

**DR RUTH SEGOMOTSI MOMPATI  
DISTRICT MUNICIPALITY  
(DC39)**



**ANNUAL REPORT  
2022-2023**

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## REVISED ANNUAL REPORT TEMPLATE

The purpose of this revised Annual Report template is to address the need expressed by a number of municipalities for assistance in the preparation and development of improved content and quality of Municipal Annual Reports. This template provides an update to the MFMA Circular No. 11, issued in January 2005.

This template gives effect to the legal framework requirement, concepts and principals espoused in the White Paper on Local Government and Improving Government Performance. It reflects the ethos of public accountability. The content gives effect to information required for better monitoring and evaluation of government programmes in support of policy decision making. The template provides an improved overview of municipal affairs by combining the performance report data required under Municipal Systems Act Section 46 with annual report data referred to in that Act and in the MFMA.

The revised template makes its contribution by forging linkages with the Integrated Development Plan, Service Delivery and Budget Implementation Plan, Budget Reforms, In-year Reports, Annual Financial Statements and Performance Management information in municipalities. This coverage and coherence is achieved by the use of interlocking processes and formats.

The revised template relates to the Medium Term Strategic Framework particularly through the IDP strategic objectives; cross cutting nature of services offered by different spheres of government, municipal service outcome indicators; and the contextual material as set out in Chapters 3, 4 & 5. It also provides information on good management practice in Chapter 4; risk management in Chapter 2; and Supply Chain Management in Chapter 5; and addresses the Auditor-General's Report, dealing with Financial and Performance Management arrangements in Chapter 6. This opens up greater possibilities for financial and non-financial comparisons between municipalities and improved value for money.

The revised template provides information on probity, including: anti-corruption strategies; disclosure of financial interests by officials and councillors; disclosure of grants by external parties, disclosure of loans and grants by municipalities. The appendices talk to greater detail including disaggregated information on municipal wards, among others. Notes are included throughout the format to assist the compiler to understand the various information requirements.

The financial years contained in this template are explained as follows:

- Year -1: The previous financial year;
- Year 0: The financial year of reporting;
- Year 1: The following year, mostly requires future targets; and
- The other financial years will follow a similar sequence as explained above.

We wish to express our gratitude to the members of the Annual Report Reference Group, consisting of national, provincial and municipal officials for their inputs and support throughout the development of this document.

MFMA Implementation Unit, National Treasury

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

### COMPONENT A: MAYOR’S FOREWORD

It is a great honour and privilege to present the Annual Report of the Dr Ruth Segomotsi Mompati District Municipality.

Our projects and programmes, as outlined in this Annual Report, are a direct response to our constitutional mandate. We have made significant progress towards improving democracy and accountability; ensuring provision of services in a sustainable manner; promotion of social and economic development; promotion of a safe and healthy environment; and involving our communities and community organisations in matters of local government.

#### *Agreements / Partnerships*

In this financial year we continued with our efforts to ensure that we collaborate with other key service delivery stakeholders by reviewing our approaches towards agreements and building local partnerships. SLAs with local municipalities in the District which were a previous challenge, however we managed to sign SLAs with our local municipalities and now strive to monitor the SLAs that we have signed. This has really affected the relationship that once existed between this municipality and local municipalities. One can only say that the relationships are growing.

This report confirms that we are continuing to improve democratisation and transformation of local government; improve access to electricity, water; flush/chemical toilets, and refuse removal, notwithstanding the inherent challenges bequeathed by our abhorrent past. There are historic and current challenges such as ageing infrastructure, theft and vandalism of infrastructure; lack of sufficient and reliable water sources; lack of land for proper residential and economic activities; and the infrastructure that was designed to service the privileged few. We are preoccupied with finding solutions to these and other challenges, current and prospective water supply projects, which are anticipated for completion by the end of 2022/2023. The need for the redistribution of land to unlock the economic potential of all South Africans and to achieve our vouched radical socio-economic transformation cannot be deferred any further.

It has been directed that the District Development Model gives opportunities to strengthen IGR mechanism by ensuring all three spheres of government work jointly, plan together and act in one compact force to push the frontiers of poverty backward and accelerate service delivery at the municipal doorstep. Thus, this model is seen as the joint and collaborative planning that will culminate in having a single strategically focused Joined-Up plan (One Plan) from the focal point of the District Municipality.

The Dr Ruth Segomotsi Mompati district is proud to say that we have managed to complete the District D. However, there have been critical challenges with regard to service delivery during the financial year, and that one would like to highlight because these contributed towards be unable to implement and/or complete some of the infrastructure projects due to:

- Shortfall amounts (projects not fully funded).
- Stoppages of projects by community and SMMEs demanding to be considered as service providers and jobs.
- Lack of MOU between DRSM, LMs and Tribal Authorities.
- Delay in approving budget to be spent on projects by Department of Water & Sanitation.

- Poor performance by consultant to determine the exact funding the project will require.
- Some projects completed but no electricity connection.

The management has since put in place contingency plan to remedy the situation by continuously engaging key funding departments such as COGTA and DWS by:

- Requesting and follow-up with the DWS on the approvals of shortfalls.
- Sourcing additional / external funds for some of the projects and implement in the next financial year.
- Engaging COGTA regarding application made to DWS to approve the shortfall amount of uncompleted projects.
- Continuously engaging with tribal Authorities and ensure implementation of resolutions.
- Resolve issues regarding appointment of SMMEs and community members.

As it was noted earlier, service delivery is at the heart of those responsible for the functioning of local government. My closing remark in our IDP has pledged commitment towards becoming part of an A-Team, which places the interest of its citizens first. The plotting of a strategic pathway towards an improved forecasted economic performance has remained central to the realisation of an Eden District vision of excellence and through innovation, we shall remain true to translating our municipality into a well functioning service delivery model through decisive governance and adequate resources. The management of our intellectual property, through efficient and effective good governance practice, public participation and communication.

The Municipality as a Water Services Authority will continuously strive to archiving equitable and sustainable delivery of water and sanitation services to all its residents along with providing initiatives that seek to re-stimulate the District economy.

We are indebted to our vigilant communities and all the Municipality's oversight structures such as the Council; Portfolio Committees; Municipal Public accounts Committee; our principal advisory committee, the Audit Committee; and our supporting sector Departments in the Provincial and National spheres of our government.

May I take this opportunity to thank all the role players as well as our municipal officials for their unwavering determination and hard work.

We should and will approach 2023/2024 in high spirit and determination as we have to deliver services to our people.

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**CLLR M A MAJE**  
**EXECUTIVE MAYOR**



## The Office of the Speaker

The Office of the Speaker encourages participation of the community and community organisations in the local government matters and to adhere to the democratic values and principles as enshrined in the Constitution of the Republic of South Africa, 1996 which governs the public administration through,

The preparation and review of the Integrated Development Plan

The Oversight report that has to be approved or adopted by the public

Monitoring and review of the performance, including the outcomes and impact of such performance and preparation of the municipal budget.

Public participation also helps to build informed and responsible communities with a sense of belonging to the current government and also the developments of projects. It allows municipalities to get buy-in and to develop partnerships with stakeholders

### **SPEAKER OF DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY**



The functions of the Speaker are set out in sec 37 of the Municipal Structure Act as follows:

- Presides at the meetings.
- Performs the duties and exercise the powers delegated to the speaker by the council.
- Must ensure the council meets at least quarterly.
- Must maintain order during council meetings.

## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW

The District Municipality, an organization that prides itself as the home of excellence and opportunities for all. Indeed, it is. The Municipality has excelled in the manner in which it has set out systems to achieve its constitutional objectives and functions as spelt out in sections 156 and 229 of the Constitution of the Republic of South Africa, 1996. We have our work cut out to take this excellence to the next level. We are cognisant of the challenges that need to be confronted if we are to add more quality and sustainability to every service we are enjoined to provide, and to serve the population of our District.

Our priorities are to perfect our systems and professionalize our workforce. We need systems that improve our turn - around time for every service we render; systems that promote openness and transparency; and systems that give us value for money. We are committing ourselves to live by, and instill a professional culture in the Municipality by recognizing and rewarding good performance; becoming intolerant of mediocrity; to be open-minded; never to act unprofessionally; never to discriminate; to encourage and support open and effective communication; and to support team- work, collaboration and knowledge sharing.

In June 2023, the council adopted the 2023/2024 IDP & MTREF Budget, followed by the approval of the SDBIP by the Executive Mayor. The Council adopted the IDP/Budget Process in August 2023 which detailed how it will embark on the review process for on-coming 2023/2024 Financial Year.

The 2021/2022 IDP & MTREF Budget have been implemented against the backdrop of serious administrative and financial challenges experienced, namely the prolonged suspension of the Municipal Manager, absence of the substantive CFO, resignations of Senior Managers at critical times, non-approval of the conditional grants roll- overs, the withholding of equitable share and grants. However, these were later resolved after engaging our stakeholders, being COGTA, National and Provincial Treasuries.

During the 2022-2023 financial year administratively, we have managed to fill some critical vacant posts. In addition, all other Senior Posts were advertised and are at shortlisting in terms of the HR processes. We have managed to retain a qualified audit opinion mainly due to the fact that critical posts were not filled and consequences not managed. We believe we are now making strides in this arena and hope to prosper going forward in all areas of the organisation.

We are concerned by our grant dependency status, Sedibeng water account . We have a duty to do so. Members of the public also have a legal duty to pay for the municipal services they consume. We are also in consultation with our National and Provincial Treasury Departments to explore other available revenue sources so we can respond to identified needs and go even further than the limit of the Divisk:rn of Revenue Act (DORA) allocation.

In conclusion, there needs to be consistency in improving our Qualified Audit outcome obtained in the Auditor General of South Africa (AGSA) report for the financial year under review. This calls for serious internal controls and consequence management to be implemented where needs be as to ensure Accountability and responsibility as custodians of public funds.

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**MR I R JONAS**  
**MUNICIPAL MANAGER**

## 1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Section 83 (1) states that: A Municipality has the functions and powers assigned to it in terms of sections 156 and 229 of the Constitutions.

Section 83(3) of the Structures Act describes the developmental mandate of District Municipalities, in terms of four aspects:

- (1) Ensuring district-wide integrated development planning;
- (2) Providing district-wide bulk services,
- (3) Building the capacity of local municipalities, and
- (4) Promoting the equitable distribution of resources between Local Municipalities.

Powers and functions as included in IDP

Function	Definition of function
Integrated Development Planning (IDP)	Integrated Development planning for the District as a whole, including a framework for IDPs of all municipalities in the area of District Municipalities
Municipal roads and Stormwater	Municipal Roads which forms an integral part of a road transport system for the area of the district municipality as a whole.
Regulation of passenger transport services	Regulation of passenger transport services
Municipal airport	Municipal airports serving the area of the district municipality as a whole
Municipal health services	Municipal Health Services
Water (Bulk & Potable)	Establishment or procurement, operation, management, and regulation of a potable water system, including the services and infrastructure required for the regulation of water conservation, purification, reticulation and distribution
Fire Fighting Services	<ol style="list-style-type: none"> <li>1) Planning; Coordination and regulation of fire services;</li> <li>2) Specialised fire fighting services;</li> <li>3) coordination of the standardisation of infrastructure, vehicles, equipment and procedures</li> <li>(iv) training of fire officers.</li> </ol>
Bulk Supply of Electricity	The transmission, distribution, and where applicable, the generation
Abattoirs	The establishment, conduct & control of fresh produce markets and abattoirs serving the area of a major proportion of the municipalities in the District.
Cemeteries and Crematoria	The establishment, conduct and control of cemeteries and crematoria serving the area of a major proportion of municipalities in the District.

Function	Definition of function
Sanitation	Establishment or procurement, where appropriate, provision, operation, management, maintenance and regulation of a system, including infrastructure for the collection, removal and disposal or purification of <u>human excreta and domestic waste-water</u> .
Solid waste disposal sites	In so far as it relates to 1) The determination of waste disposal strategy 2) Regulation of waste disposal 3) The establishment, operation and control of waste disposal sites, bulk waste transfer facility for more than one local municipality in the district
Local Tourism	Promotion of Local Tourism for the area of the District Municipality
Municipal Public Works	Municipal Public Works relating to any of the above functions or any other functions assigned to the District Municipality
Grants	The receipt allocation and, if applicable, the distribution of Grants made to the District Municipality
Taxes & Levies	The imposition of taxes and levies and duties as related to the above functions or as may be assigned to the district municipality in terms of national legislation.

## **Introduction to background data**

The vision of the Dr. Ruth S. Mompoti District Municipality is “Developmental district, where sustainable service delivery is prioritised and realised”. This vision is supported by the deliverables of the DRSM DM Integrated Development Plan. Which seeks to align and integrate with policies at the national and provincial level as well as with other spheres of government through the following key performance areas: Municipal transformation and institutional development; Basic Services and infrastructure development; Local Economic development; Financial Management and Viability; Good governance and community participation.

Each priority is supported by strategic objectives that address developmental challenges and provide actions to successfully achieve the goals identified in the key performance areas for the District.

These include:

- Corporate services and administration: including recruiting, selecting and retaining skilled personnel, provision of good governance and ensuring the alignment of the municipal structure to the IDP;
- Basic services and infrastructure: Provision of Water to communities, provision of sanitation to communities, and develop a sustainable roads management plan;
- Local Economic Development: Build cohesive and sustainable communities for economic development and growth, create decent work and sustainable livelihoods.

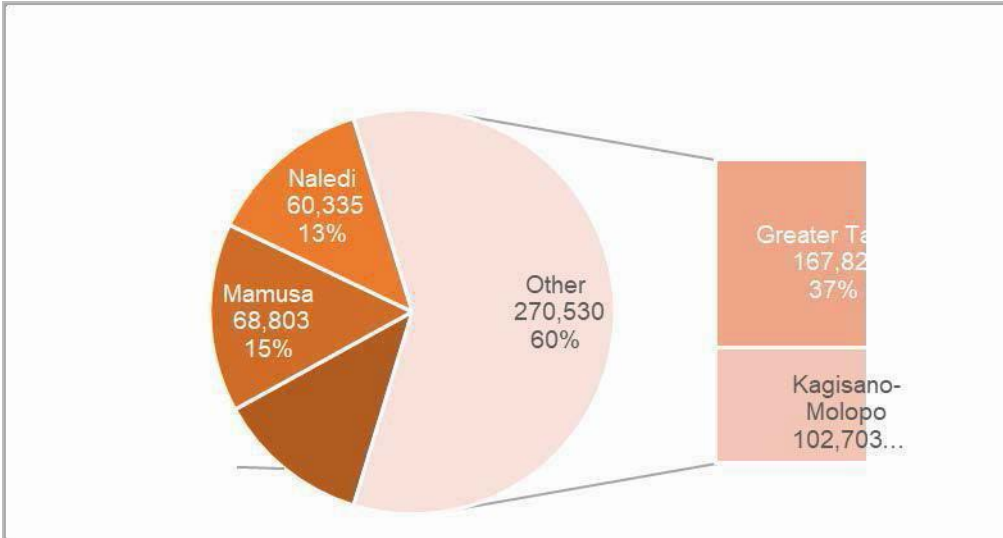
The Dr. Ruth S. Mompoti District IDP acts as a broad business plan for the district, and aims to tackle the challenges of poor infrastructure, high unemployment, poverty, provision of education, minimal access to water and sanitation, and the structure of the local economy amongst other challenges that it faces. Emphasis will be put on projects linked to budgets that support the objectives and priorities it outlines.

