31 August 2024, as well as the insights and significant matters that require the attention of the accounting officer. The report should be read with the engagement letter, which sets out 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 the following:
 - Significant deficiencies in internal control that caused the findings we report. Significant 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. Key recommendations and responses from management are also included.
 - In **section 4** we provide our view of the root causes of deficiencies in the overall internal control environment and provide 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 the same as the previous year's audit outcome.

Audit results per outcome area

Outcome area	Movement	2023-24	2022-23	2022-21
Financial statements				
Annual performance report				
<ul style="list-style-type: none"> KPA 2: Basic Service Delivery and Infrastructure Development 				
Compliance with legislation				
<ul style="list-style-type: none"> Annual financial statements, performance report and annual reports 				
<ul style="list-style-type: none"> Procurement and contract management 				
<ul style="list-style-type: none"> Expenditure management 				
<ul style="list-style-type: none"> Utilisation of conditional grants 				
<ul style="list-style-type: none"> Consequence management 				
<ul style="list-style-type: none"> Strategic planning and performance management 				
<ul style="list-style-type: none"> Revenue management 				
<ul style="list-style-type: none"> Asset management 				
<ul style="list-style-type: none"> 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 remained stagnant from the previous financial year, because of lack adequate monitoring of the action plan to address material non-compliance with laws and regulations as well as inadequate review and proper assessments of experts' reports. 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 municipality's systems of internal control. The material misstatements were subsequently corrected.

8. We commend management for improvement in the assets management as there were no material non-compliance and material misstatements for the year under review. due to the material non-compliance with deviation requirements and lack of supporting evidence to support the monitoring of the performance contract monthly. In previous financial years there were improvement as there were no material non-compliance 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 the implementation of the material irregularity process, we 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 concluded that appropriate actions are being taken to address two material irregularities which we will follow up in the 2024-25 financial year.
13. Should there be any undue delays in the implementation of the actions that the accounting officer committed to in his submissions, we will reconsider our determination that appropriate actions are being taken.
14. **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 2024.
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	
				2022-23	2021-22
Contingent assets					
Section 122 of MFMA(a) GRAP 1 paragraph 17 & 19 UIFW Framework	Understatement	R3 922 980	Current and prior years expenditure investigated by MPAC and financial expenditure which were approved to be recoverable are not recorded and accounted for in the annual financial statements as required by GRAP and applicable UIWF Framework.		
Segment reporting					
MFMA 62(1) and 122	Understatement	R40 433 051	Segment reporting amounts included on note 52 do not agree with the amounts as per the face of the AFS		

	Uncorrected		Corrected		No prior-year misstatement
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17. The material misstatements that were corrected formed the basis for the unmodified opinion on the financial statements. The material non-compliance will be reported in the auditor's report.
18. The findings identified in the current year are mainly as a result of the material non-compliance with the financial reporting framework and the MFMA. The repeat findings are the result management that does not address the root causes of these findings and action plan not being monitored monthly basis as well as significant internal control deficiencies not being attended to.
19. **Impact:** The lack of adequate review of the annual financial statements and annual performance report have negative impact towards transparency and credibility to the users in their economic decision making in areas where they contain material errors or omission as well as material non-compliance with laws and regulation.

20. There were errors and omissions in the testing of the revenue (service charges) due to incorrect billing being charged to the customers and subsequently, we still identified errors which resulted in immaterial uncorrected misstatements which are reported in the management report.
21. Municipality did not adequately implement their mechanisms which are stipulated in their action plan for prior year uncorrected misstatement relating to retentions for service providers as the similar misstatement were identified in the current financial year.

Internal control and recommendations

22. We identified significant internal control deficiencies in financial recordkeeping and the financial statement preparation and related business processes, which caused the misstatements or could cause misstatements in future.

Significant internal control deficiencies – financial records and financial statements

Deficiency	Prior years reported	
	2022-23	2021-22
Finance management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting as significant delays in submission of requested information were experienced due to a lack of proper record management systems.	√	√
Supply chain management and accounting officer did not ensure review and monitor the compliance with MFMA & SCM regulations to the municipality for the year under review.	None	None
Finance management did not perform an adequate review for the municipality to comply with laws and regulations as well as GRAP requirements.	√	√
Finance Management did not perform adequate review and assessed the experts' reports to determine the effect on the values in the annual financial statements to eliminate the risk of the material omissions and errors.	None	None

23. 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
<p>Recommendation: Finance management team should perform a proper review of the commitment register and ensure all the underlying documents that are required to prepare the register (i.e. contract/ SLA's, expenditure history/invoice registers, PMU reconciliations/ reports) are properly kept and reconciled to ensure the information is easily accessible on monthly basis.</p> <p>Response: Management accepted the recommendation, and it was indicated that they will be requesting for adjustments.</p>	2022-23	In process – behind schedule
Recommendation: The accounting officer and assets management team did not ensure that adequate and sufficient controls that support business processes are in place to ensure sound and credible financial and performance reporting and compliance with applicable laws and	2023-24	2022-21

Recommendation and management response	Year originally recommended	Status of implementation
regulations as well as ensuring that assets register its reconciled and updated on monthly basis and signed off by the senior official. Responses: Management agreed with the audit finding		
Recommendation: Accounting officer and supply chain management unit should develop measures to ensure that the municipality comply with competitive bid requirements including the deviation process. Response: Management agreed to the audit finding.	2023-24	Not started
Recommendation: Finance management did not perform adequate review for the municipality to comply with laws and regulations and GARP requirements to ensure that expenditures which are approved as recoverable by the MPAC & FMB are presented and disclosed appropriately to mitigate the risk of any material misstatements (Current & Non-current assets / Contingent assets) in the annual financial statements. Response: Management agreed to the audit finding	2020-21	In process

24. Despite an action plan being developed to prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information on an annual basis, material misstatements continue to be identified during the audit which were subsequently corrected during the audit process. There is a lack of timeous & monthly monitoring and adherence to the action plan by the appropriate level of management as not all recommendations made, were implemented.

Information to be included in auditor's report

25. We may communicate matters relating to the audit, the auditor's responsibilities and the auditor's report in 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 did not form part of the audit of the financial statements and accordingly, I do not express an opinion on it.

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 municipality based on its financial results to assess its going concern (as detailed earlier), and to highlight 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, the municipality'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 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 maintain the good financial health.

Financial assessment – key matters

Revenue management

As per the financial assessment, the municipality has a high debtor-collection period of 104.4 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 56%.

34. We did not identify material non-compliance with legislation and other requirements applicable to the municipality on financial management, however there were findings which would be reported in the management report
 - There is no adequate and sufficient audit evidence that in instances where debt collectors are unsuccessful in collecting the debt, the debts were handed over to attorneys for legal collection which contributed to the lower recovery rates.
 - Inadequate revenue management strategy resulting in low recoverability of amount owed by debtors during the previous and current financial years contrary to the MFMA and credit control and debt collection policy
 - In some instances, we identified that the municipality was not charging the service charged to customers at correct and approved tariff rates.

Grant management

35. The municipality received grants totalling R48 015 000 to fund its programmes and projects in the current year. We audited compliance with the Division of Revenue Act 5 of 2023 (DoRA) and the use of the Municipal Infrastructure Grant (MIG).

36. 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.
37. The municipality fully spent the conditional MIG grant of R39 976 960, which resulted in completion of the infrastructure projects for the year under review. Almost 100% of the capital expenditure budget was spent and projects are in use by the community although some of them are still in progress at year end as they are multi-years projects.
38. 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.
39. The grant is intended to assist with, *inter alia*, the operational costs (including maintenance costs) of basic services for poor households
40. 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. The municipality has spent Equitable Share amounting to R 803 069 for the year under review for Indigent Subsidy Cost (Free basic electricity)

Internal control and recommendations

41. We did not identify significant internal control deficiencies in the financial management processes. Where we identified possible improvements, we reported these to management.

Information to be included in auditor's report

42. We can include an 'emphasis of matter' paragraph in the auditor's report to draw the attention of users of the financial statements to important disclosures in the financial statements. The following matter that relates to the financial performance of the will be emphasised:

Material impairment – Consumer debtors

43. As disclosed in note 6 to the financial statements, the gross consumer debtors amounted to R203 059 109, as a result of irrecoverable consumer debtors a material allowance for impairment of R114 597 902 was made.

Overall performance planning and management

44. We tested whether the municipality's performance planning and management processes, strategic plan, integrated development plan (IDP) and service delivery and budget implementation plan (SDBIP) complied with the key requirements from legislation.
45. 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	
		2022-23	2022-21
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	✓	✓

46. The root cause of material findings on usefulness and reliability of the indicators: Number of villages with access to a minimum level of basic waste collection by June 2024, Number of households in Marble Hall with access to a minimum level of basic waste collection by June 2024 (once a week) and Number of Refuse containers placed in villages for access to waste collection per quarter (Once a week removal) for KPA 2: Basic service delivery and infrastructure development was significant control deficiency in the performance management systems and related controls.