### **Demographic Profile**

Over a five-year period, the population of the District declined from 463,815 in 2011 to 455,713 in 2016. Some of the primary reasons put forward by persons leaving the District was to pursue economic opportunities in other Districts or provinces. This may have an adverse impact on local economic development as it may result in a shortage of locally available skills as well as the much-needed investment for economic growth and development.

Through the implementation of local economic development initiatives, the District must seek to retain the currently available skills and resources as well as to attract an inflow of capacity, skills and resources from other districts, provinces as well as outside the county.

The following chart is an illustration to the population size of the District, per local municipality:



Source: Community Survey: 2016

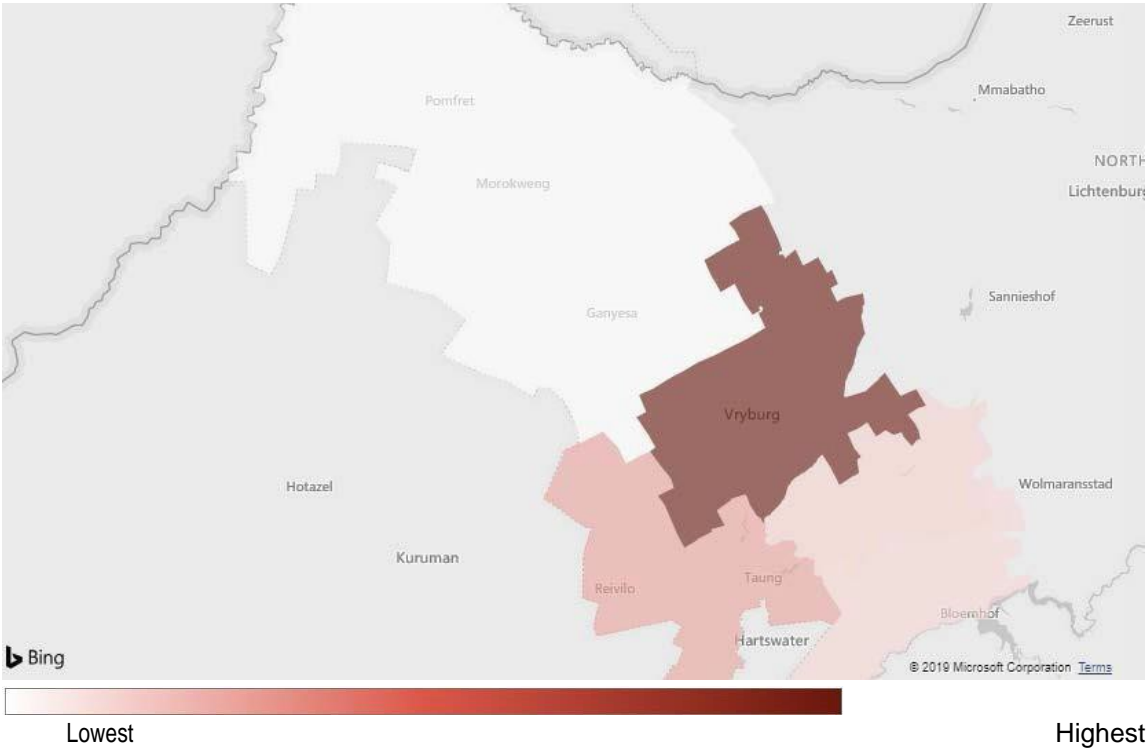
### Population Density

Over a 5 year period, the District's population density has declined from 13 persons per square kilometre in 2011 to 12 persons per square kilometre in 2016. This is indicative of a declining population growth rate. The negative growth rate is potentially driven by a lack of access to economic opportunities, as previously discussed, as well as access to institutions of higher learning such as university access since the nearest universities are located in Mahikeng, Potchefstroom and Kimberly. Naledi has the highest population density in the District and this is indicative of its higher levels of urbanisation if compared to Kagisano-Molopo which has the lowest population density and is predominantly rural.

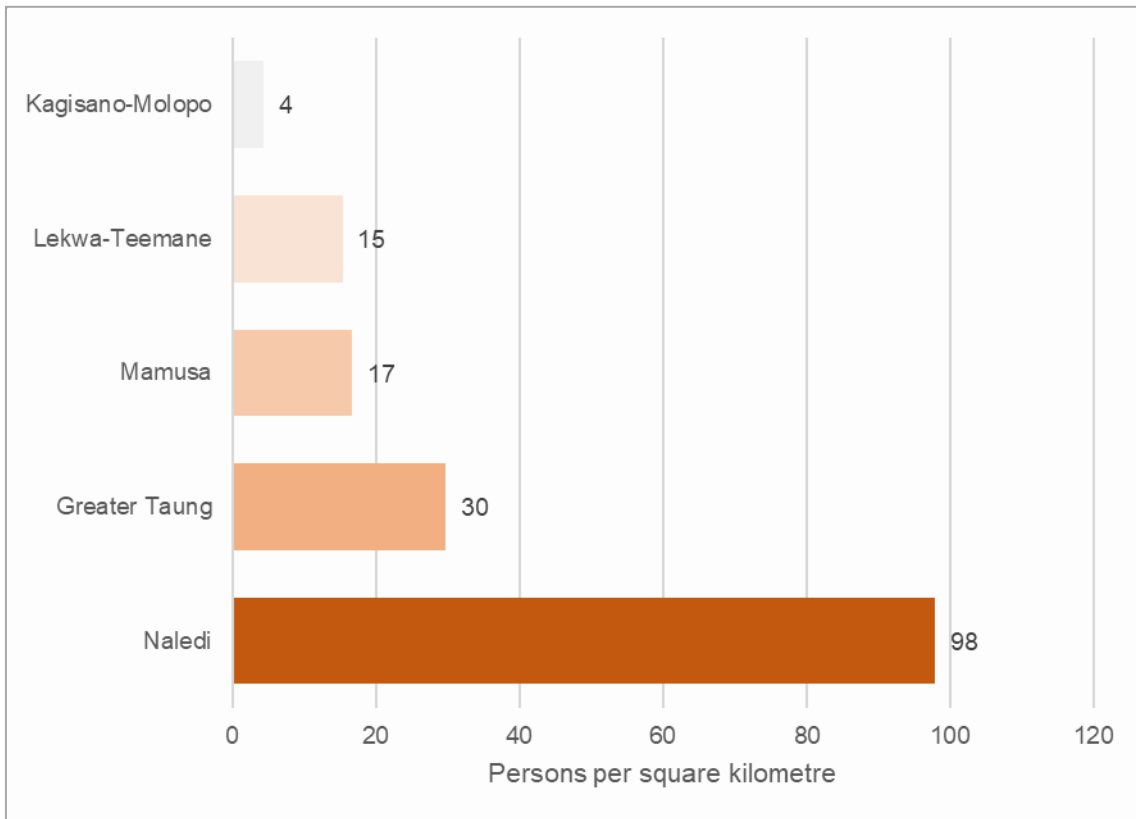


The following map is an illustration of the population density distribution of the District per local municipality, whereas the chart thereafter shows the population density per local municipality:

**Map 2: Population density distribution by Local Municipality**



Source: Community Survey: 2016



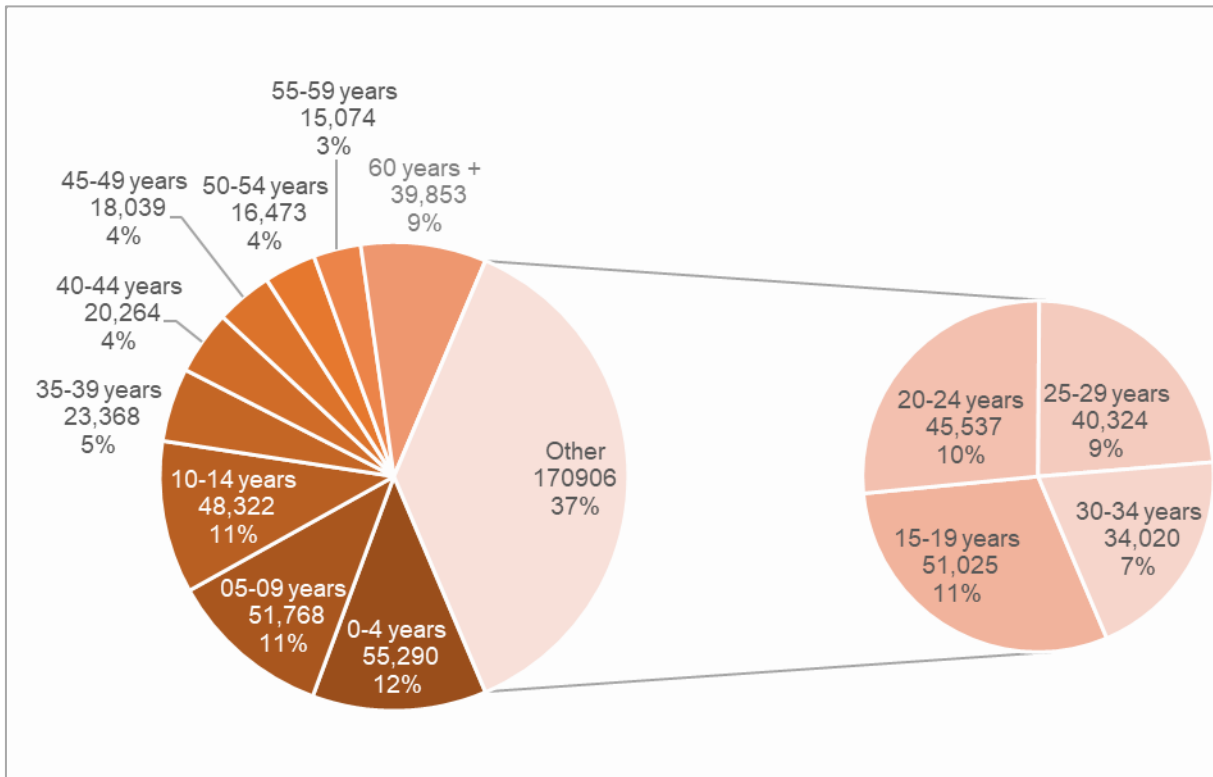
**Source: Community Survey: 2016**

### **Age Distribution**

Approximated 107,906 or 37% of the District's population is between the ages of 15 and 34 years. The smallest population age group, estimated at 15,074 or 3.3% of the population, is between 55 and 59 years. Persons below the age of 15 years are estimated at 155,380 or 34% of the population.

The following chart is an illustration of the District's population size categorised by age group:

Chart 1: Population by Age Group

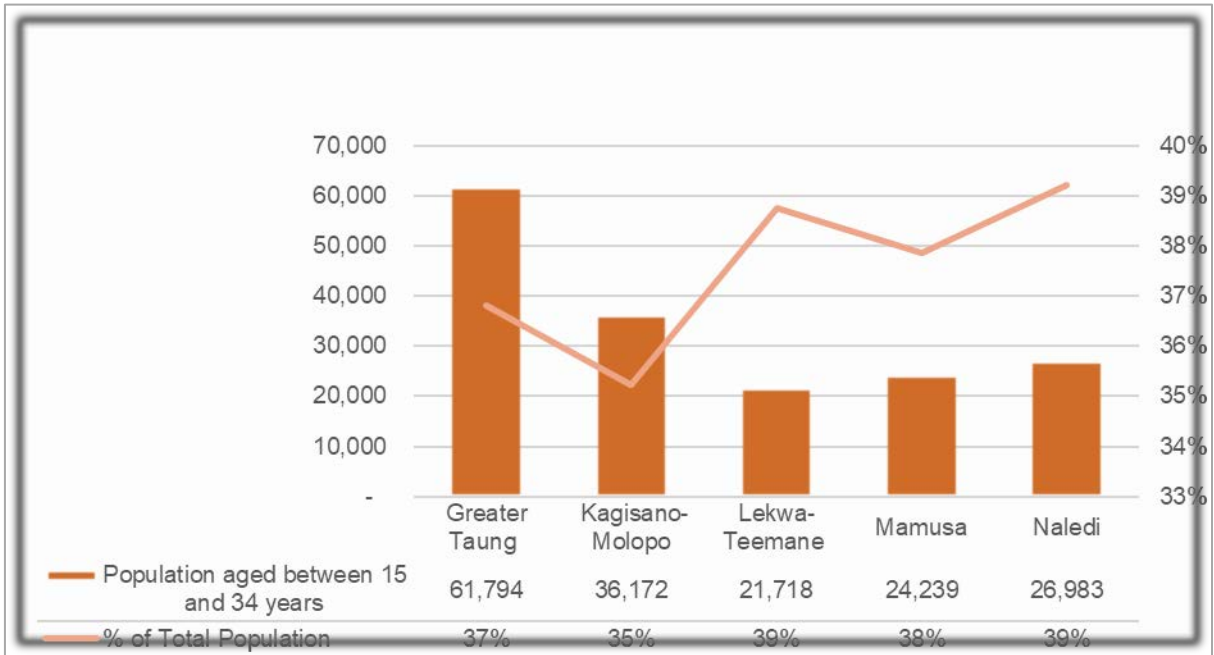


Source: Community Survey: 2016

Greater Taung and Kagisano-Molpo have the highest number of persons between the ages of 15 and 34 years which emphasises the need for local economic growth and development efforts to not only put a specific emphasis on the youth but to also include the youth population that live in predominately rural localities, in the District.