47. 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/ performance management team 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.
- Inadequate review processes and oversight controls to ensure that planned key indicators are consistent to the planned targets and verify them against the "Smart Principles" and technical indicators description being aligned to the process of collection, processing and reporting of the data or portfolio of evidence.

48. **Impact:** The material non-compliance casts doubt on 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 regarding the achievements of the municipality's set objectives.

Audit of annual performance report

49. The SDBIP and Annual Performance Report were submitted to us for auditing on 31 August 2024.

50. As detailed in the engagement letter, we undertook a limited 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 opinion as included in **section 1**.

51. We selected the following Key Performance Area for auditing:

52. KPA 2: Basic service delivery and infrastructure development

53. Basic Service delivery is the provision of sustainable integrated infrastructure. 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).

54. We evaluated the reported performance information for the selected key performance area 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.

55. We performed procedures to test whether:
56. 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
57. all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
58. the indicators are well defined to ensure that they are easy to understand and can be applied consistently and are verifiable, so that we can confirm the methods and processes to be used for measuring achievements
59. 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
60. the indicators and targets reported on in the annual performance report are the same as what were committed to in the approved initial or revised planning documents
61. the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
62. there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.
63. We did not conduct a proactive review of the SDBIP.

Audit results – KPA: Basic service delivery and infrastructure development

64. We did not identify findings on the completeness of the indicators used for planning and reporting on performance.
65. We did not identify material findings on the overall presentation of performance information in the annual performance report.
66. We identified material misstatements in the reported performance information in the annual performance report submitted for auditing. Some of these misstatements are repeat from previous year/s.

Material misstatements not corrected

Description	Prior-year misstatements	
	2022-23	2021-22
Number of villages with access to a minimum level of basic waste collection per quarter		
Reported performance indicator not consistent with its related targets and achievements in the APR		(Material)
The reported performance indicators (with its related performance targets) not well defined in the approved SDBIP.		

73. **Impact:** These discrepancies highlight misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned indicators. The lack of listing to support the actual achievement in the annual performance report could result in lack of transparency and reliability for the users as the actual achievement could be incorrect.

Information to be included in auditor's report

74. We may communicate matters about the audit, the auditor's responsibilities and the auditor's report in 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

75. 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

Deficiency	Prior years reported	
	2022-23	2021-22
Management did not ensure that key performance indicators are consistent with related targets and achievements.	√	√
Management did not ensure that the reported performance indicators with its related targets and achievements are specific to what the municipality aims to achieve.		
Management did not ensure that the reported key performance indicators are verifiable/measurable, i.e. 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		

76. We made recommendations to improve the performance planning, management and reporting 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 – performance planning, management and reporting

Recommendation and management response	Year originally recommended	Status of implementation
Recommendation: Management should ensure the following: <ul style="list-style-type: none"> Information reported in the annual performance report is accurate and consistent with the annual performance plan. Information reported in the annual performance report is specific and clearly express the level of performance that the municipality is aiming to achieve and aligned to the SMART principles as outlined in the Framework for Managing Program Performance Information. 	2023-24	Not started

Recommendation and management response	Year originally recommended	Status of implementation
<ul style="list-style-type: none"> Adequate review processes and oversight controls need to be effectively implemented in preparing the annual performance report as well as mid-year assessments prior to submission to council for approval and adoption. <p>Response:</p> <ul style="list-style-type: none"> Management will develop a proper system to review key performance indicators with its related reported targets to ensure that they are consistent and accurate. Management will develop a system of reviewing all key performance indicators with its related reported targets and achievements to ensure that they are specific to what level of performance the municipality is aiming to achieve. 		
<p>Recommendation:</p> <p>Management should ensure the following:</p> <ul style="list-style-type: none"> Information reported in the annual performance report is accurate and consistent with the annual performance plan. Information reported in the annual performance report is specific and clearly express the level of performance that the municipality is aiming to achieve and aligned to the SMART principles as outlined in the Framework for Managing Program Performance Information. Adequate review processes and oversight controls need to be effectively implemented in preparing the annual performance report as well as mid-year assessments prior to submission to council for approval and adoption. <p>Response:</p> <ul style="list-style-type: none"> Management will develop a proper system of reviewing key performance indicators with its related reported targets to ensure that they are consistent and accurate. Management will develop a system of reviewing all key performance indicators with its related reported targets and achievements to ensure that they are specific to what level of performance the municipality is aiming to achieve. 	2023-24	Not started

77. The above recommendation will be followed up in the 2024-25 audit cycle as they could not be fully implemented in the 2023-24 financial year.

PLANNED TARGETS NOT ACHIEVED

78. As disclosed in the annual performance report, not all the planned targets were achieved for the Key Performance Areas we selected for auditing.

79. We will draw the attention of oversight to the non-achievement of key indicators by including the table that follows in the 'other matters' section in the auditor's report, with reference to the pages in the annual performance report where the reasons for the non-achievement are included.

Targets for key indicators not achieved

Targets achieved: 85 %

Key Indicators not achieved	Planned target	Reported achievement
Number of transformers tested by June 2024	52	10
Number of alarms systems installed, and number of installations	11	0
Number of revised mast quotation paid by June 2024	4	0
Number of mechanical roads sweeper purchased by June 2024	1	0
Number of compactor truck purchased by June 2024	1	0

80. There is a concern on the Eskom delays to provide the municipality with new/revised quotation to ensure high masts installed in the current and previous years are energised and this affect service delivery of the community of the municipality.
81. The municipality should escalate the matter further to ensure all completed high mast lights are energised, so that the community can enjoy the benefits.
82. Measures should be implemented to ensure that planned targets are strictly monitored on a quarterly basis to address any service delivery backlog.
83. During an oversight visit to the land fill site I that the fill site is not being compacted daily as per permit requirements. This would have negative impact the capacity of the landfill sites, possible claims or fines from the compliance authority and loss of the licence in foreseeable future.
84. During our visit to the landfill site, we noted that the pickers are gathering the waste collected inside the landfill site and not taking it out of the landfill site on time.

OTHER INFORMATION IN ANNUAL REPORT

85. We did not audit the information in the annual report except for the financial statements and the Key performance Area in the annual performance report selected for auditing.
86. 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.
87. 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.

INFRASTRUCTURE PROJECTS

88. We selected key infrastructure projects for assessment over their project life cycle. We tested whether the projects are planned, implemented, managed and commissioned efficiently, effectively and economically
89. Our main key focus areas were to assess the role of the municipality in respect of provision for the infrastructure facilities for the year under review. The municipality approved the procurement plan for the 2023-24 financial year which is included in the strategic documents including the IDP and SBDIP

which were adopted by council to serve the needs of the community through construction of roads and community infrastructure projects.

90. The municipality received the MIG which was used mainly for the infrastructure as per the conditions of the DoRA Framework and entire R 39 million received from the National Treasury was used for its intended purpose.
91. Section 152 of the Constitution sets out the following as key objectives for the municipality to provide democratic and accountable government for local communities; to ensure the provision of services to communities in a sustainable manner; to promote social and economic development; to promote a safe and healthy environment; and to encourage the involvement of communities and community organisations in the matters of local government.
92. During the audit we identified findings relating to the projects which were completed or significantly delayed serving the needs of the community for below projects.

Background of the projects

Leewfontein sports complex

93. The municipality appointed Highpoint Trading 310 CC as a contractor after an open tender process to construct the Leewfontein Sport Complex. The commencement date was 10 November 2020 with an anticipated completion date of 10 May 2021, at a contract amount of R5 998 371.

Finding	Prior years reported	
	2022-23	2021-22
Service delivery objectives not been met or realised by the community since the project inception to date. The project has not been used by the community and municipality for intended purpose for a significant period of the financial year (almost 7 months).	√	X
Some of the audit findings raised during the 2021-22 financial year were not adequately and sufficiently addressed by the municipality as per the site visit report.	√	X
Assets has been subjected to deterioration and physical damage or obsolesce (impairments as per GRAP 26) hence not being used for intended purpose whilst the municipality has spent more than R12 million on the project to date	√	X
Some of the ablution facilities are subjected physical damage as they are no longer working properly.	√	X
Irrigation / water system is not working properly on the soccer grounds and the grass it's in bad state on the date of the visits.	√	X
Inadequate implementation of consequence management for all role players responsible for verification and certification of the work done before payments were made to the service providers hence there is no evidence of the recovery of funds lost for the poor work by the service providers	√	X

Mamphokgo sports complex

94. The municipality appointed AL Mphago Civil Construction JV Kgantsa Developers Projects ("AL Mphago") as a contractor 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.
95. The monthly reports reported various delays and problems 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 AL Mphago was cancelled on 17 June 2020.
96. The contract with AL Mphakgo/Kgantsha JV was terminated on 17 June 2020 and NGHR Building Construction was appointed on 28 October 2020 with approved extensions of time until 28 May 2021 for a contract value amounting to R1 477 707, the project was still incomplete as of 30 June 2021.