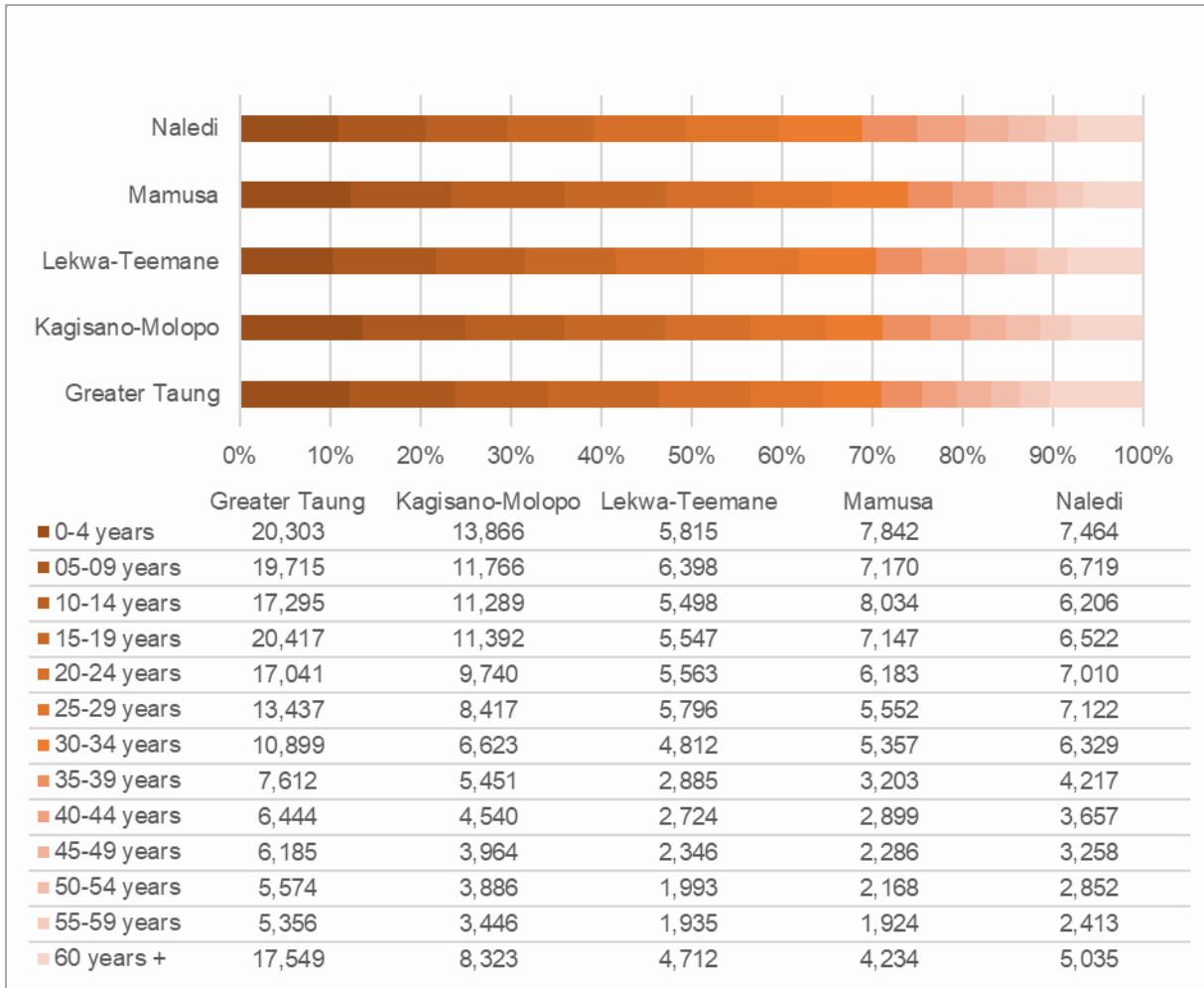
The following chart is an illustration of the number of persons aged between 15 and 34 years per local municipality and the chart thereafter shows the population per age group and local municipality:

**Population aged between 15 and 34 years by Local Municipality**



Source: Community Survey: 2016

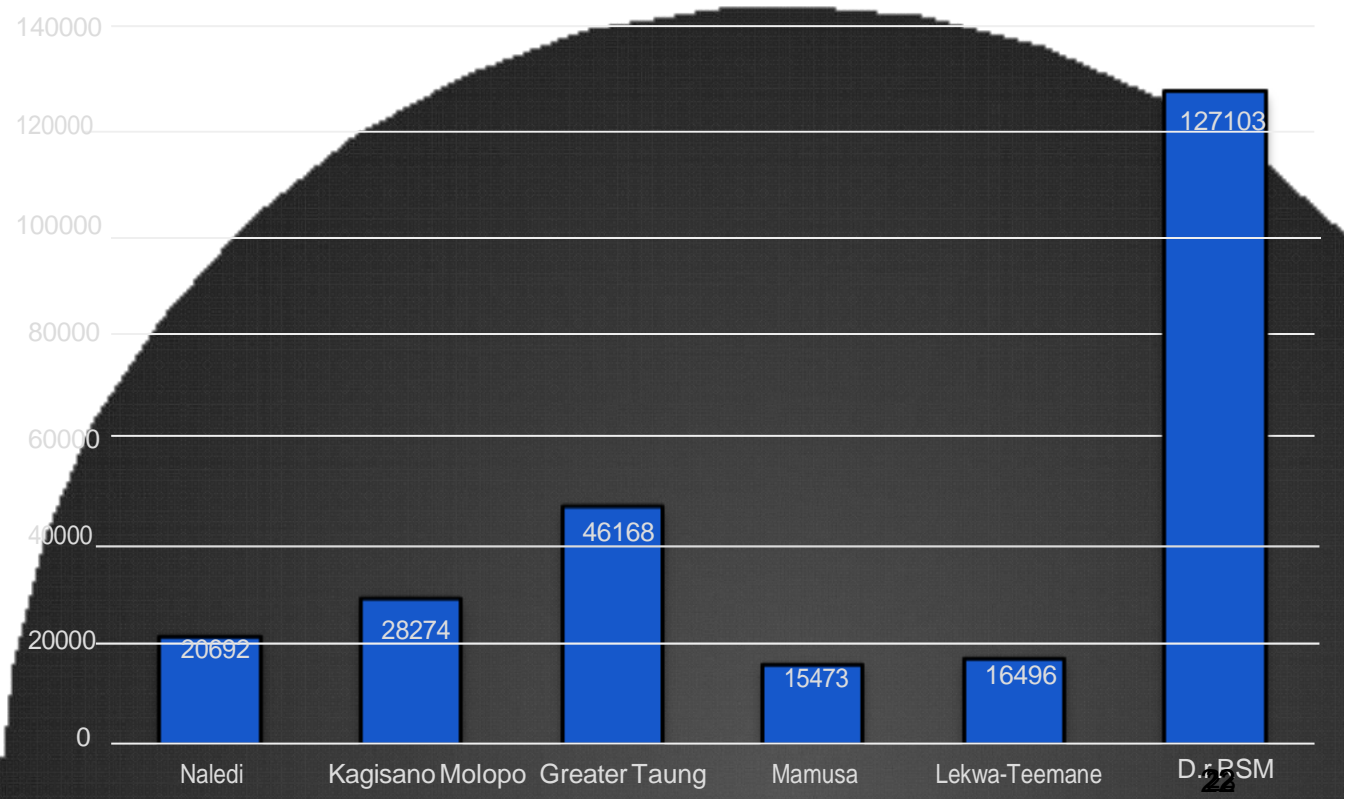
## Population by Age Group and Local Municipality



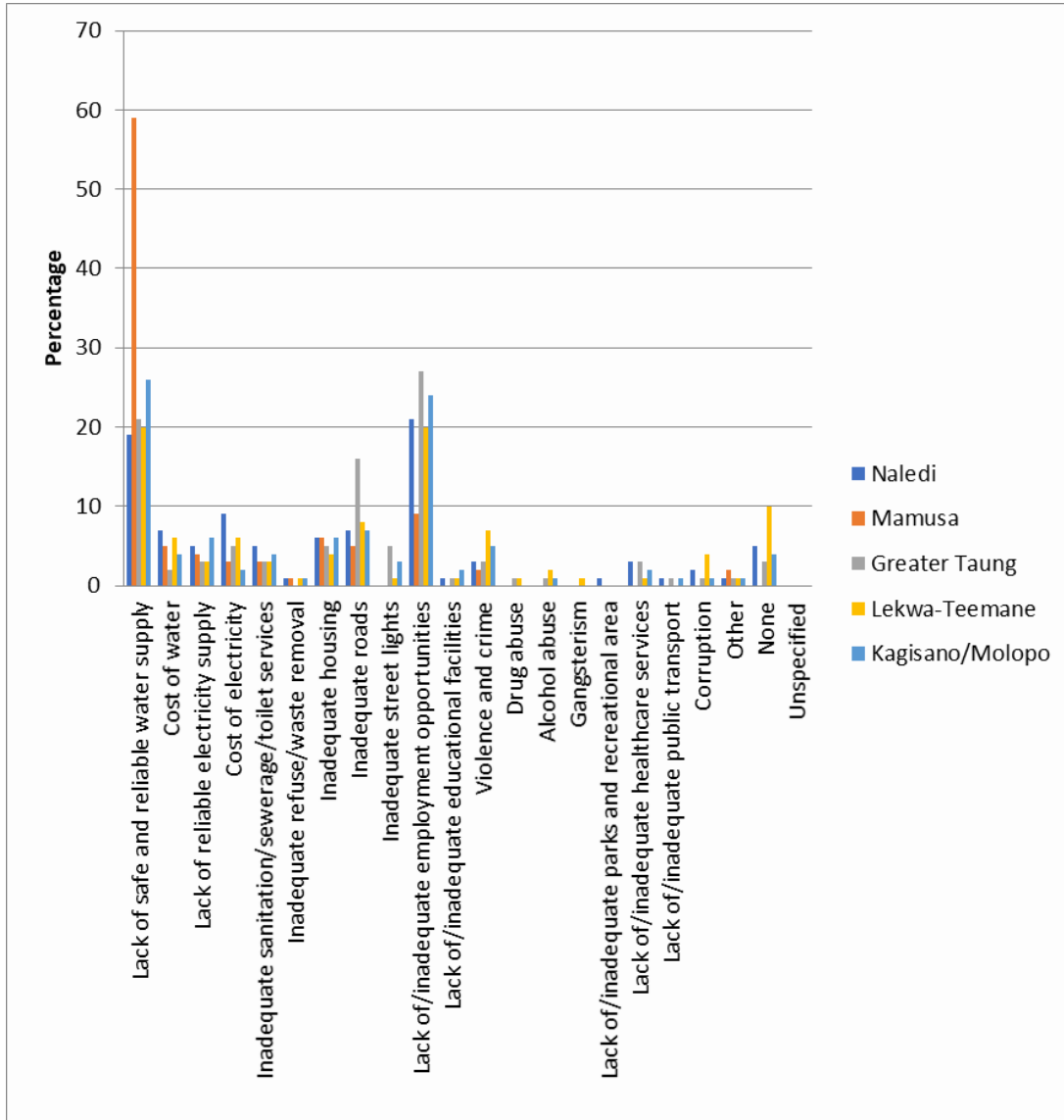
Source: Community Survey: 2016

Population Details				
AGE	MALE	FEMALE	TOTAL	SEXRATIO
Age:0-4	204891	202618	407509	101
Age:5-9	186564	186620	373184	100
Age:10-14	167772	167887	335658	100
Age:15-19	177002	170518	347520	104
Age:20-24	181188	167526	348714	108
Age:25-29	185584	167153	352737	111
Age:30-34	152110	148469	300579	103
Age:35-39	137857	118875	256732	116
Age:40-44	118389	101728	220117	116
Age:45-49	105011	90474	195485	116
Age:50-54	89123	75913	165037	117
Age:55-59	75844	68494	144338	111
Age:60-64	54441	56667	111109	96
Age:65-69	31612	42682	74294	74
Age:70-74	22466	33031	55498	68
Age:75-79	10421	18665	29087	56
Age:80-84	5339	11761	17100	45
Age:85+	3972	9767	13738	41

Total household count by municipality: DR. RSM CS 2016



## SOCIO-ECONOMIC STATUS



<b>Overview of local Municipalities within Dr Ruth Segomotsi Mompoti District Municipality</b>		
<b>Municipality</b>	<b>Population</b>	<b>Household</b>
Naledi	68803	20692
GreaterTaung	167827	46168
Lekwa-Teemane	56025	16496
Mamusa	64000	15473
Kagisano-Molopo	102703	28274

<b>NATURAL RESOURCES</b>	<b>Relevanceto community</b>
Salt oil	Export commodity for economic growth
River Sand Harvesting	Business opportunity
Land for cultivation and livestock production	Food production and sustainability



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### 1.3. SERVICE DELIVERY OVERVIEW

#### **SERVICE DELIVERY INTRODUCTION**

The Dr. Ruth Segomotsi Mompoti District Municipality is among the areas that have been characterised by socio-economic inequalities that result in high levels of poverty in the areas. However, the district consists of high potential agricultural land and tourism sites. There is also lack of access to basic needs such as portable water supply, which in turn affects the developmental objectives of the district municipality. Most of the rural areas in Dr. Ruth Segomotsi Mompoti district municipality are still currently characterised by service delivery backlogs. The inability for communities to access these basic services has led to constraints in improving the quality of life of the rural communities and also achieving economic development within those areas.

The compartmentalized spatial form of settlements and lack of economic opportunities in the district results in community members depending on services located far from their places of living. Consequently, rural communities have to spend more money and time in order to access places of employment and other opportunities. The land development in these regions is scattered with an absence of a strong nodal hierarchy. There are certain factors that influence land use patterns currently which mainly include uneven topography and membership of the community and traditional land allocation practices. Furthermore, the current land use pattern has evolved in response to the economic trends, settlement patterns, rural character of the districts, applicable planning policies and land use management practices such as formal and customary.

#### Rural

The Dr. Ruth S Mompoti District Municipality identifies local economic development (LED) as one of its key performance areas (KPAs)/thematic areas, with its overarching objective to create an environment that promotes the development of the local economy and facilitates job creation. The intended outcome of this objective is improved municipal economic viability.

The Dr. Ruth S Mompoti District Municipality is faced with a number of challenges in respect of local economic development, some of which are outlined in the table below:

- Key Challenges High levels of unemployment, poverty and inequality;
- Limited budget for development;
- Low skills level, human capital and experience;
- Attraction of major investment to the district; Poor infrastructure conditions.

The Dr. Ruth S Mompoti District economic growth remains a challenge because of poor infrastructure conditions, including roads, water networks or reticulation, communication, electricity and transport networks. The Dr. Ruth S. Mompoti District IDP acts as a broad business plan for the district, and aims to tackle the challenges of poor infrastructure, high unemployment, poverty, provision of education, minimal access to water and sanitation, and the structure of the local economy amongst other challenges that it faces. Emphasis will be put on projects linked to budgets that support the objectives and priorities it outlines.