Finding	Prior years reported	
	2022-23	2021-22
Service delivery objectives not been met or realised since the project inception to date. The project has not been used by the community or the municipality for its intended purpose	√	√
Some of the material irregularities which were reported to management are not yet fully addressed to date hence the project remains incomplete <ul style="list-style-type: none"> The municipality paid R1 800 000 which was the total cost as per the bill of quantity, for the installation of high mast lighting whereas the works were not completed. The municipality also paid R400 000 in full for combi courts where incorrect furniture was installed. The rotating poles/hoops were not installed. The municipality made and overpayment of R590 030 due to items not verified on site, payment made in excess of work done and payment made in excess of work done (Laying of kikuyu grass). 	√	√
Assets were subjected to deterioration and physical damage or obsolesce (impairments as per GRAP 26). The roof for stands / seating areas has also been damaged. The main gate has also been subjected to physical damage as is no longer working properly.	√	√
Sports (soccer and rugby) ground remain incomplete to date and irrigation / water system are not working or done on the sports grounds, Combi courts (grounds) and tennis grounds remains incomplete to date. Laying of kikuyu grass not being completed.	√	√
There was no planned performance indicator & targets for the year 2023/24 in the approved SBDIB for the implementation of the activities finalise the project	√	√

Parks Development Landscaping

97. The municipality appointed Slindokuhle Properties - Landscaping Materials to provide materials for the development of the municipality's parks (Parks Development Landscaping at Extension 2 & 6 for the value of R 1 229 756. The commencement date was 4 February 2024 and completion date of 8 April 2024 for the delivery of the materials by the service providers.

Finding	Prior years reported	
	2022-23	2021-22
Service delivery objectives was not met or realised by the community since the project inception to date. The project has not been used by the community and municipality for intended purpose	x	x
There is not sufficient and adequate evidence of the approved documented plan for the implementation of the project hence the municipality spend funds and utilised resources on the project i.e. There is also no documented timeframe for the project.	x	x
The projects remain incomplete to date since it has started during April 2024 with no adequate and sufficient justifications. There was also no workmanship on the projects on the date of the visits to ensure that the projects get completed.	x	x

High mast lights

98. The municipality appointed a service provider for the construction of high mast lights within various communities as per the approved SDBIP for the 2023-24 financial year. The capital expenditure infrastructure amounted to almost R6 million which were completed for the year under review.
99. There was no material findings identified on the high mast lights however the municipality did not achieve the planned targets regarding the high mast connection in some of the planned villages to due to the delay for connection service by Eskom. The municipality escalated matter to the Ministerial Oversight Committee, GoGHSTA as well as through special intervention with Eskom.
100. During the physical verification of assets, we observed instances where the high mast lights were constructed since 2021-22 financial year however there were no energised or electrified which has negative impact on the safety of the community. The high mast lights projects completed form the year under review include Moganyaka High Mast, High Mast Lights Leewfontein RDP, Malebitsa High mast.
101. **Impact:** The service delivery objectives have not been met hence the project remains incomplete to date and project cannot be used for its intended purpose. This could also halt the economic activities and job creations within the community. Fruitless and wasteful expenditure including the financial loss will be incurred by the municipality in respect of the additional cost to finalise the projects due to incomplete work and poor performance by the service providers.
102. The material irregularities were identified and reporting to the accounting officer and management on the 5 October 2022 for the audit which took place (2020-21) financial year.

Recommendations

103. We made recommendations to improve the delivery processes to the senior management and accounting officer. Some of these recommendations were also made in prior years

Key recommendations and responses – key service delivery observations

Recommendation and management response	Year originally recommended	Status of Implementation
Recommendation: The strategic plans and implementation of the IDP / SBDIB should be monitored regularly to ensure that planned service delivery objectives enshrined in the strategic documents of the municipality are achieved and realized by the community and projects are completed on time and being used for intended purposes. Response: Management acknowledge the findings	2023-24	In process
Recommendation: The accounting officer should investigate / follow up reasons for poor project and contract management, specifically on monitoring and control of cost that could result in the municipality incurring unnecessary costs. This will enable the municipality to identify root causes and implement corrective actions. Furthermore, action should be taken against those found to have not acted in the best interest of the municipality. Response: Management acknowledge the findings	2021-22	In process
Recommendation: Consequence management should be implemented for the role players and recovery of the financial loss incurred because of the poor work on the project. Response: Management acknowledge the findings	2021-22	In process

104. Some of the recommendations are still in progress and Financial Misconduct Board has performed investigation into the Mamphokgo Sports Complex. Consequence management should be implemented for the role players and recovery of the financial loss incurred because of the poor work on the project.

DELIVERY OF KEY SERVICES

105. The audit included an assessment on the delivery of free basic service electricity which included detail on focus areas in scope.

106. We identified significant findings on the delivery of the service

Services to indigent households

107. The management of municipal indigents is key to appropriate service delivery and financial management within local government. Services to indigent households is encompassed within the Constitution of South Africa, as such it is important to ensure that funds budgeted for indigent households reach the intended beneficiaries through appropriate service delivery. Mismanagement of indigents can financially cripple municipalities and service delivery, while proper management of indigents will assist municipalities with financial health.

Findings on services to indigent households

Finding	Number of instances identified (2023-24)	R-Value of instances identified (2023-24)	Prior years reported	
			2022-23	2021-22
Indigent customers approved and received the subsidies were not in line with the indigent policy and municipal by-laws resulting in a financial loss and did not qualify for the rebate. ³¹⁴ - Deceased <ul style="list-style-type: none"> 01 - Old ID 04 - Aged above 100 03 - Employer in government 03 - interested supply payment spouse 06 - invalid ID 3 - Interest in supplier payments 	333	R396 802	√	√
Inspected the LGES summary data and formula and confirmed that the number of indigent households included by the National Treasury for the equitable share allocation is 29 544. Further confirmed through inspection of the municipality's 2024 reviewed Indigent register that the municipality registered 454 households as indigent households. Indigents included in the calculation by National Treasury = 29 544 Indigents as per the municipal Register= 454 Difference= 29 090	n/a	n/a	√	X
No budget included for service delivery for indigent households from equitable share allocated to the municipality for basic services	n/a	n/a	√	X
The municipality did not take sufficient initiatives to inform the public effectively about the process for indigent applications and the criteria for qualification	n/a	n/a	√	X
Upon enquiry from management about the internal controls for indigent support, management indicated that they did not have a dedicated official working on the indigent support in the 2023-24 financial year.	n/a	n/a	√	X

108. **Impact:** This would result in possible financial loss and material non-compliance with the ly and MFMA during the year under review.

- Mismanagement of indigents financially cripple municipalities and service delivery, and proper management of indigents will assist municipalities with financial health.
- Money budgeted for indigents does not reach the intended number of households.

109. In the previous three consecutive financial years, similar audit findings were raised and not being appropriately addressed, however the municipality procured the Gensize data collection system for

indigents at an amount of R1 268 450 for the 2024-25 financial year to detect and prevent the non-qualifying applicants and citizens from benefiting from the free basis electricity subsidy.

110. In terms of the Free Basic Electricity National Policy published in July 2003, Eskom is required to provide free basic electricity to its customers within a local authority area, in accordance with the decision made by the relevant local authority regarding the method of implementing the policy.

111. The audit finding will be assessed for a possible material irregularity in the next audit cycle.

Recommendations

112. We made recommendations to improve the delivery processes to the accounting officer and senior management. Some of these recommendations were also made in prior years.

Key recommendations and responses – services to indigent households

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation:</p> <p>Management should ensure that there are adequate controls over approval and validation processes for applications.</p> <p>Management should further perform regular verifications on the existing indigents to confirm that their indigent status hasn't changed.</p> <p>Management should revisit the entire indigent population to ensure that all indigent customers in the register qualify for the subsidy. The financial loss incurred should be quantified by management and provided for review.</p> <p>Finance department should ensure that the annual budget includes a clear allocation for the indigent support program to support the applicants who qualify for the indigent subsidy within the jurisdiction of the municipality.</p> <p><u>Strengthen internal controls should be implemented by:</u></p> <p>Establishing clear guidelines and procedures for managing indigent applications.</p> <p>Regularly reviewing and updating the indigent register</p> <p>Response: Management agrees to the finding, management could not have started the investigations without the procuring the system and verifying everyone who was on the previous year's list.</p>	2022-21	In process

113. Prior years recommendations were not implemented due to similar audit finding being raised in the current year however management procured the new system to assist with detection and prevention of the non-qualifying beneficiaries.