## **SOCIAL STATISTICS**

	<b>Naledi</b>	<b>Mamusa</b>	<b>Greater Taung</b>	<b>Lekwa-Teemane</b>	<b>Kagisano/Molopo</b>
Lack of safe and reliable watersupply	19	59	21	20	26
Cost of water	7	5	2	6	4
Lack of reliable electricity supply	5	4	3	3	6
Cost of electricity	9	3	5	6	2
Inadequate sanitation/sewerage/toilet services	5	3	3	3	4
Inadequate refuse/waste removal	1	1	0	1	1
Inadequate housing	6	6	5	4	6
Inadequateroads	7	5	16	8	7
Inadequatestreetlights	0	0	5	1	3
Lack of/inadequate employment opportunities	21	9	27	20	24
Lack of/inadequate educationalfacilities	1	0	1	1	2
Violence and crime	3	2	3	7	5
Drug abuse	0	0	1	1	0
Alcohol abuse	0	0	1	2	1
Gangsterism	0	0	0	1	0
Lack of/inadequate parks and recreational area	1	-	0	0	0
Lack of/inadequate healthcareservices	3	-	3	1	2
Lack of/inadequate public transport	1	0	1	-	1
Corruption	2	0	1	4	1
Other	1	2	1	1	1
None	5	0	3	10	4

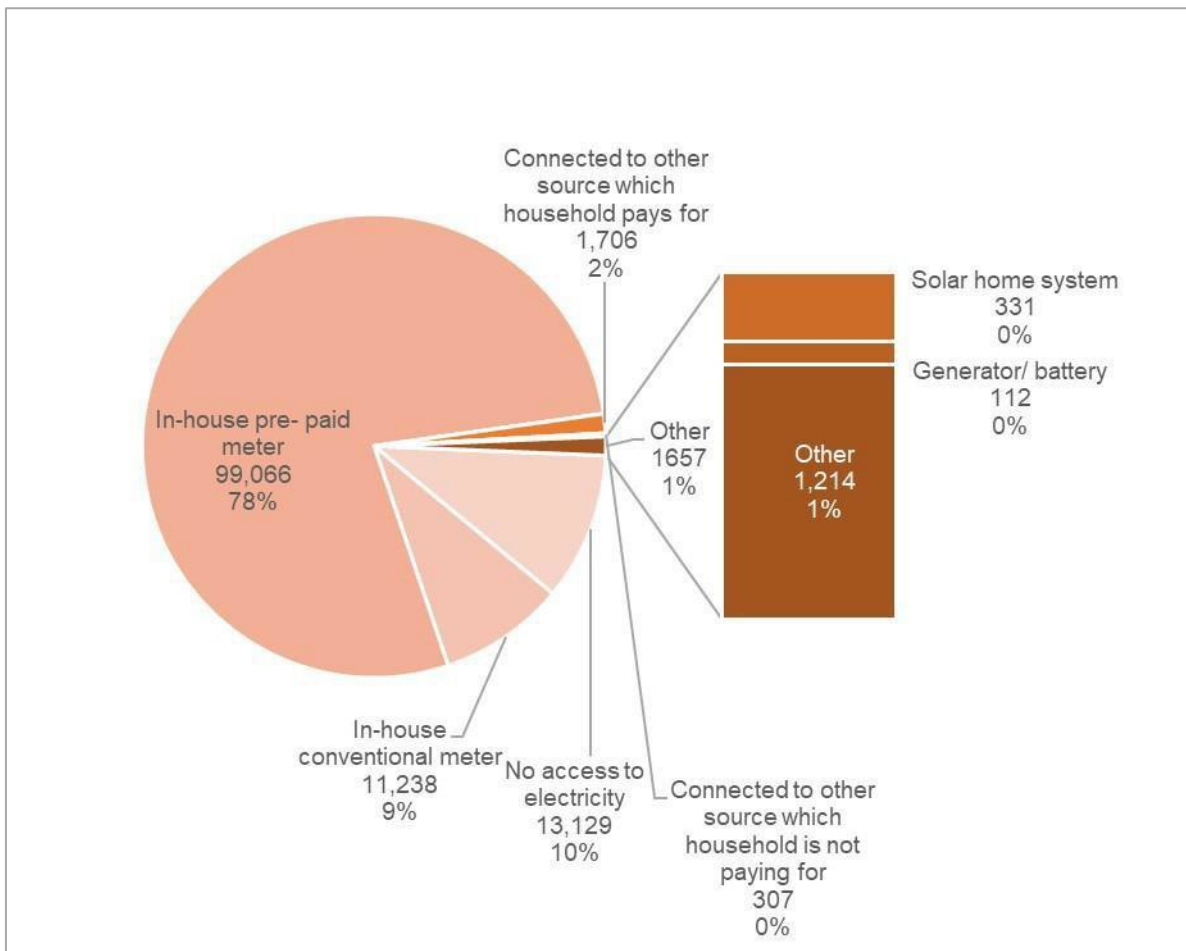
## Access to Services

### Electricity

Electricity is a basic service and a primary source of energy for most of the households in the District. An estimated 90% of households have access to electricity, with 99,066 (or 78%) households having in-house paid meters. Therefore, it is expected that up to 90% the population have access to 50kWh of free basic electricity per month. Only 1% of households rely on other sources of electricity such as solar home system (331) and generator or battery (112).

The following chart illustrates the number of households with or without electricity by source:

### Households with access or no access to electricity by source

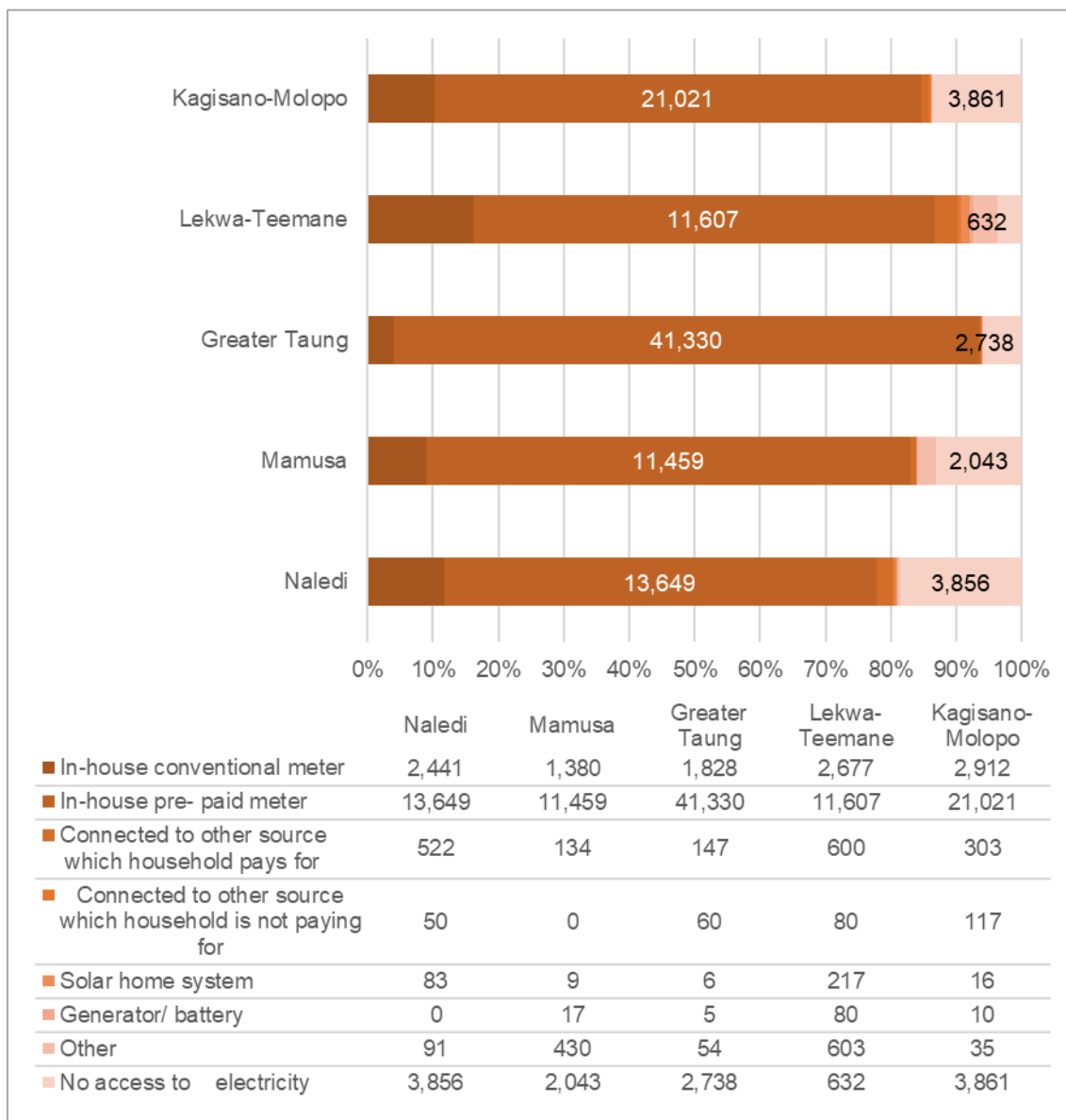


Source: Community Survey: 2016

The Kagisano-Molopo and Naledi local municipalities have the highest number of households no access to electricity, including free basic services. Such households may be excluded from the economic opportunities in the District; hence it is critical to ensure that in an effort to implement an all-inclusive strategy such households are considered and included.

The following chart is an illustration of the number of households with or without access to electricity by source and local municipality:

**Households with access or no access to electricity by source and local municipality**

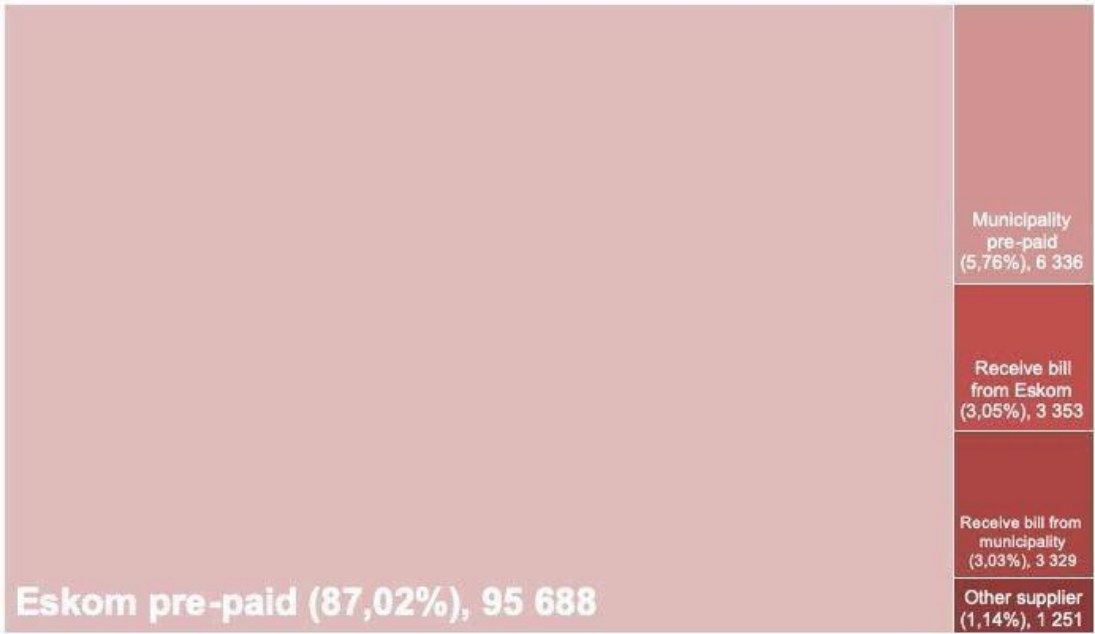


Source: Community Survey:2016

In terms of households with access to electricity, Eskom is the main supplier of in the District, supplying up to 90.1% of all households. The municipality supplies only 8.8% and the remaining 1.1% of all households rely on other sources. A total of 92.9% of all households with access to electricity use prepaid meters and 6.1% use conventional meters which are read and billed 30 days in arrears, and payable another 30 days after receiving the bill. Therefore it is expected that households in the District have very low debt, on average, owed to Eskom or the local municipality for electricity.

The following chart shows the number of households with access to electricity by the supplier of such electricity and the type of meter:

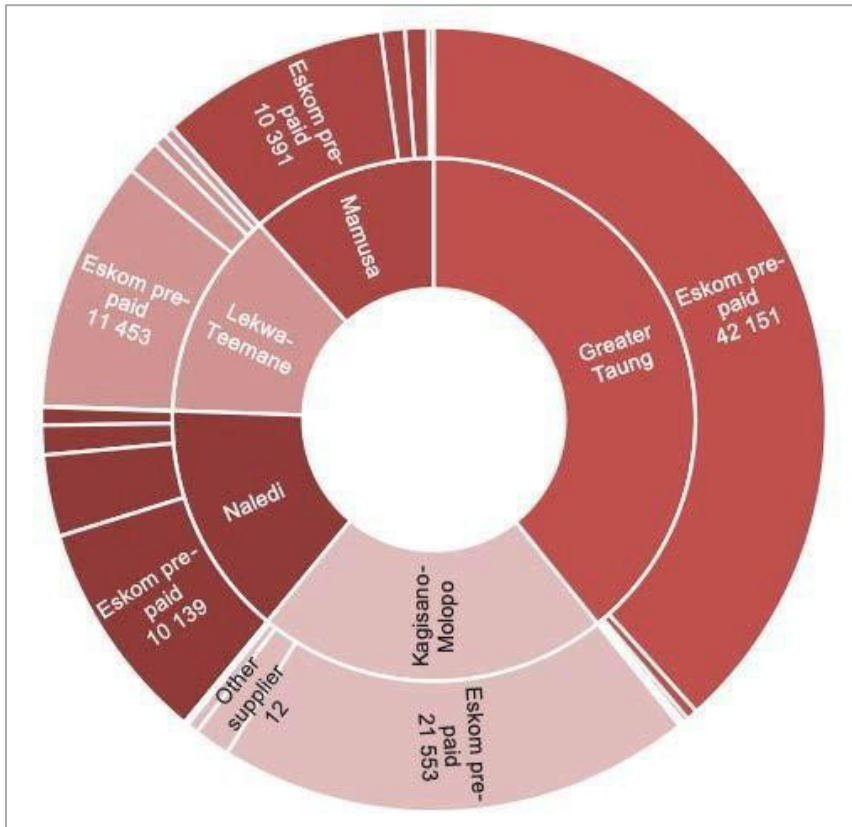
**Number of households with access to electricity by Supplier**



Source: Community Survey: 2016

The following chart shows the number of households with access to electricity by the supplier of such electricity and the type of meter per local municipality:

**Number of households with access to electricity by supplier**



Source: Community Survey: 2016

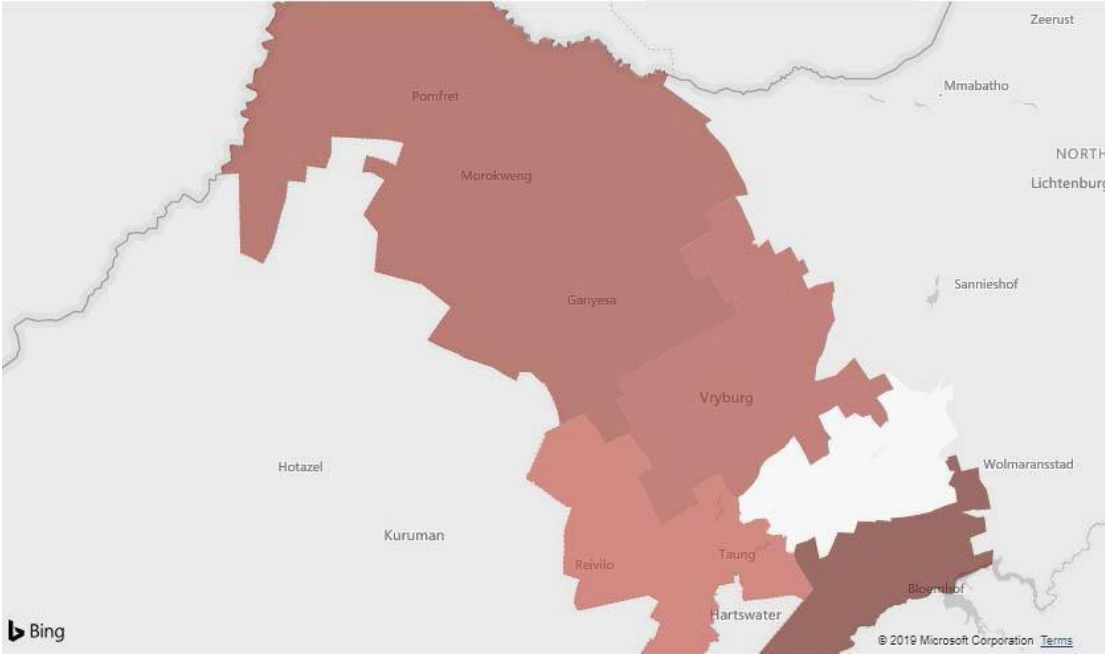
**Water**

In South Africa access to clean drinking water, also referred to as potable water, is considered a human right. In 1994 the then Department of Water Affairs (DWA) established the Community Water Supply and Sanitation Programme (CWSS) and its key mandate was to ensure access to potable water for every South African and in 2000 a policy to provide indigent households with at least 6KL for free on a monthly basis. Presently, over 85.9% of all households in the District have access to potable water.