Human settlements

114. The form and location of land developments, human settlement projects and informal settlement upgrades do not respond effectively to government's statements of spatial intent. Human Settlement patterns remain inequitable and dysfunctional across the country, with densely and informal settlements continuing. Through insights shared with key role players in the ecosystem, we aim to influence our stakeholders to take progressive action to advance affordable and sustainable human settlements in the country. The work performed in the current year is geared to obtain information to be able to understand the underlying processes at municipalities that are currently in place.

115. CoGHSTA is the implementing agent for the housing projects in the local municipality's jurisdiction, hence the municipality is not yet accredited for the provision of housing projects.

116. The municipality does not have a human settlement unit, and municipality identifies housing needs through councillors who work together with their ward committee members to identify and communicate housing needs in their wards and put them on the housing needs database for every ward within the municipal district. During the current year, there was no human settlements plan in place.

117. We reviewed the approved IDPs, SDBIPs, and business plans of the municipalities for the period under review and verified that the municipality infrastructure projects for human settlements are not included in these documents.

HUMAN RESOURCE MANAGEMENT

118. 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.

119. We identified 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	
		2022-23	2021-22
<p>The municipality does not have performance evaluations for staff members as required by the MSA 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	√	√
Employees hired in the current year did not meet the requirements as per the MSA, staff regulations and recruitment policy	No	No	Yes
We were unable to obtain sufficient appropriate audit evidence that the appointed accounting officer met the minimum competency levels in the unit standards prescribed for competency areas as required by section 83/107 of the MFMA, section 54A(2) of the MSA, regulations 2,3, and 18 of the municipal regulations on minimum competency levels and regulation 8(1)(b) of the regulation on appointment and conditions of employment of senior managers.	No	No	No
We were unable to obtain sufficient appropriate audit evidence that the appointed chief financial officer met the minimum competency levels in the unit standards prescribed for competency areas as required by section 83/107 of the MFMA, section 56(1)(b) of the MSA, regulations 4, 5 and 18 of the municipal regulations on minimum competency levels and regulation 8(1)(b) of the regulation on appointment and conditions of employment of senior managers.	No	No	No
We were unable to obtain sufficient appropriate audit evidence that the finance official(s) at middle management met the minimum competency levels in the competency levels in the unit standards prescribed for competency areas within the set timeframes as required by section 83/107 of	No	No	No

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
the MFMA and regulations 9, 15 and 18 of the Municipal Regulations on Minimum Competency Levels.			

120. The overall vacancy in the municipality is at 23% which is not significantly above the norm, however the vacancy in the budget and treasury, municipal manager and corporate service requires improvement to ensure that the municipality improves its performance as well as achievement of the planned service delivery targets. The municipality is commended for the filling of vacancies at the level of the Section 56 and 57 managers for the year under review especially in the infrastructure unit.
121. In line with local government regulations on appointment and condition of employment of senior manager dated 17 January 2024, the municipality submitted the report on appointment of directors or senior managers to the MEC CoGHSTA and feedback was provided by the MEC and follow ups will be made to assess if the pro-active actions regarding the feedback received from CoGHSTA, were implemented.
122. No supporting evidence could be provided to confirm or verify some of the competencies of the directors and supply chain management unit. This relates to the below minimum competency levels required by MSA, MFMA and regulation.
- Financial and performance reporting
 - Legislation, policy and implementation
 - Supply chain management
 - Operational financial management
 - Governance, ethics and values in financial management
 - Risk and change management
 - Project management
 - Legislation, policy and implementation
 - Supply chain management
123. The staff skills audit must be conducted within 24 months from election of the new council of a municipality as required regulation 48(3) of the municipal staff regulations. There was no evidence provided to the auditors that the staff skill audit was performed as required by the regulation.
124. We made recommendations to improve the human resource management to the human resource management. Some of these recommendations were also made in prior years.

Key recommendations and responses – municipal services

Recommendation and management response	Year originally recommended	Status of implementation
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.	2022	Limited progress

Recommendation and management response	Year originally recommended	Status of implementation
<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>		
<p>Recommendation: Accounting officer and Human Resource Management should ensure that appointment processes within the municipality are conducted , adequately and sufficiently reviewed against the Government Gazettes , Human Resource Policy , Regulations and Municipal System Act to enable human resource capacity to be sustained with staff members with required skills , expertise and credentials to improvement the performance of the municipality as well as service delivery objectives to the benefits of the community at large.</p> <p>The accounting officer should ensure appropriate processes and procedures governed by legislative requirements are implemented and followed to ensure adequately skilled employees are appointed for vacant posts.</p> <p>Response: Management disagrees with the finding. (See Annexure D)</p>	2022	Limited progress
<p>Recommendations: The accounting officer should exercise oversight over compliance with the Municipal Staff Regulations and implement accordingly</p> <p>Responses: Management acknowledge the matter raised to be addressed.</p>	2022	Not started
<p>Recommendations: The accounting officer should ensure that all Managers appointed meet the minimum competency requirements as per the MFMA and MSR as well as development of action plan to address the skill development gaps to address the matter raised by oversight structures. The skill audit should be conducted to ensure that employees are well capacitated to improve and enhance the service delivery.</p> <p>Responses: Management acknowledge the matter raised to be addressed.</p>	2022	Not started

USE OF CONSULTANTS

125.The municipality spent R3 797 086 on consultants in the current year for financial performance management and reporting processes which has increased by R1 360 182 as compared to the previous year.

126.Our audit included an assessment of the effective use of consultants and compliance with local government requirements for the appointment and management of consultants.

127.We did not identify findings on the use of consultants.

ANNUAL FINANCIAL STATEMENTS, PERFORMANCE REPORTS AND ANNUAL REPORTS

128. 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 the annual financial statements and annual report.

129. We identified material findings.

Findings on the annual financial statements, performance reports and annual reports

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
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.	Yes	√	√
The oversight report adopted by the council on the 2024/03 annual report was not made public within seven days, as required by section 129(3) of the MFMA. Subsequently, The annual report was eventually published.	No	X	X

130. **Impact:** 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 identified by the auditors in the submitted financial statements were subsequently corrected which resulted in the financial statements receiving an unqualified audit opinion.

131. This is a repeat non-compliance caused by inadequate review of the annual financial statements. The accounting officer did not prepare regular, accurate and complete financial records that are supported by reliable information.

132. We made recommendations to improve to the accounting officer and in senior 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
Recommendation: Finance management team should keep full and proper records supporting the annual financial statement, cross-cast balances and review the annual financial statements to ensure that they are in accordance with the prescribed norms and standards. Response: Management agrees with the recommendation.	2020-21	In progress
Recommendation: Management should implement reconciliation procedures to ensure that the annual financial statements agree to the supporting schedules as well as complying with the financial reporting framework. Response: Management agrees with the recommendation.	202-21	In progress

ASSET MANAGEMENT

133. We performed an audit on the compliance of asset management, where we audited the legislation requirements for the assets management of the municipality.

134. We did not identify material non-compliance to be reported in the audit report however we did identify findings:

- Assets register does not contain sufficient, accurate as required by the assets management policy and assets management framework which result in inability or limitation in determination of the existence of the assets in the assets register.
- No disclosure of long outstanding projects in the annual financial statements which is contrary to the GRAP 17, *Property, plant and equipment*, requirements as well as service delivery objectives not been met or realised by the community since the project inception to date in note 12.
- The useful life of the assets was not assessed by management as required by GRAP requirements which result in non-compliance with GRAP requirements and misstatements of assets in the annual financial statements in Note 12 hence there are indicators which are identified by the Landfill Sites Experts Report.

CO-ORDINATING MINISTRIES AND THEIR IMPACT ON LOCAL GOVERNMENT.

135. The co-ordinating ministries within the province should maintain a role of oversight, co-ordination and guidance to the local government sector and its service delivery activities. The main role-players within the province are Provincial Treasury (PT); the department of co-operative governance and traditional affairs (COGTA); and the Member of executive Council (MEC) for local government.

136. We considered the influence, support, capacitation and interventions of these co-orientating departments as part of our audit. We also considered the role of the accounting officer, mayor and the council, including the municipal public accounts committee (MPAC), internal audit and the audit and risk committee to better understand the discharge of their mandate and the effectiveness of their role.

137. Our insights are as follows:

Financial Management and Support

138. The mid-year budget and performance assessments for the municipality were completed and submitted to Provincial Treasury. Limpopo Provincial Treasury included the concerns and recommendations that will assist the municipality's sustainability and there were implemented for the year under review.

139. The municipality was not put under Provincial or National intervention and there was no financial recovery plan as the municipality was financially stable.