The District is a Water Services Authority, with the responsibility to ensure that all households in its jurisdiction have access to potable water, though it has given the local the responsibility to provide this service thereby making them Water Services Providers. Through its role as an authority, the District should ensure access to water which is a key resource for economic growth and development.

The map that follows illustrates that Lekwa-Teemane Local Municipality has the highest percentage of households with access to potable water at 91.04% whereas Mamusa Local Municipality, at 77.43%, has the lowest percentage households with access to potable water:

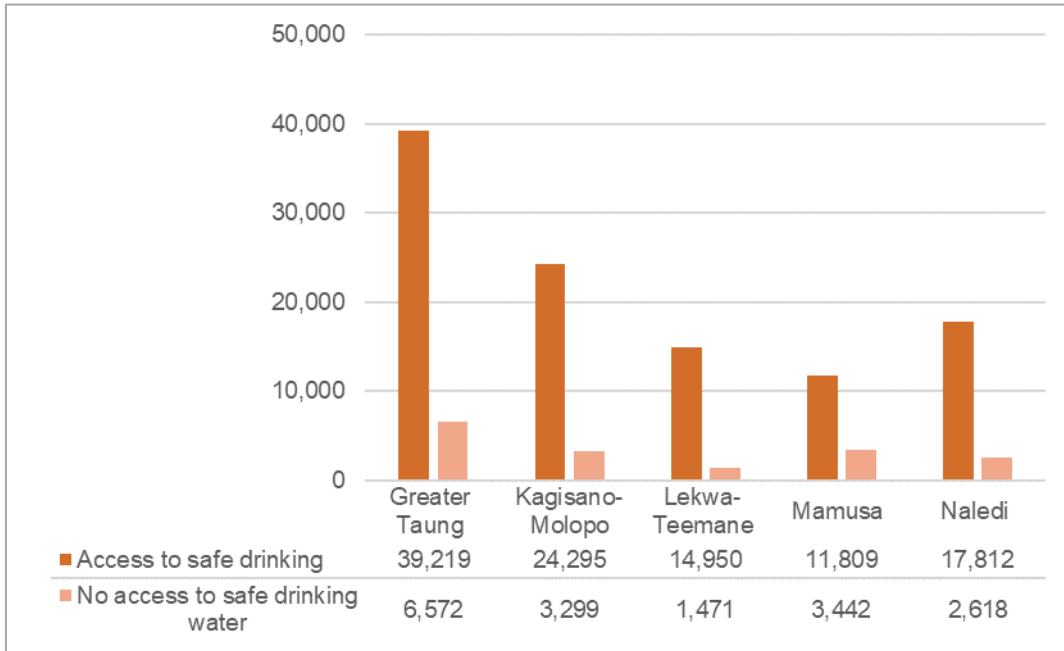
**Percentage of households with access to potable water by Local Municipality**



Lowest  Highest

Source: Community Survey: 2016

**Number of households with access to potable water and without access by Local Municipality**

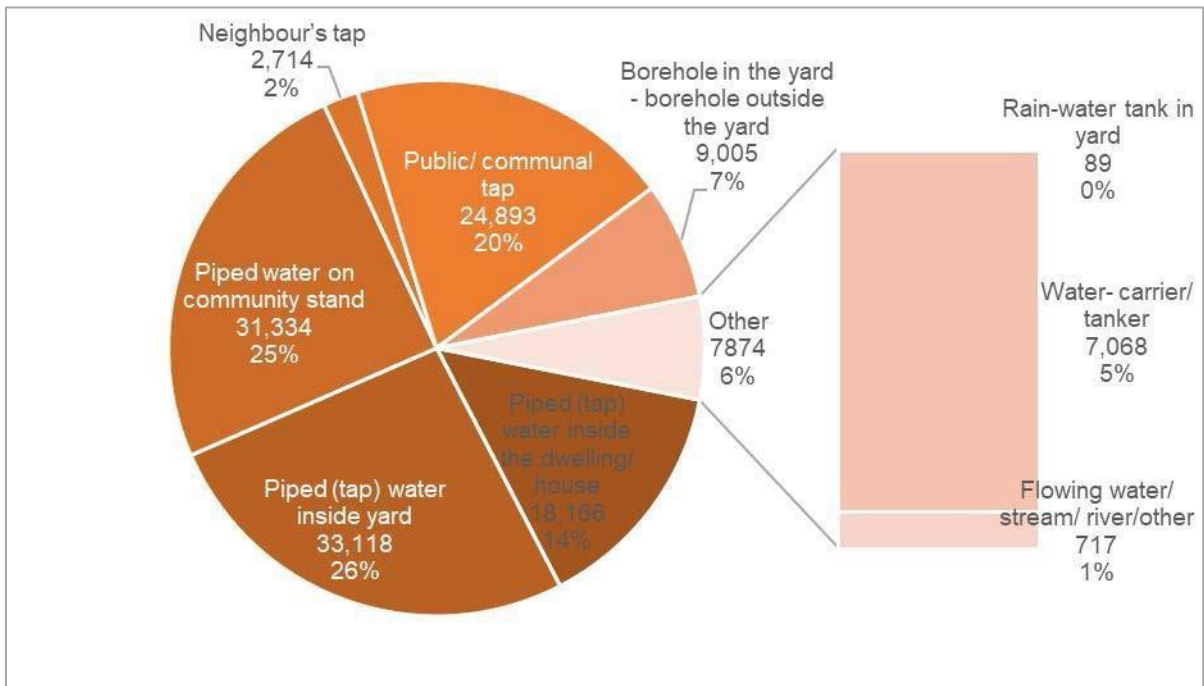


Source: Community Survey: 2016

The chart that follows illustrates that 26% of households that have access to water have such access through piped water in the yard and a further 25% have access through a piped water on a communal stand. Only 6% or 7,874 households rely on other sources of water such as rain-water tank in yard, water-carrier or tanked as well as flowing water, stream, river and/or other water sources:



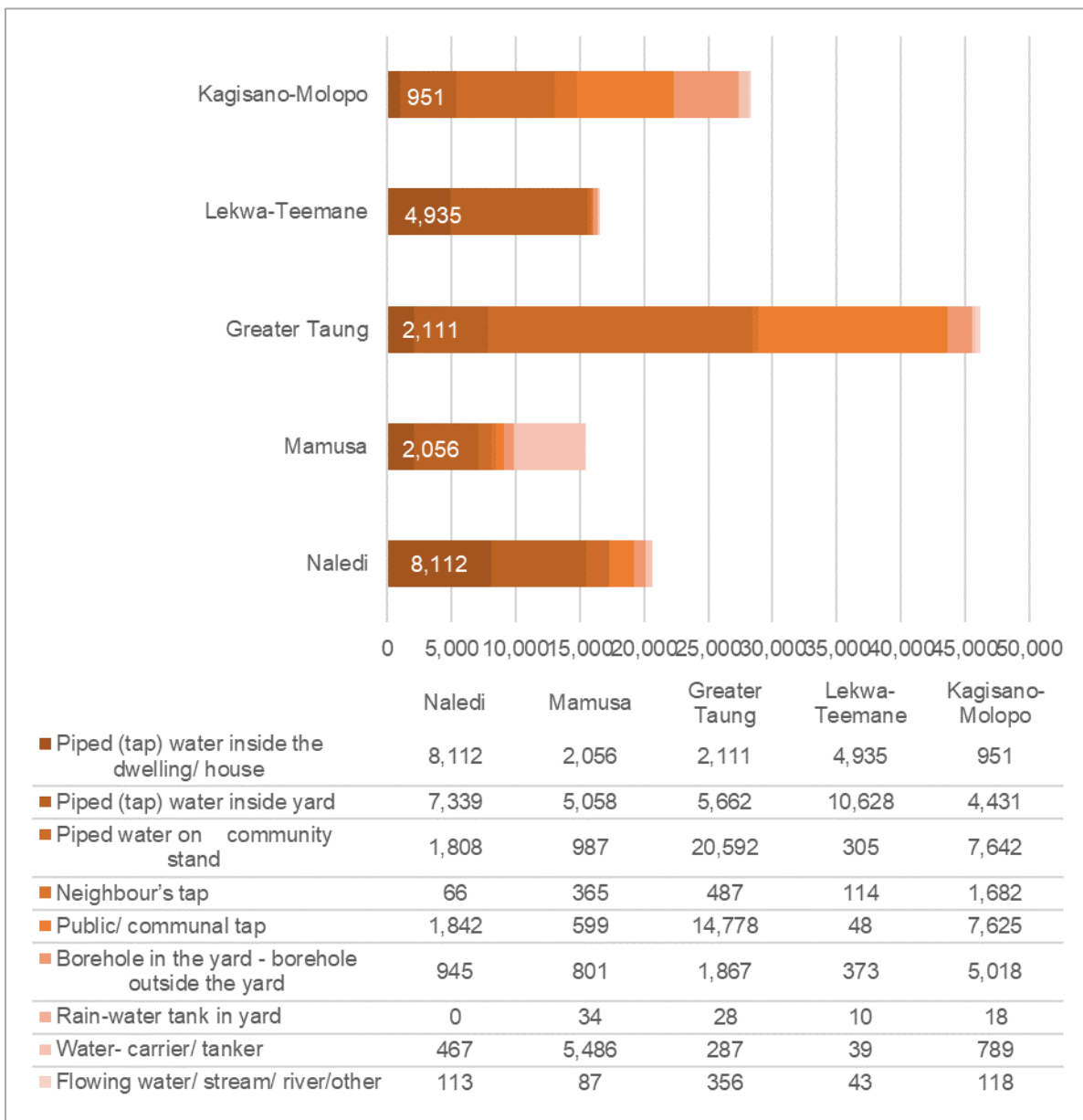
**Number of households with access to potable water by main source**



Source: Community Survey: 2016

The chart that follows illustrates that Naledi Local Municipality has the highest number of households with access to piped water in the yard whereas Greater Taung has the highest number of households that rely on piped water in a community stand.

### Number of households with access to potable water by main source and local municipality



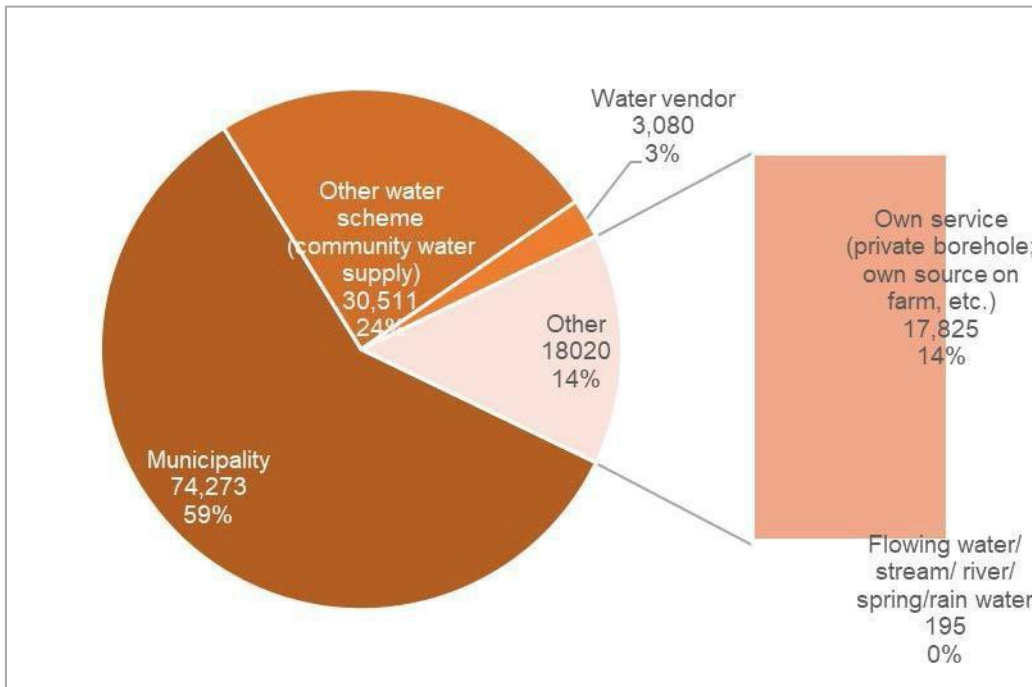
Source: Community Survey: 2016

Local municipalities in the district are the primary suppliers of access to potable water and 59% of households in the District rely on the local municipalities as the main supplier of potable water. Households that receive water services from the local municipalities and have piped water inside the yard typically receive the free 6KL and any consumption over and above the free basic service is billed 30 days in arrears and payable after another 30 days after receiving the bill.

Therefore it is expected that such households will have higher debt levels, on average, owed to the municipality for the provision of water if compared to the debt levels owed to the municipality for the provision electricity.

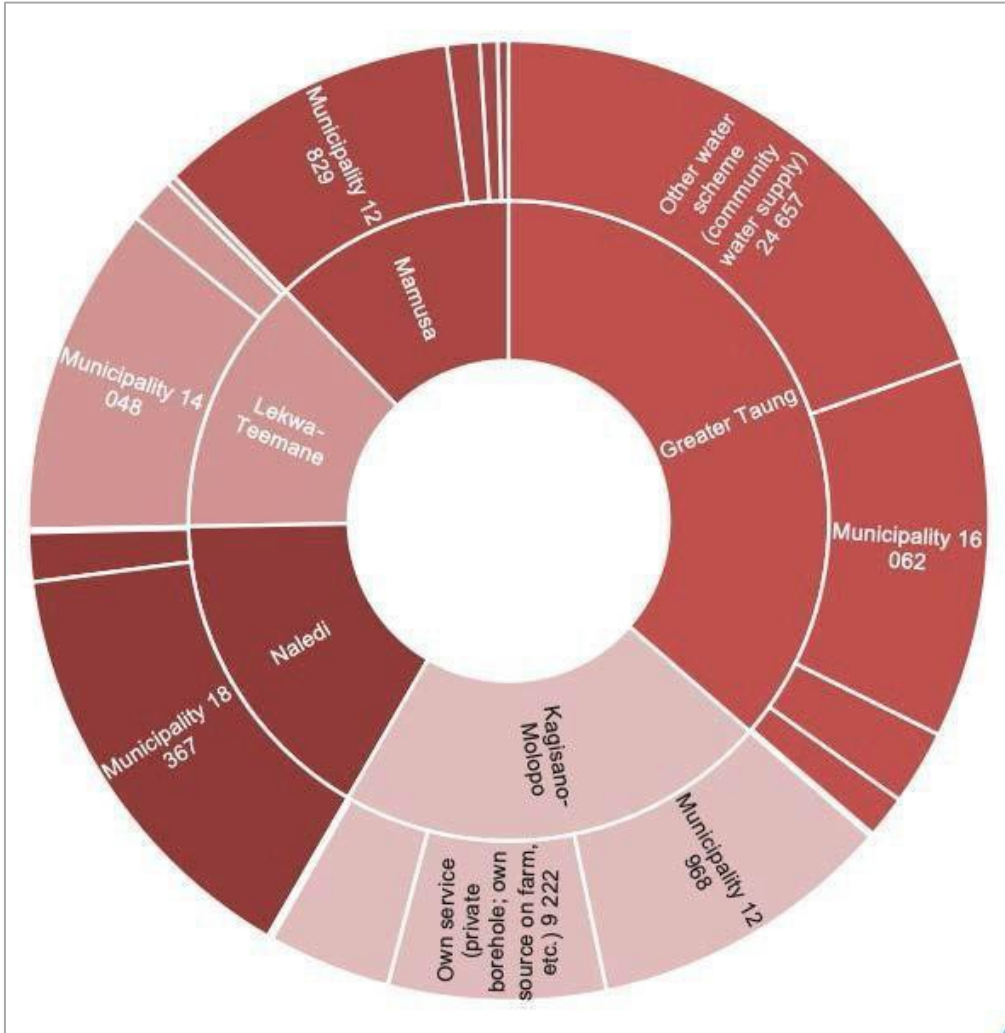
The following chart is an illustration of the number of households with access to water by supplier per municipality:

**Households with access to potable water by supplier**



Source: Community Survey: 2016

**Number of households with access to potable water by supplier and local municipality**



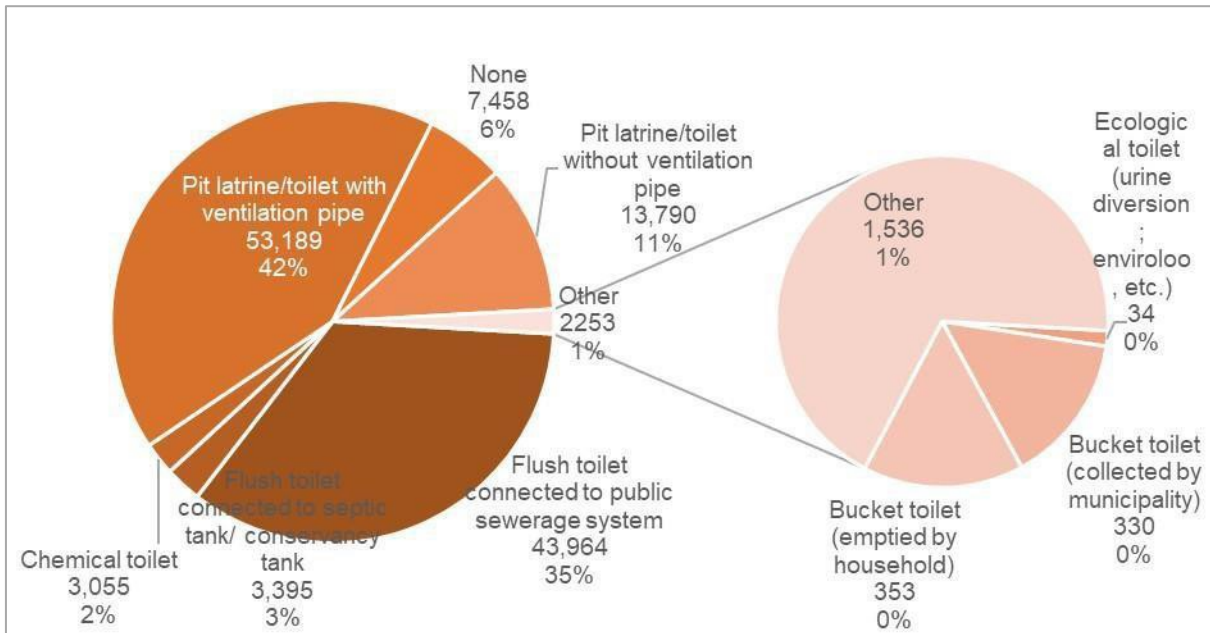
Source: Community Survey: 2016

## **Sanitation**

Access to sanitation services is also a fundamental right that is provided for in the Republic of South Africa's Bill of Rights. It is the District's responsibility to ensure that households in its jurisdiction have access to basic sanitation services. In exercising this mandate the District can create economic opportunities by using wastewater as feedstock to generate energy, in the form of electricity or biogas, by establishing an anaerobic digester plant.

The following chart illustrates the number of households with access to sanitation services by type of toilet facility (94.1%) as well as households with no access to a toilet facility, which represents 7,458 or 5.9% of all households:

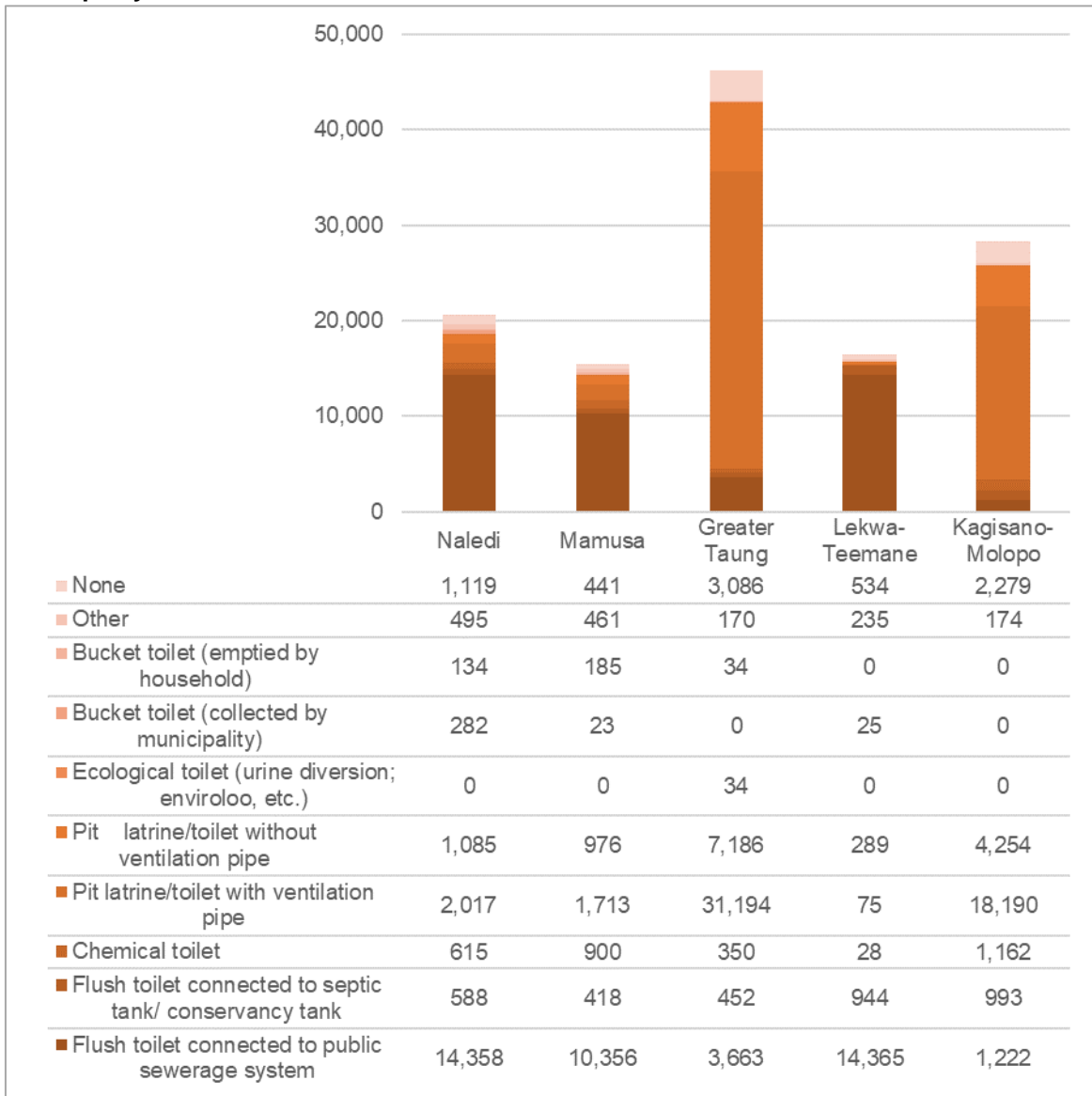
Number of households by access to sanitation services



Source: Community Survey: 2016

Greater Taung Local Municipality has the highest number of households with no access to toilet facilities as well as the number of households with pit latrines or toilet with a ventilation pipe. Conversely, Lekwa-Teeman and Naledi local municipalities have the highest number of households with access to a flush toilet. Only the Greater Taung and Kagisano-Molopo local municipalities do not have bucket systems that are collected by the respective municipalities whereas Naledi Local Municipality has the highest number of households with bucket systems that are collected by the municipality. Mamusa has the highest number of households with bucket systems that are emptied by the households.

**Number of households with access to sanitation services by type of toilet facility and local municipality**



Source: Community Survey: 2016

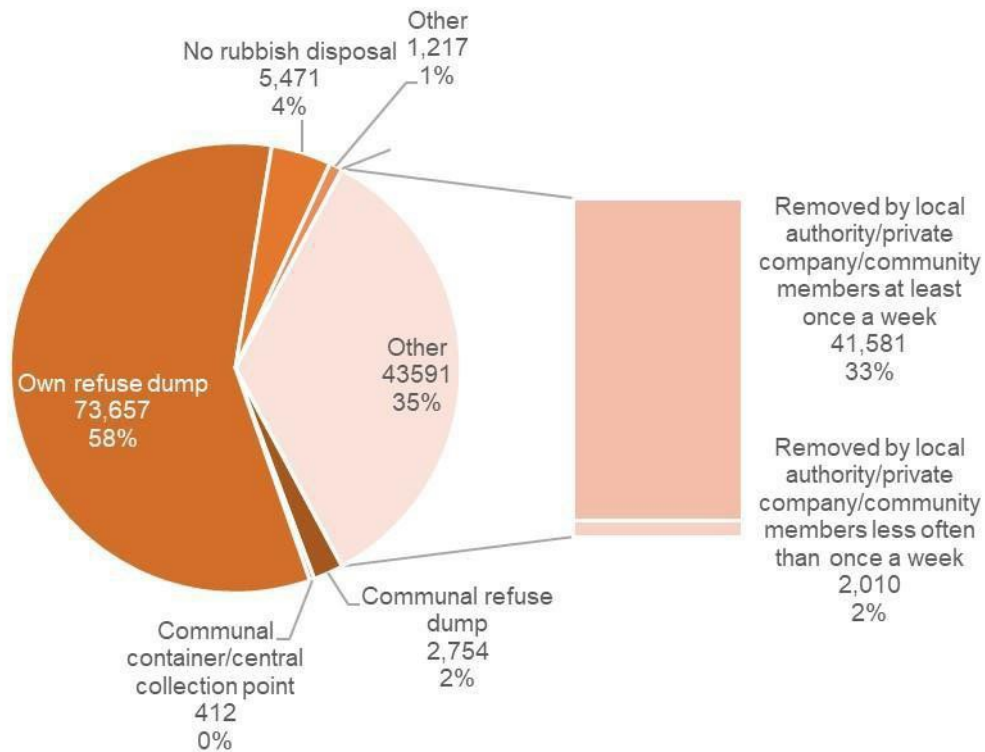
## Refuse Removal

The provision of refuse removal services, particularly for households, is a responsibility of local government. The typical value-chain for refuse removal ends with waste being disposed of in a landfill site. By 2011, municipalities in South Africa were expected to be diverting at least 25% of waste from landfill, however, an estimated 90% of all waste generated in the country still ends up in landfill sites.

In the District, an estimated 33, 7% of households have access to refuse removal services from the local authority or private company. Households that have access to a weekly service represent 32.7% and the remaining 1.6% have access to a collection that is less often than once a week. A further 58% own a refuse dump and 4% does not have access to refuse removal and/or disposal services.