Capacitation and professionalisation

140. There was no representative of Provincial Treasury during the appointment of staff and there were not involved in offering the training or technical support for the year under review.

141. The Provincial Treasury was involved in the audit steering committee meeting throughout the audit.

Municipal council and oversight mechanisms

Council

142. The municipal council of the municipality has discharged their role including oversight responsibility for the adoption of the audit report, approval of strategic documents including IDP, SDBIP, mid-year assessments and budget as well as the annual performance report. The UIFW reports were reported to the oversight structures including the AGSA.
143. The investigations report of MPAC & FMB were adopted with recommendations to the accounting officer to implement the recommendations which include corrective actions, recoveries and training.

Municipal Accounts Committee (MPAC)

144. Members of the MPAC discharged their responsibility in line with their approved framework and the investigation were performed for fruitless and wasteful expenditure as well as irregular expenditure for the year under review and their values has been significantly reduced. The concern raised was regarding the slow implementation of their recommendations by the municipality.

Training offered to councillors

145. There was no training for code of conduct, environmental, consequence management and accountability framework, and professionalisation framework which was offered to the municipal councillors for the year under review.

Disciplinary Boards

146. The municipality has established the Financial Misconduct Board and they discharged their role and responsibilities in line with their approved terms of reference (TOR). Their investigation reports were tabled and adopted by the municipal council.

Consequence management

147. Accounting officer has developed the mechanism to address the material irregularities which are reported in the management and audit report. The disciplinary process was taken against some of the officials for the contraventions of and regulations. Some of the disciplinary process shall commence after 30 November 2024 as outlined in the audit report.

Coalitions

146. A coalition government exists when two or more political parties (or independent representatives) combine their votes in a council, to elect a government, and to support the decisions it takes. The municipal council of Ephraim Mogale Local Municipality is not a Coalitions.

Mayor

147. The office of the Mayor has discharged its role and responsibilities as required by the Acts, laws and regulations. The report for the appointment of directors were submitted to COGHSTA and feedback has been received.
148. Mayor ensured that the concluded annual performance agreements for the directors and municipal manager are linked to the measurable performance objectives and to the service delivery and budget implementation plan (SDBIP).

149. We applaud the Office of the Mayor for ensuring that all the positions of the directors are filled and commitments to service delivery to the citizens or community.

Provincial oversight, transparency, institutional integrity, performance and accountability

150. Provincial oversight and departments should be diligently monitoring in accordance with the required legislation.
151. The municipality was not subjected to any Provincial or National Intervention for the year under review.

Performance agreements and appointments

152. Provincial CoGTA's performs reviews of recruitment processes relative to the appointment of section 56 and 57 Senior Managers to assess whether municipalities complied with the revised Municipal Systems Act and regulations on staffing.
153. In line with local government regulations on appointment and condition of employment of senior manager dated 17 January 2024, the municipality submitted the report on appointment of directors or senior managers to the MEC CoGHSTA and feedback was provided by the MEC

Positive insights on co-ordinating ministries support

154. The representative of the COGHSTA attended the audit steering committee meeting throughout the audit cycle of 2023-24. The provided sufficient support and guidance which had positive impact towards the audit outcomes.

INFORMATION SECURITY MANAGEMENT

155. 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.
156. We did not identify significant deficiencies in the IT security controls. Where we identified possible improvements, we reported these to management.

PROCUREMENT AND CONTRACT MANAGEMENT

157. 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.
158. 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.
159. 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		
	2023-24	2022-23	2021-22
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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160. **Impact:** 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 ability for transparency and as a result has a potential to compromise the service delivery targets. This will impact negatively on livelihoods of the citizens with the municipality jurisdiction.

161. The accounting officer did not put adequate controls in place to ensure that the municipality complies with laws and regulations relating to the deviations.

IRREGULAR EXPENDITURE

162. Non-compliance with legislation resulted in irregular expenditure of R23 129 632 which were identified by management and during the audit. The irregular expenditure incurred constitutes non-compliance with the MFMA and SCM regulations.

163. Reasonable steps were not taken to prevent irregular expenditure amounting to R23 129 632 as disclosed in note 44 to the annual financial statements, as required by section 62(1)(d) of the MFMA.

164. The irregular expenditure incurred was not disclosed in the financial statements submitted for audit. The material non-compliance with supply chain management regulations was identified during the audit. Subsequently, management has included the irregular expenditure in the annual financial statements through the process of the adjustments.

CONSEQUENCE MANAGEMENT

165. 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.

166. We did not identify findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

167. During prior-year audits, we reported findings on transgressions by officials or other role-players for management to investigated. 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 and resolved.

Prior-year transgressions

Prior year finding	Instances reported	Instances investigated	Instances resolved through investigation	Prior years reported	
				2022-23	2021-22
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.	11	6	0	17	258
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.	57	22	11	35	24
Supplier submitted false declaration of interest	0	0	0	0	5

168. In prior financial years some of the investigations into irregular and fruitless expenditure could not be concluded and are still in progress.

169. MPAC and Financial Misconduct Board performed the investigations into fruitless and wasteful expenditure & irregular expenditure relating to the prior financial years and municipal council adopted their report which resulted in reduction in the closing balances for the UIFW for 2023-24 as some of the matters were irrecoverable or written off. Council directed the accounting officer to implement the recommendation of the MPAC and Financial Misconduct Board which will be followed up.

170. **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.

171. 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 reports of the Financial Misconduct Boards, implementation of their recommendations and application of consequence management.	√	No

172. 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
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. Response: Management take note of the recommendation.	2022-23	In progress

173. In prior financial years, investigations into irregular and fruitless expenditure could not be concluded.

174. **Impact:** This will result in lack of the consequences, non-recovery of financial loss which will negatively impact service delivery.

175. We did not identify significant internal control deficiencies in the consequence management processes. Where we identified possible improvements, we reported these to management.

Significant internal control deficiencies – consequence management

Deficiency	Prior years reported	
	2022-23	2021-22
Delays in the adoption and implementation of the recommendations in Financial Misconduct board reports and application of consequence management.	√	√

FRAUD RISK

176. 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.

177. 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 (e.g. inadequate controls to prevent or detect fraud).

178. We did not identify fraud risk factors.

SECTION 3: CONTROL ENVIRONMENT

OVERALL CONTROL ENVIRONMENT

179. 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.

180. The following are the main weaknesses that need urgent attention to improve the overall control environment:

Significant internal control deficiencies – overall control environment

Deficiency	Prior years reported	
	2022-23	2021-22
<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 provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the interests of the entity.	X	X
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	√	√
The leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.	√	√
<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.	√	√
The accounting officer and management implement controls over daily and monthly processing and reconciling of transactions	√	√
<u>Governance</u>	X	X
The audit committee did not ensure that it promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.		

181. In annexure C we provide a more detailed view of the overall state of internal control.

ACCOUNTABILITY ECOSYSTEM

182. 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.

183. 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

184. The accounting officer did not monitor compliance with the relevant legislation as misstatements were identified during the audit.

185. 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.

186. 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.

187. The adjusted financial statements submitted for audit still contained material misstatements that were not detected by the municipality's system of internal controls. The finance team did not perform the adequate review on the work of expert to determine the impact towards value of the landfill sites in the annual financial statements. Some of the errors or omissions were identified upon the review of the expert's report used by the municipality on investment properties and employee benefits.

Audit committee

188. 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.

189. Municipality's internal audit submitted their quarterly audit reports on the municipality's progress on the recommendations made to the council to the performance audit committee and the municipal manager.

190. The audit committee met the municipal council for the year under review.

191. The internal control deficiency has been raised on the review and comment on the annual report of a municipality within six months after the end of the financial year as per the PSACF.

Internal audit unit

192. 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.

193. 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,
- Supply chain management,
- SDBIP review,
- Project management.

194. External quality assurance review/assessment was not performed on the internal audit function as required by IIA standard 1312.

RECOMMENDATIONS AND RESPONSES

195. We made recommendations to improve the overall control environment to the accounting officer and senior management. Some of these recommendations received follows were also made in prior years. A summary of the key recommendations and the responses

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 take note of the recommendation.	2020-21	In progress
Recommendation: Management should develop and monitor the implementation of action plans to address the internal control deficiencies Response: Management take note of the recommendation.	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 take note of the recommendation.	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 take note of the recommendation.	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 take note of the recommendation.		
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 take note of the recommendation.	2020-21	Limited progress
Recommendation: The accounting officer should implement effective and efficient controls over monitoring compliance with applicable laws and regulations Response: Management take note of the recommendation.	2020-21	Limited progress
Recommendation: The audit committee should ensure that it promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations Response: Management take note of the recommendation	2023-24	In progress
Recommendation: Management Implement controls over daily and monthly processing and reconciling of transactions Response: Management take note of the recommendation	2023-24	Limited progress
Recommendation: The leadership should provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the interests of the entity. Response: Management take note of the recommendation	2023-24	In progress

196. 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

197. We provided recommendations to senior management to rectify the weaknesses identified in financial management, performance management, compliance with legislation and service delivery. We commend management for implementing more than 80% recommendations.

198. Some of the recommendations were not implemented as there is still similar misstatement which were identified in the previous financial year although there were subsequently corrected and adjusted to the annual financial statements. E.g. Segment Reporting, Irregular expenditure (Deviations), Commitments. Herewith are some of the reasons identified

- o Action plan was not monitored monthly.
- o Lack of implementation consequence management for non-compliance with laws and regulations.
- o Lack of adequate review, monitoring of the daily transactions and year end reporting process.
- o Lack of review and verification of the supporting schedules/ records used in financial and performance reporting.

199. 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.

200. In our view the main root causes that need attention are as follows:

- Indicators and targets are not determined using the SMART principles of performance information.
- Lack of monthly monitoring of adherence to the developed action plan as well as review of the implementation of measures which are stipulated in the actions to identify any corrective actions which requires early intervention by the oversight structures or accounting officer.
- Lack of monitoring of compliance with legislation and regulations.

201. Addressing these root causes requires a focused and systematic approach. The municipality should ensure that the audit action plan is prioritised and not left too late so that matters are promptly addressed.

202. The following are our main recommendations to address the identified root causes. The preliminary recommendations will be further discussed and agreed after the audit cycle. 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.	The accounting officer should provide oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls to ensure that the annual financial statements and annual performance report are free from misstatements	2021-22	In process
2.	Management should actively monitor compliance with legislation and regulations	2021-22	In process

	Recommendation	Year originally recommended	Status of implementation
3.	The strategic plans and implementation of the IDP / SBDIB should be monitored regularly to ensure that planned service delivery objectives enshrined in the strategic documents of the municipality are achieved and realized by the community and projects are completed on time and being used for intended purposes.	2023-24	In process
4.	Accounting officer to implement the consequence management to enhance compliance with laws and regulations as well as recovery of the financial losses as recommended by the MPAC & FMB.	2022-23	In process
6.	Indicators and targets should be determined applying the SMART principles of performance information	2023-24	In process

203. Management should ensure that the action plan developed is timeously monitored to ensure its implementation as this will help achieve improvement in the audit outcomes. Compliance together with other internal controls should be monitored as well to ensure misstatements in future financial statements are detected and corrected prior to submission for external audit.

CONCLUSION

204. It is vitally important for the accounting officer to ensure that the key recommendations in this report are implemented as this will contribute to improving a culture of accountability, transparency and integrity in the municipality. The resultant impact of this is the improvement of the livelihoods of the citizens.

Yours sincerely



Gerhard Odendaal

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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.

		Current year	Previous year
Expenditure management			
1.1	Creditor-payment period	37.7 Days	42.2 Days
1.2	<ul style="list-style-type: none"> Deficit was realised for the year (total expenditure exceeded total revenue) 	No	No
	<ul style="list-style-type: none"> Amount of surplus / deficit for the year 	40 466 454	71 666 122
Revenue management			
2.1	Debt-collection period after impairment	104.3 Days	116.1 Days
	<ul style="list-style-type: none"> Amount of debtor's impairment provision 	R40 594 294	R42 755 171
	<ul style="list-style-type: none"> Amount of accounts receivable 		R73 476 562
2.2	Debt-impairment provision as a percentage of accounts receivable	R72 511 096	R42 755 171
	<ul style="list-style-type: none"> Amount of debt-impairment provision 	56%	R73 476 562
	<ul style="list-style-type: none"> Amount of accounts receivable before impairment 		
2.3	Percentage distribution losses – electricity	4.12%	58.2%
	<ul style="list-style-type: none"> Amount of units generated / purchased 	R32 755 894	31 016 364
	<ul style="list-style-type: none"> Amount of units sold to consumers 	R31 425 831	30 442 971
2.4	Percentage distribution losses – water	N/A	N/A
	<ul style="list-style-type: none"> Amount of units generated / purchased 	N/A	N/A
	<ul style="list-style-type: none"> Amount of units sold to consumers 	N/A	N/A
Asset maintenance and renewal			
3.1	Percentage spending on repairs and maintenance	2.2%	1.7%
	<ul style="list-style-type: none"> Amount of expenditure on repairs and maintenance 	R19 192 048	R14 948 707
	<ul style="list-style-type: none"> Carrying value of property, plant and equipment 	R876 397 101	
3.2	Total capital expenditure as percentage of total expenditure	11.6%	R97 443 178

		Current year	Previous year
	<ul style="list-style-type: none"> Amount of capital expenditure Amount of operating and capital expenditure 	R51 331 401 R440 996 977	R346 867 847
3.3	Asset renewal / rehabilitation expenditure as a percentage of total capital expenditure	N/A	80.8%
	<ul style="list-style-type: none"> Amount of asset renewal / rehabilitation expenditure 	N/A	R63 785 956
3.4	Asset renewal / rehabilitation expenditure as a percentage of total depreciation and impairment	N/A	132.5%
	<ul style="list-style-type: none"> Amount of depreciation and impairment 	R62 410 051	R59 406 979
Asset and liability management			
4.1	Total debt / borrowings vs total revenue for the year	132.9%	142.7%
	<ul style="list-style-type: none"> Amount of debt / borrowings Amount of revenue for the year 	R148 453 971 R111 700 985	R137 861 486 R96 587 320
4.2	Current liabilities as a percentage of next year's budgeted resources	13.6%	14%
	<ul style="list-style-type: none"> Amount of current liabilities Total budgeted income for the next year, excluding employee costs and remuneration of councillors 	R75 803 053 R536 211 000	R441 189 308 R493 167 000
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 	R489 086 615	R368 988 120
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 	R877 331 110	R901 809 219
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 366 417 725	R1 270 797 339
4.6	Liquid assets as a percentage of total current liabilities (acid test percentage)	599.2%	560%
	<ul style="list-style-type: none"> Amount of liquid assets 	R36 694 142	36 704 040

		Current year	Previous year
4.7	Current ratio	6.44%	6.1
	• Amount of current assets	R489 086 615	R441 189 308
4.8	Total debt to total assets ratio	0.10	0.10
	• Amount of debts	R141 156 601	R137 861 486
	• Amount of assets	R1 441 914 028	R1 408 658 825
Cash management			
4.9	Year-end bank balance was in overdraft	No	No
	• Amount of year-end bank balance- cash and cash equivalents	R359 462 684	R318 629 848
4.10	Cash plus investments less applications	R410 940 582	R293 672 387
	• Cash and cash equivalents	R359 462 684	R318 629 848
	• Amount of total investments	R74 377 561	R0
	• Less: amount of cash applications/ commitments	R22 899 663	R24 957 461
4.11	Cash coverage	14.7 months	16.1 months
	• Amount of monthly expenditure	R22 281 357	R19 801 322
* These amounts have been adjusted for uncorrected misstatements that resulted in the unmodified audit opinion.			

The municipality incurred electricity losses amounting R2 259 465 (2023: R 629 158) as compared to the prior financial year which has increased from 1.88% to 4.12% in the current year. However, distribution losses were below the norm of 7-10% as set by National Treasury in terms of Circular 71. The distribution loss was recorded 4.12% for the financial year. The municipality did not incur any water losses for the year under review.

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.

Deviations

2. Supply chain management legislation and policy prescribe the processes that apply for 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.
3. It should be noted that when a contract expires, a new procurement process must be followed to appoint a new service provider. Renewal of existing contracts is effectively a deviation. Hence it must be justifiable that it is impractical to procure a new contract or there are exceptional benefits/ discounts for renewing the existing contract.

Findings on deviations from prescribed procurement processes

Contract/quotation	Value and date of award	Finding	Material non-compliance
Mabolwane Security Services	Value: R1 899 562 Date: 1 December 2023	Contract extension for Mabolwane Security Services is not inline to the SCM Policy, SCM Regulations 36(1)(a) & MFMA	No

1. **Impact:** The municipality did not comply with the supply chain management regulations which resulted in irregular expenditure.
2. Similar non-compliance was identified in the current year.

Competitive bidding and quotation processes

3. 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	
				2022-23	2021-22
Contract extension for Mabolwane Security Services is not inline to the SCM Policy, SCM Regulations & MFMA	R 1 899 562	1	No	√	N/A

Contract management

- 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 identified non-compliance with these requirements.