The following chart shows the number of households by type or access to refuse removal services:

**Number of households by type or access to refuse removal services**

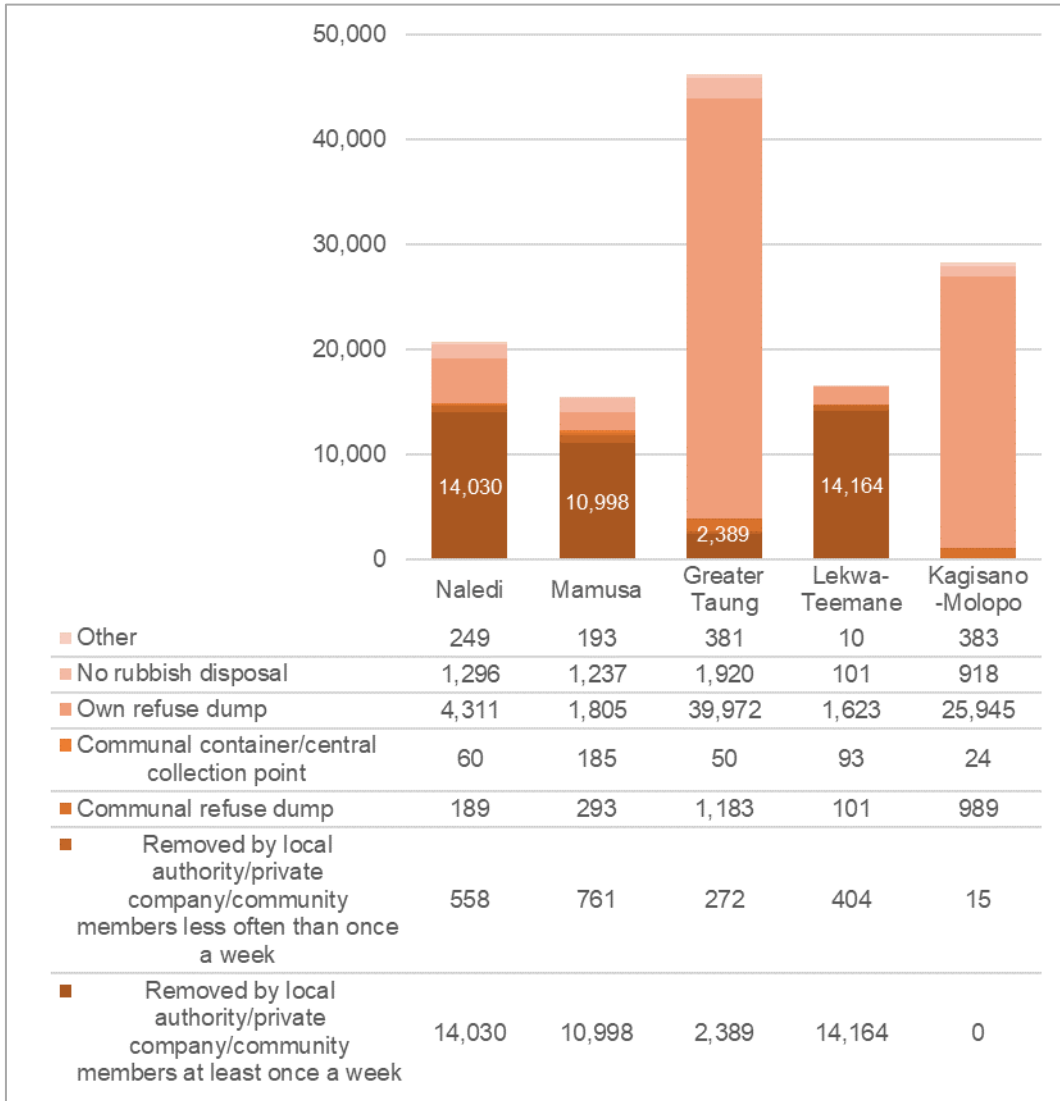


Source: Community Survey: 2016

Mamusa, Lekwa-Teemane and Naledi local municipalities have the highest number of households with access to a weekly refuse removal service. Greater Taung represents only 5.7% whereas Kagisano-Molopo does not have any households with access to a weekly collection by a local authority. Households in Greater Taung and Kagisano-Molopo rely mostly on their own refuse dump, at 39,972 and 25,945.



### Number of households by type or access to refuse removal services and Local Municipality



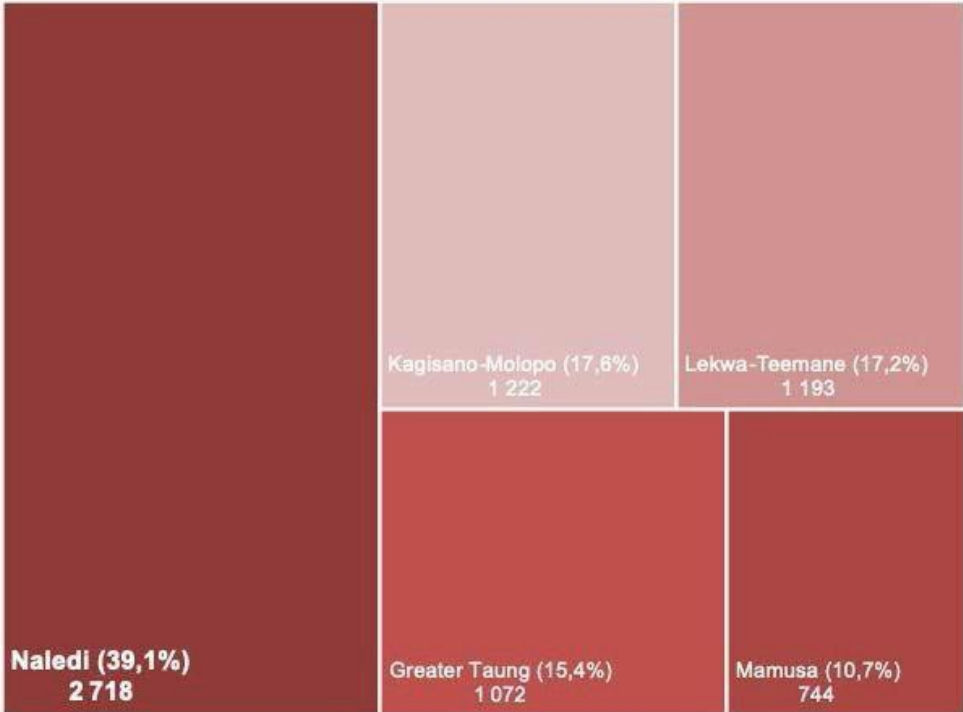
Source: Community Survey: 2016

Based on the Department of Environmental Affairs (DEA) 2017. Operation Phakisa: Lab Report the waste economy contributed approximately R24.3 billion to the South African GDP in 2016. It provided 36 000 formal jobs and supported an estimated 80 000 informal jobs or livelihoods. A further R11.5 billion per year could be unlocked by 2023 by diverting up to 20 million tonnes of waste. This should be taken into consideration when identifying local economic development opportunities in the District. Access to Internet Services

South Africa has a high concentration of cell phone wherein, on average, a typical adult South African has more than one cell phone. However, access to the internet is hampered by the relatively high cost of data and data connectivity, if compared to similar countries. In the modern-day data-driven economies lack of access to the internet may exclude certain sectors of the District's population from accessing economic opportunities.

The following chart illustrates that approximately 94.2% of households in the District do not have access to the internet. Of the 5,8% or 6,950 households that have internet access, Naledi represents 39.1% of such households followed by Kagisano-Molopo (17.6%) and Lekwa-Teemane (17.2%).

**Number of households with access to the internet by Local Municipality**



Source: Community Survey: 2016

The table that follows illustrates a comparative analysis of the number of households with and without access to the internet by municipality:

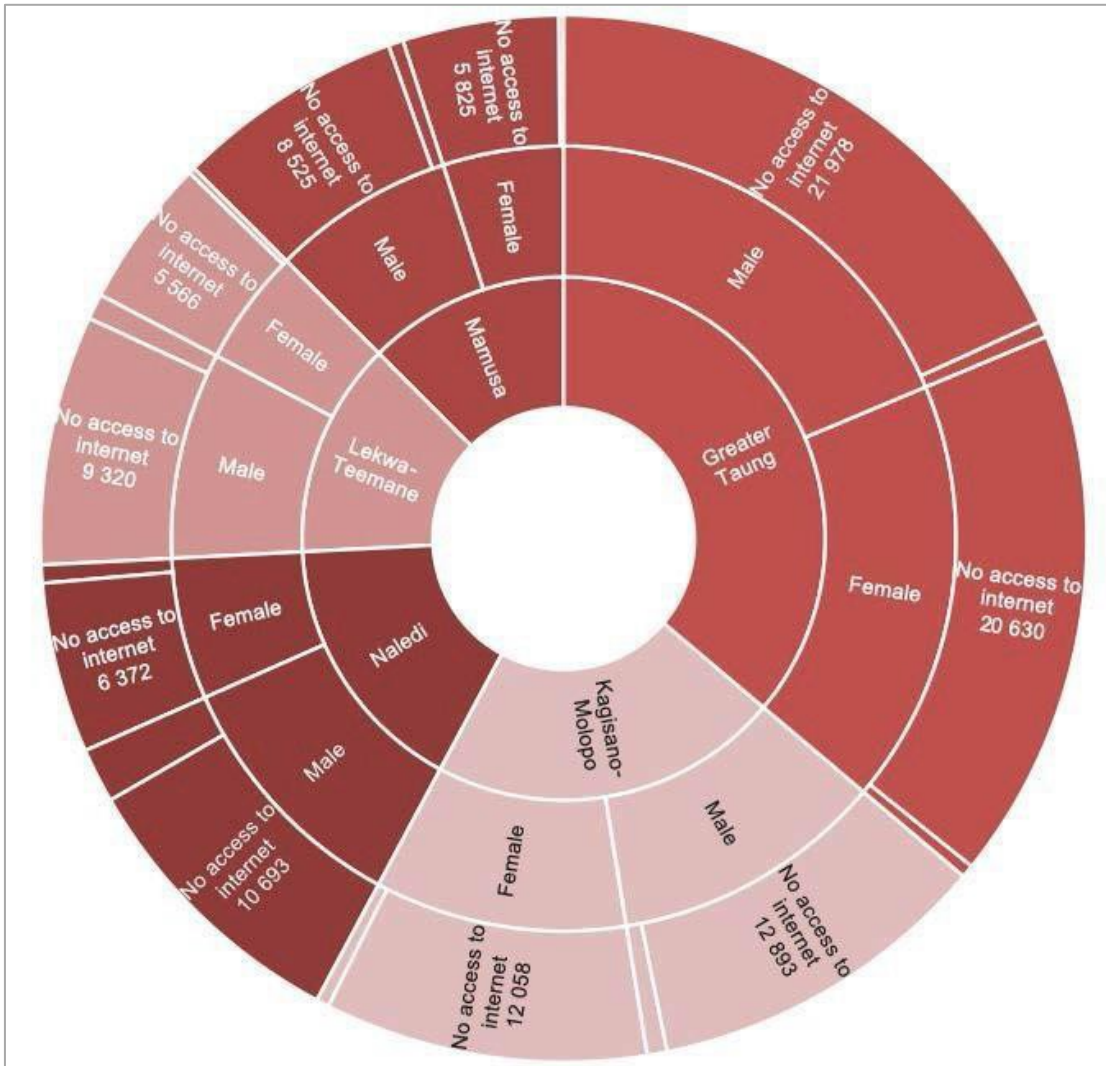
**Number of households with and without access to the internet by municipality**

<b>Municipality</b>	<b>Access to internet</b>	<b>% with access to internet</b>	<b>No access to internet</b>	<b>% with no access to internet</b>
<b>Naledi</b>	2 718	13,7%	17 065	86,3%
<b>Mamusa</b>	744	4,9%	14 349	95,1%
<b>GreaterTaung</b>	1 072	2,5%	42 607	97,5%
<b>Lekwa-Teemane</b>	1 193	7,4%	14 886	92,6%
<b>Kagisano-Molopo</b>	1 222	4,7%	24 951	95,3%
<b>Dr Ruth Segomotsi Mompati</b>	6 950	5,8%	113 859	94,2%

Source: Community Survey:2016

The chart that follows illustrated that an estimated 63,409 male-headed households do not have access to the internet and an additional 50,451 female-headed households also do not have any access to the internet.

**Number of households by gender of head of household and Local Municipality**



Source: Community Survey: 2016

The provision of basic services in the District is currently unsatisfactory particularly due to the ageing water and sanitation infrastructure that also lacks maintenance. Poor services delivery also affects potential investment into the District, for example, no business wants to invest where there is limited access to water since this may adversely affect productivity.

Low Population densities and large distances between villages and settlements increase the cost of providing services and infrastructure to the remote and predominately rural area hence there is generally a migration of the population from predominantly rural local municipalities to more urbanised local municipalities in pursuit of economic opportunities. These migration patterns are posing a challenge on the planning.

The lack of rental houses in the district discourages skilled and professional people from other areas to migrate the requisite skills for economic development into the District. A large number of shacks in some of the local municipalities affect service delivery.

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#### 1.4. FINANCIAL HEALTH OVERVIEW

During the 2022/2023 financial year, the municipality continued to ensure compliance with laws and regulations in managing their financial affairs despite the raising challenge of limited financial resources that threatened the financial viability of the Municipality. Stricter controls and cost containment measures are being implemented on the budget and will contribute to curbing the unauthorized, irregular, fruitless and wasteful expenditure during the financial year .

Even though the municipality's budget is at a deficit, a lot of the objectives could be implemented because this deficit was addressed by the non-cash items that were included in the budget. The financial situation has been tougher and the financial obligations of the municipalities have also continued to grow. These financial pressures and financial challenges are mainly due to high dependence on conditional grant funding by the municipality as it has been very difficult for the municipality to come up with any revenue raising sources. The limited own revenue that is reported in the financial performance is from the sale of bid documents and from the limited interest that the municipality raises from investing the conditional grants that are not immediately implementable.

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#### 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

##### **Performance Management**

The Performance Management System has been implemented and sustained to ensure Councillors and officials are able to monitor, review and report on performance.

The following key PMS elements were implemented:

- The Executive Mayor approved the SDBIP.
- The Municipal Manager and Section 56 Manager signed their Performance Agreements
- IDP/Budget and PMS process plan was adopted by Council.
- The prior year Annual Reports and Oversight Report were tabled during the financial year and submitted to all the stakeholders i.e. Auditor-General, Provincial and National Treasuries.

## 1.6. AUDITOR GENERAL REPORT

Refer to annexure B

## 1.7. STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft 22 2 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor-General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	December
16	Council adopts Oversight report	
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

It is necessary that the District Municipality derive maximum benefit from its efforts in submitting reports. Such benefits are typically obtained in the form of being able to compare and benchmark against other municipalities and to learn from the feedback mechanisms.

The Annual Report process flow provides a framework for the municipality to follow in completing various reports within each financial year cycle. It is recommended that Municipal Manager monitor this process flow and ensure that reports are submitted timeously. If the process flow is followed, the District Municipality should be able to provide an unaudited Annual Report in August of each year, which is consistent with the MFMA.

One of the advantages of compiling an unaudited Annual Report in August is that it can be used to influence the strategic objectives indicated in the IDP for the next financial year as well as the budgetary requirements related to each vote.

An unaudited Annual Report is submitted in August will further provide the municipality with an opportunity to review the functional areas that received attention during the current financial year and take the necessary corrective actions to align the IDP and budget to other priority areas needing attention.

The Annual Report of a municipality and every municipal entity must be tabled in the Municipal Council on or before 31 January each year (MFMA S127). In order to enhance oversight functions of the Council, this must be interpreted as an outer deadline; hence the municipality must submit the Annual Report as soon as possible after year end, namely, August. The entire process is concluded in the first or second week of December for all municipalities, the same year in which the financial year ends and not a year later, as is currently the case. It is expected that effective management of performance will also result from this change.

The Annual Report must be aligned with the planning documents and municipal budget for the year reported on. This means that the IDP, budget, SDBIP, in-year reports, annual performance report and Annual Report should have similar and consistent information to facilitate understanding and to enable the linkage between plans and actual performance.

The above can only occur if the municipality set appropriate key performance indicators and performance targets with regards to the development of priorities and objectives in its IDP and outcomes (MSA S41). This requires an approved budget together with a resolution of approving measurable performance objectives for revenue from each source and each vote in the budget (MFMA, S24).



## CHAPTER 2 – GOVERNANCE

The Dr. Ruth Segomotsi District Municipality is committed to transparent and accountable governance. The broad range of public participation programmes and processes, especially related to its IDP; Budget and Annual Report bears testimony to the district municipality's commitment to involve its communities in its planning and decision-making processes. All the above programs are administratively supported by the Municipal Manager and senior management

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

Dr. Ruth Segomotsi Mompoti District Municipality is category C municipality with a mayoral executive system as defined in the Municipal Structures Act, Act No.117 of 1998 as amended. In line with having a well -defined politically governed system, the municipality upholds the principles of well governed administrative system. At the center of a well governed administrative institution is policies that have been approved by council after extensive consultations with all the stakeholders.