Findings on contract management

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
There was no evidence that the performance of the contractor/ provider is monitored on a monthly basis	R31 120 443	13	Yes	N/A	N/A

- Impact:** The accounting officer and supply chain management did not implement effective and efficient transparent systems of financial, risk management and internal control to ensure that contractual agreements are monitored on monthly basis and sufficient / adequate evidence of the review is filed and signed off by the senior official to eliminate the risk of poor performance or

Conflict of interest – MFMA

- We assessed the interests of official's 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.

Internal control and recommendations

- 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

Deficiency	Prior years reported	
	2022-23	2022-21
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.	√	√
Accounting Officer and supply chain management did not that ensure contractual agreements are monitored on monthly basis, planned appropriately and procurements for goods and service it implemented in line with SCM Policy, SCM Regulations and SCM policy of the municipality	√	√

- We made recommendations to improve the procurement and contract management process to the 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 – procurement and contract management

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The accounting officer should ensure that there are adequate controls in place to ensure that there is a sound process 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.</p> <p>Response: No response</p>	2022-23	Not started
<p>Recommendation: The accounting officer and supply chain 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 to enable proper and complete contract register for the year under review.</p> <p>Response: Management does not agree with the finding</p>	2023-24	Not started
<p>Recommendation: The accounting officer should ensure that the policies and procedures are reviewed periodically or on annual basis and approved by the Municipal Council to enable the municipality to achieve and enhance the service delivery objectives as outlined in the IDP & SBDIP as well as compliance with various laws and regulations applicable to it</p> <p>Response: Management disagrees with the Audit finding all policies implemented were approved by council</p>	2023-24	Not started

9. Management responses not yet implemented as compared to the improvement in the previous financial year, 2022-23 where there were no material non-compliances in the audit report.

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 the consideration of 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. We communicated 63 findings to management during the audit, and 51 findings in the previous year.
2. This annexure summarises the findings that were communicated. The detailed findings are available on request.
3. 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

No	Finding	Rating	Classification				Number of times reported in previous two years	
			Financial	Performance	Compliance	Internal control		Delivery
	Limitation of Scope and Review of the Annual Financial Statements							
	COMMAF 1 - Limitation of Scope - Request for information: Non submission & late submission of required information for the audit as per the Request for information no.1 contrary to the Act and Engagement Letter.					✓		✓
	COMMAF 2 – Inconsistencies and misstatements and misstatements in the annual financial statements		✓		✓	✓		✓

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	COMMAF 10 - Policies and Financial delegation not reviewed and approved for 2023-24 financial period				✓	✓		
	COMMAF 29 - Year-end Journals processed in the general ledger and annual financial statements without sufficient supporting documentation contrary to the PAA & MFMA		✓			✓		
	Internal audit							
	COMMAF No. 15.1 of 2024 - External quality assurance review/ assessment was not performed on the internal audit function as required by IIA standard 1312.				✓	✓		✓
	COMMAF No. 15.2 of 2024 - The internal audit function is not adequately and appropriately resourced and capacitated in relation to the size of the municipality.				✓	✓		✓
	COMMAF No. 15.3 of 2024 - The internal audit charter does not cover the appointment, and the dismissal of the chief audit executive as required by National Treasury (Internal Audit Framework) & MFMA circular 65.				✓	✓		✓
	Audit committee							
	COMAF No.16 -Annual Report - Audit Committee did not review and comment on the annual report of a municipal entity within six months after the end of the financial year as per the PSACF					✓		
	Investment property							
	COMMAF 5 - The valuation report submitted to support Investment Property balance was prepared in terms of IAS 40 which is not the relevant reporting framework applicable to the Municipality as the municipality is applying and implementing the GRAP standard;		✓		✓			
	Employee benefit obligation							

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	COMMAF No 9 Incomplete Source Data used in calculation of Actuarial GRAP 25 Employee Benefits Liabilities		✓		✓			
	COMMAF 33 - Employee benefits disclosure its incomplete contrary to the requirements of GRAP 25		✓		✓			
	Property, Plant and Equipment							
	COMMAF 4 - The monthly asset reconciliations were not performed and there is no sufficient and appropriate evidence that the monthly reconciliation has been performed for the 2023/24 financial year.		✓			✓		
	COMAF 27 - Assets register does not contain accurate and complete information as required by the Assets Management Policy and Assets Management Framework.		✓			✓		
	COMMAF 36 - Non-Disclosure of the WIP (Work in Progress) reconciliation for 2023 under Note 12 contrary to the GRAP requirements		✓			✓		
	COMMAF 37 - During physical verification we identified assets with no barcodes contrary to the Assets Management Policy of the municipality.		✓			✓		
	COMMAF 38 - No disclosure of long outstanding projects in the AFS contrary to the GRAP 17 requirements as well as Service Delivery Objectives not been met or realised by the community since the project inception to date		✓				✓	
	COMMAF 55 - The useful life of the assets was not assessed by management as required by GRAP requirements which result in non-compliance with GRAP requirements and misstatements of assets in the annual financial statements in Note 12 hence there are indicators which are identified by the Landfill Sites Experts Report.		✓			✓		

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	COMMAF 42 - Leewafontein sports complex which was long overdue is not being used for intended purpose and service delivery Objectives not been met or realised by the community.					✓	✓	
	COMMAF 43 - Inadequate project management and projects which are long overdue & is not being used for intended purpose and service delivery Objectives not been met or realised by the community.		✓			✓		
	COMMAF 55- Property, Plant and Equipment: Assets disposal without the approval of the municipal council for the year under review resulting in non-compliance with MFMA & Assets Management Policy.					✓		
	COMMAF 59 - Property, Plant and Equipment: Discrepancies in the Work in Progress register and incorrect calculation of depreciation resulting misstatements of the property plant and equipment in the Annual Financial Statements (Note 12).		✓			✓		
	Inventory							
	COMMAF No. 7 - Misstatements identified when agreeing the inventory issued amount as per general ledger and annual financial statements contrary to the MFMA & GRAP requirements.		✓			✓		
	Receivables from non-exchange							
	COMMAF 13: Receivables from non-exchange transaction on the Statement of financial position and Notes is not presented and disclosed appropriately in line with GRAP requirements.		✓		✓			
	Financial instruments							
	COMMAF 32 - Financial instruments disclosure in Note 36 is not in line with GRAP 104 requirements		✓		✓			

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	Employee related costs							
	COMMAF 8 - Human Resource Plan not in place for the year 2023/24				✓			
	COMMAF 11 - The municipality does not have performance evaluations for staff members as required by MSA and PMS policy				✓			✓
	COMMAF 45 - Employee cost - Limitation of scope as information was not received for audit purposes contrary to the PAA and MFMA.					✓		✓
	COMMAF 28 - Employees appointed for the financial who does not meet the job requirement contrary to the MSA, Staff Regulation and Recruitment Policy which would result in possible misstatement of irregular expenditure in the annual financial statements (Internal Audit)					✓		
	Procurement and contract management							
	COMMAF 8 - Open-ended contract being use in the municipality contrary to the SCM regulations & MFMA				✓			✓
	COMMAF 44 -- There is no sufficient and adequate evidence that performance of the contractor/ service providers are monitored monthly as required by MFMA.				✓			
	COMMAF 44 - Contract extension for Mabolwane Security Services is not inline to the SCM Policy, SCM Regulations & MFMA.		✓		✓			✓
	Commitments							
	COMAF 31 -- Differences identified between commitments disclosed and auditors recalculation which result in misstatement in Note 37 of the Annual Financial Statements.		✓			✓		✓

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	Revenue							
	COMMAF 21 - Inadequate revenue management strategy resulting in low recoverability of amount owed by debtors during the previous and current financial years contrary to the MFMA & Credit Control and Debt Collection policy.				✓			✓
	COMMAF 41 - Property rates charged on properties that are not within the municipalities jurisdiction and cannot be traced to the valuation roll & supplementary valuation roll of the municipality which results in misstatement of property rates and debtors in the annual financial statements in Note 23 & 6.		✓			✓		✓
	COMMAF 46 - Interest charged where rebate is received, accounts with interest charged could not be traced on the interest levy report and interest charged on properties that are not within the municipality's jurisdiction.		✓			✓		
	Expenditure							
	COMMAF 6 - Expenditure - The request for goods/ services was not signed by the budget official to certify that there is a budget available for the expenditure (Ref Requisition No. 026087).					✓		
	COMMAF 17 - Fuel Transactions are not supported by the receipts in the annual financial statements contrary to the Fleet Management Policy for the year under review.		✓			✓		✓
	COMMAF 35 - Expenditure transactions for fuel and oil processed without valid supporting documents contrary to the MFMA & Fleet Management Policy		✓			✓		✓
	COMMAF 47 - Expenditure (Bursaries, internships and learnerships) - Internships are double counted under other subsidies in expenditure, as well as employee costs under expenditure.					✓		

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	COMMAF 51 - Expenditure (Contracted Service) - No service level agreements and contracts to support Suppliers classified as contracted services in Note 31 of the annual financial statements.					✓		
	COMMAF 53 - Expenditure management: Variances identified between the expenditure year end journals and supporting documents		✓			✓		
	Payables from exchange							
	COMMAF 25 - Payables from exchange transactions - Retentions without sufficient supporting documentation.		✓			✓		✓
	COMMAF 62 - Journals not appropriately and sufficiently processed in the general ledger		✓			✓		
	Provision							
	COMMAF 20(1) - Non-compliance with Landfill Site operation permit condition of compacting the site daily.						✓	
	COMMAF 20 (2) - Non-compliance with Landfill Site operation permit condition of reclamation.				✓			
	COMMAF 34 - Provisions not presented appropriately in line with GRAP requirements in the annual financial statements.				✓		✓	
	VAT Receivable		✓			✓		
	COMAF 23: VAT Receivable: The VAT note disclosed in the Financial Statements does not include the reconciliation between the VAT calculated on cash basis and on Accrual basis contrary to the GRAP requirements.		✓		✓			

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	COMMAF 29 - Year-end Journals processed in the general ledger and annual financial statements without sufficient supporting documentation contrary to the PAA & MFMA.		✓			✓		
	Consumer debtors							
	COMMAF 56 - Impairment was not done as per GRAP 104, and calculation made under journals are not verifiable / reperformable which results in limitation misstatements in Note 6 of the Annual Financial Statements.				✓			
	AoPO							
	COMMAF 19 - Inconsistencies in the annual performance report and key performance indicators contrary to the FMPII, MSA & MFMA for the year under review.			✓				
	COMMAF 30 - Misstatement identified between the annual performance report and portfolio of evidence for the financial year contrary to the MSA, MFMA & Framework for Managing Programme Performance Information			✓	✓			
	COMMAF 54 - (Basic Service Delivery and Infrastructure) – Consistency, measurability, relevance, presentation and disclosure (CMRPD)			✓	✓			
	COMAF 19- Basic Service Delivery and Infrastructure - we have noted that the following key performance indicators were not presented in accordance with the Performance Management and Reporting framework as the current year baseline as presented in the Annual Performance Report 2023/24 is not consistent with the prior year annual performance report 2022/23			✓	✓			
	Segment reporting							
	COMMAF 48 - Segment Reporting - Misstatement of Segment Reporting in Note 52 of the Annual Financial Statements.		✓		✓			

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	COMMAF 57 - Segment Reporting: The current year's Statement of financial position segment reconciliation was not disclosed contrary to the GRAP requirements.		✓		✓			
	Statement of Comparison between actual and budget							
	COMMAF 58 – Inadequate explanations for variances between budget and actual		✓					
	Other disclosure							
	COMMAF 50 - Additional Disclosures in terms of section 125 of MFMA – Inconsistencies between the disclosure note and supporting documents in Note 45 of the Annual Financial Statements.					✓		
	COMMAF 57 - Additional Disclosures in terms of section 125 of MFMA – Inconsistencies between the disclosure note and supporting documents in Note 45 of the Annual Financial Statements.					✓		
	COMMAF 57 - Irregular expenditure: Details of the irregular expenditure are not disclosed on Note 44 of the annual financial statements as required by MFMA & GRAP					✓		
	Compliance							
	COMMAF 58 - Fruitless and Wasteful Expenditure & Irregular expenditure - Current and prior years expenditure investigated by MPAC & financial expenditure which were approved to be recoverable are not recorded and accounted in the annual financial statements as required by GRAP and applicable UIWF Framework.		✓		✓			
	COMMAF 57 - Compliances – Oversight report not made public as required by section 129(3) of the MFMA.					✓		

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 municipality should ensure that systems and controls are in place to implement upcoming changes in the accounting standards / frameworks that could have an impact on future audit outcomes.

Upcoming changes

Description	Audit outcome area	Effective date
GRAP 1 Presentation of financial statements	Financial Statements	To be determined
GRAP 103 Heritage assets	Financial Statements	To be determined
GRAP 104 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
Appropriate Actions				
5 October 2022	Overpayment to the service providers for work not done.	<p>Overpayments to service providers: <u>AL Mphahao Civil Construction JV Kgantsa Developers Projects ("AL Mphahao")</u> & <u>NGHR Building Construction</u></p> <p>Irregularity: Non-compliance with Section 65(2) (a) of the MFMA</p> <p>Impact: Financial Loss</p>	<p>The Director: Infrastructure projects was placed on pre-cautionary suspension with full pay on 26 July 2022.</p> <p>Disciplinary proceedings be instituted against the director and he tendered resignation on the 31 January 2023</p> <p>The municipality has referred the matter on 27 July 2022 to the Financial Misconduct Board (FMB) for further investigation in respect of recoverability process for the financial loss and the investigation was completed on 11 October 2023. The council adopted and approved the investigation report of the FMB on 30 August 2024, with recommendations to the accounting officer to implement corrective action, recovery and training.</p> <p>The accounting officer shall institute disciplinary proceedings within three months from the date from on which the council has adopted the report from the FMB. The accounting officer has instructed the human resource unit to commence with disciplinary proceedings from 30 November 2024, in line with the provisions stipulated in the</p>	Appropriate actions - assessing implementation information



Notified	Type	MI description	Status description	
			Actions taken	Actions planned / in progress
			<p>South African Local Government: Disciplinary Procedure: Collective Agreement.</p> <p>Council has approved a budget of R9 million for the financial year 2024-25 to finalise some of the outstanding work on the project.</p>	
15 December 2022	Overpayment to the service providers for work not done.	<p>Overpayments to service providers: <u>Loge Construction CC</u> and <u>MVE Consulting Engineers</u></p> <p>Irregularity: Non-compliance with Section 65(2) (a) of the MFMA</p> <p>Impact: Financial Loss</p>	<p>The Director: Infrastructure projects was placed on pre-cautionary suspension with full pay on 26 July 2022.</p> <p>Disciplinary proceedings be instituted against the director and he tendered resignation on the 31 January</p> <p>Legal firm are on the process of recovering the financial loss incurred by the municipality.</p> <p>The municipality has referred the matter on 27 July 2022 to the Financial Misconduct Board (FMB) for further investigation in respect of recoverability process for the financial loss and the investigation was completed on 11 October 2023. The council adopted and approved the investigation report of the FMB on 30 August 2024, with recommendations to the accounting officer to implement corrective action, recovery and training.</p> <p>The accounting officer shall institute disciplinary proceedings within three months from the date from on which the Council has adopted the report from the FMB. The accounting officer</p>	Appropriate actions - assessing implementation information

Notified	Type	MI description	Status description	
			Actions taken	Actions planned / in progress
			has instructed the human resource unit to commence with disciplinary proceedings from the 30 November 2024 in line with provisions stipulated in the South African Local Government: Disciplinary Procedure: Collective Agreement.	

2023/2024 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 2024.

Audit Committee members and attendance of meetings

The Audit Committee consists of five (5) members including the chairperson of the committee, however the term of office for one member of the committee has elapsed on 31 October 2023 and the committee remained with (4) members. 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	12
Mr. VK. Chuene – Member	04
Mr. MA. Mmapheto – Member	12
Adv. GT. Moeeng – Member	12
Mr. LM. Mokwena - Member	12

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 2023-2026 and Operational Plan 2023/2024 which were approved in July 2023, then also reviewed in April 2024 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 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 South Africa on the internal controls for the year ended 30 June 2024. 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 on a regular basis. 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 Audit 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 were 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:

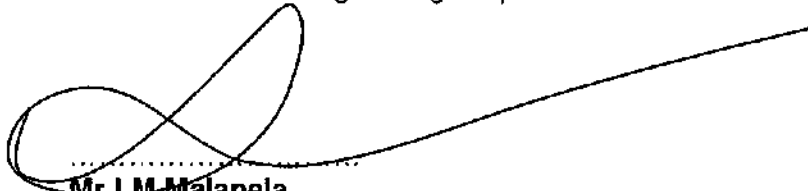
- Audit engagement letter and audit strategy.
- Audited Annual Financial Statements to be included in the Annual report.
- Changes in accounting policies and practices.
- The Annual Performance reports.
- Significant adjustments resulting from the audit processes:
- Auditor General South Africa's management letter and management responses thereto.

Appreciation

The Audit Committee further expresses its sincere appreciation to the Office of the Honourable 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, Risk Management Function, Auditor General South Africa, Provincial and National Treasury and the Provincial Departments, and South African Local Government Association, 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.

A large, stylized handwritten signature in black ink, consisting of a large loop followed by a long horizontal stroke.

Mr LM Malapela
Chairperson of Audit and Performance Committee
Ephraim Mogale Local Municipality

Date: 18/12/2024