The District Municipality governance model is like that of national and provincial as it is made of the legislative and executive functions. The legislative function is the political administration of council led by the Speaker and hold scheduled statutory meetings and special council meetings as when there is a need. The executive arm consists of the mayoral committee chaired by the Executive Mayor as well as administrative function led by the municipal manager.

The key role of Council is to focus on legislative, community participation and oversight roles. Council delegated its executive function to the Executive Mayor and the Mayoral Committee. Its major role is that of a policy maker. The Municipal Council is mandated with the role of formulating and approving by-laws, policies and programmes which will be for the best interest of the public.

The Audit and Performance Committee as well as the Risk Management Committee has been established to assist the Accounting Officer, Management and Council to ensure that policies, internal controls and procedures are in place that will create appropriate culture and systems which include processes for risk management planning identification analysis monitoring and control in a consistent manner, and to ensure adherence to administrative governance.

The district has established Municipal Public Accounts Committee (MPAC) which serves as an Oversight Committee and is comprised by non-executive councillors and their responsibility is to provide Council with recommendations on the Annual Report and other Reports that may be referred to it by Council. The District Municipality has established an Audit and Performance Committee which is a shared service with Local Municipalities within its jurisdiction.

### Mayoral Committee

The Mayoral Committee is appointed by the Executive Mayor in terms of section 80 of the Municipal Structures Act, No. 117 of 1998. It consists of six (6) full time Councillors who serve as chairpersons of the Portfolio Committees. The committee assists the Executive Mayor to perform duties as outlined above. It convenes every month and is chaired by the Executive Mayor.

### Municipal Public Accounts Committee

Consists of 5 Councillors; three are from majority party (ANC) and two from opposition (DA). The committee is established in terms of section 79 of the Municipal Structures Act (117 of 1998) and performs oversight function on behalf of Council. Reports considered by MPAC are referred to it by Council and after scrutinising them and conducting investigations where necessary, recommendations are referred to Council for decision making. It is chaired by a part time Councillor and none of the members are executives.

### Portfolio Committees

The following Portfolio Committees have been established in terms of section 79 of the Municipal Structures Act No.117 of 1998 for the effective and efficient performance of any council's functions or exercise of any of its powers. The committees are chaired by the full time chairpersons who are members of the Mayoral Committee. They are created in such a way that they link with the municipal departments and functions.

PORFOLIO COMMITTEE	CHAIRPERSON
Engineering & Technical Services	Cllr. Pitso Seepamere
Community Services	Cllr. Boitumelo Setlhabetsi- Mokone
Economic Development Tourism & Agriculture	Cllr. Solly Matobo
Budget & Treasury	Cllr. Grace Masilo
Corporate Services	Cllr. Lebogang Jacobs
Planning & Development	Cllr. Lydia Duiker

## **POLITICAL STRUCTURE**

### **MAYOR**



### **SPEAKER**



The functions of the Speaker are set out in sec 37 of the Municipal Structure Act as follows:

- Presides at the meetings.
- Performs the duties and exercise the powers delegated to the speaker by the council.
- Must ensure the council meets at least quarterly.
- Must maintain order during council meetings.

**MAYORAL COMMITTEE/ EXECUTIVE COMMITTEE**



Cllr Boitumelo Setlhabetsi Mokone - Community Services



Cllr Grace Masilo – Finance



Cllr Solly Matobo – EDTA



Cllr Lebogang Jacobs – Corporate Services



**Cllr. S. Seepamere: MMC  
Engineering & Technical Services**

Cllr Pitso Seepamere – Engineering & Technical services



**Cllr. L. Duiker: MMC  
Planning & Development**

Cllr Lydia Duiker – Planning & Development

The Executive Mayor is elected by Council in terms of section 55 of the Municipal Structures Act No.117 of 1998. Amongst others, the Executive Mayor receives reports from the portfolio committees for consideration and forward these reports together with recommendations to the council when the matter cannot be disposed of by the Executive Mayor in terms of Executive Mayor's delegated powers. The Executive Mayor approves Service Delivery Budget Implementation Plan (SDBIP) and submits it to Council for noting.

**The following reports are legislated and tabled by the Executive Mayor to Council for approval.**

- Integrated Development Plan (IDP)
- Annual Budget
- Tables within 30 days of the end of each quarter report on the implementation of the budget and the Financial state of affairs of the municipality (Section 52(d) of MFMA)
- Report on the appointment of the Municipal Manager after finalisation of the recruitment and selection Process
- The Executive Mayor also chairs Budget Steering Committee

**COUNCILLORS AS AT 30 JUNE 2022**

Dr Ruth Segomotsi Mompati District Municipality has 31 Councilors, 13 out of them are directly elected and 19 are seconded by their respective Local Municipality.

DIRECTLY ELECTED	SECONDED FROM LOCAL MUNICIPALITIES
Cllr. Kgalalelo Gloria Sereko Cllr. Boitumelo Setlhabetsi Mokone Cllr. Leboganag Judy Mothibi Cllr. Motseokae Alphenus Maje Cllr. Solly Thabiso Matobo Cllr. Wydman Joseph Dibakwe Cllr. Coenrand Petrus Herbst Cllr. Meriam Mosadiwapula Ntjilo Cllr. Tebogo Alfred Babuile Cllr. Thapelo Sylverster Phokoje Cllr. Gaolatlhe Kgabo Cllr. Choganyetso Elvis Tladinyane (Diseased) NB: Cllr Mkhandawiri Mikel Replaced Cllr Elvis	Cllr. Boitshwarelo Puso (Taung) Cllr. Grace Keoneeng Nthebotsenyane (Kagisano) Cllr. Kealeboga Michael Lekgotla (Kagisano) Cllr. Lebogang Charles Jacobs (Naledi) Cllr. Nobakhe Grace Masilo (Mamusa) Cllr. Patricia Lerato Babuseng Cllr. Rebecca Molehe Cllr. Seeppapitso Seepamere (Taung) Cllr. Thabang Jerry Thetswe (Kagisano) Cllr. Boniswa Mercia Nkewu (Taung) Cllr. Jacque Kgomotso Masilo Cllr. Keitumetse Confidence Rooibatjie Cllr. Mosimanethebe Ernest Arabang Cllr. Nontombi Patience Tunyiswa Cllr. Revonia Loeto Modise Cllr. Modisaotsile Sylvia Morapedi-letele (Taung) Cllr. Lydia Duiker (Lekwa-Taemane) Cllr. Loeto Modise

### **INTRODUCTION TO ADMINISTRATIVE GOVERNANCE**

In terms of Part 7 Section 82 of the Municipal Structures Act 117 of 1998 as amended the municipality must appoint the Municipal Manager who is the head of administration and therefore the Accounting Officer. In terms of Section 55 of the Municipal Systems Act, 32 of 2000 (as amended) the Municipal Manager as head of administration is subject to policy directives of the municipal council responsible for the formation and development of an efficient, economical, effective and accountable administration and must manage the municipality in accordance with all legislation and policies pertaining to Local Government.

In terms of section 50 of the Municipal Systems Act 32 of 2000 as amended, the Council in consultation with the Municipal Manager must appoint managers who are directly responsible to the Municipal Manager who must have relevant and requisite skills and expertise to perform the duties associated with the posts they each occupy.

According to our organogram, the Municipal Manager is the Accounting Officer of the District Municipality and is supported by seven (7) Senior Managers and their appointments are for a fixed term. The Municipal Manager is also accountable for all the income and expenditure and all assets as well as the discharge of liabilities of the municipality including proper and diligent compliance with the Municipal Finance Management Act, 53 of 2003. Each Senior Manager who reports directly to the Municipal Manager are delegated the functions which the Municipal Manager may delegate to them and are responsible for all those matters delegated to them including financial management as well as discipline and capacitating of officials within their areas of responsibility and compliance to all legislation governing Local Government, its policies and By-laws.

The Senior Managers forms the Senior Management Team and they are all accountable to the Municipal Manager in terms of strategic management and oversight of their departments. All budget expenditures in each department are managed by the Senior Manager in order to ensure that service delivery matters are handled promptly.

Designation	Function
<b>Municipal Manager</b>	<p>Forming and developing an economic, efficient and accountable administration;</p> <p>Implementing and managing the District Municipality's performance management system;</p> <p>Coordinating and implementing the District Municipality's IDP;</p> <p>Managing the Municipality's administration in accordance with the Constitution, the Local Government Structures Act, the Municipal Systems Act, the Municipal Finance Management Act and all other national and provincial legislation applicable to the District Municipality;</p> <p>Managing provision of services to the local community in a sustainable and equitable manner;</p> <p>Facilitating participation of the local community in the affairs of the District Municipality;</p> <p>Developing and maintaining a system to assess community satisfaction with Municipal Services;</p> <p>Appointing, managing, effectively utilizing and training staff and maintaining staff discipline;</p> <p>Promoting sound labour relations and compliance by the District Municipality with applicable labour legislation;</p> <p>Advising political structures and political office bearers of the District Municipality, managing communications between them, administering, implementing council resolutions and carrying out their decisions;</p> <p>Administering and implementing the District Municipality's by-laws and other legislation;</p> <p>Being responsible for all income and expenditure of the District Municipality, all assets, the discharge of all liabilities of the District Municipality and proper and diligent compliance with applicable Municipal Finance Management legislation.</p> <p>Implementing strategic goals of the District Municipality through co-operation and innovative</p>
<b>Chief Financial Officer</b>	<p>Reporting directly to the Municipal Manager on key departmental activities. Overall management of the Budget &amp; Treasury Office/Department. Implement the Integrated Development Plan (IDP) as well as strategic goals of the Budget &amp; Treasury Office/Department.</p> <p>Implement departmental Service Delivery Budget Implementation Plan (SDBIP).</p> <p>Develop and implement key strategic / business plans including Supply Chain Management, Revenue Management, Expenditure Management and Budget &amp; Reporting.</p> <p>Prepare and implement municipal budget.</p> <p>Prepare Annual Financial Statements and other mandatory financial management reports.</p> <p>Manage Departmental budget, human resources &amp; other resources in accordance with local government legislation;</p>



Designation	Function
	<p>Establish, operate and maintain support structures, processes and systems; Direct and control key deliverables and outcomes for the department; Liaise with internal and external stakeholders;</p> <p>Facilitate stakeholder participation and involvement;</p> <p>Ensure legislative, regulatory, policy, practices and operating standards compliance;</p> <p>Management and monitoring of all income, expenditure, assets and Liabilities; Cash-flow management;</p> <p>Ensure implementation of GAMAP &amp; GRAP Standards;</p> <p>Ensure the development of appropriate Strategies, Policies and plans for all relevant areas in the Department linked to the IDP and that will also have a measurable positive impact on the financial performance;</p> <p>Develop and implement Supply Chain Management Policy, specific procedures, systems and controls;</p> <p>Ensure timely preparation of Budget and Financial Statements; Implement all financial policies and ensure they comply with applicable legislation and National Treasury Regulations.</p>
<p><b>Engineering &amp; Technical Service</b></p>	<p>To manage the Engineering, PMU and Town Planning Department of the municipality.</p> <p>Assist the CFO to compile annual projects budgets</p> <p>To assist the Council to draw up and implement annual strategic plans</p> <p>To ensure compliance by all Water Service Providers</p> <p>Ensure water and sewer effluent quality compliance to adhere to the Department of Water Affairs (DWA) Blue Drop and Green Drop requirements respectively.</p> <p>Ensure implementation of the council Free Basic Services (FBS) Policy.</p> <p>Ensures that all required licensing and permitting of all raw water abstraction and sewer effluent will be done and upheld.</p> <p>Ensure that Water Service development Plan (WSDP), By-Laws and tariffs are regularly updated.</p> <p>Approve technical reports of water, sanitation and roads projects in alignment with respective Municipal IDP's and Regional provincial Growth and Development Plan.</p> <p>Ensure that all projects are implemented using the EPWP principles.</p> <p>Ensures compliance to all legal aspects and conditions, required from different spheres of Government.</p> <p>Manage all contract administration of all projects implemented by council.</p> <p>Manage and control the approved budget of engineering department.</p> <p>Be prepared to serve on the Bid Adjudication Committee or Bid Evaluation Committee as and when required by the Municipal Manager.</p> <p>Maintain Project Performance data on a National Database.</p>
<p><b>Snr Manager: Corporate Service</b></p>	<p>Managing and controlling various line functions within the Directorate which include general administration, Human Resources, Council Support, Corporate strategy, Information Technology and Communications, and Security Services;</p> <p>Leading, directing and managing staff within the Department so that they are able to meet their objectives;</p> <p>Staff control and discipline;</p> <p>Rendering Support by advising and overseeing all matters of procedures relating</p>

Designation	Function
	<p>to minutes and resolutions of the Council Committees;</p> <p>Planning, organising, coordinating and controlling the activities of management and administration section;</p> <p>Providing administrative support to political Office-bearers;</p> <p>Managing and controlling the compilation and execution of the departmental capital and operating budget;</p> <p>Executing any function delegated by the municipal Manager in terms of powers and delegations in the relevant legislation and related to the functions of this post;</p> <p>Administering records/archives registry, skills development, legal matters and employment Equity;</p> <p>Overseeing the execution of the IDP Programmes attached to the Department and monitoring individual performance management;</p> <p>Developing, implementing Collective Agreements and managing strategic goals, policies, procedures and plans; aligned with strategic goals of the district municipality through cooperation and innovation teamwork;</p> <p>Ensuring proper administration of Council delegation System;</p> <p>Providing secretarial services to Council and its Committees</p>

<p><b>Chief Audit Executive</b></p>	<p>Establish policies and procedures for the District Internal Audit Shared Services, manage audits and administrative functions in the District Municipality and its Locals; Ensure that all Local Municipalities within the district comply with the relevant legislation;</p> <p>Manage the compilation of the strategic and annual plans in relation to the IDP, Perform continuous risk assessment for the entire district;</p> <p>Conduct special investigations at the request of management and municipal councils of respective municipalities;</p> <p>Report to the Municipal Managers and Shared Service Audit Committee; Audit projects and performance of the district municipality and its locals;</p> <p>Assist municipalities in the implementation and upgrading of internal controls for quality assurance,</p> <p>Liaison at executive level with relevant stakeholders;</p> <p>Manage the directorate budget planning, implementation and budget review to support priorities and the deliverables.</p>
<p><b>Snr Manager EDTA</b></p>	<p>Promotion of Local Economic Development and Agricultural organizations, Promote and market tourism attraction centers</p>
	<p>Tourism establishments as well as communities in the district to implement and manage development oriented, achievement driven community projects in an affordable, sustainable and accountable manner.</p> <p>Managed departmental personnel;</p> <p>Develop and manage LED, Agricultural and Tourism strategies in line with DGDS, PGDS, NSGS, ASSGISA and JIPSA. Prepare and submit reports on EDTA department's Service Delivery and Budget Implementation Plan (SDBIP). Implement adequate community participation strategies,</p> <p>Source advisory services from economic advisory bodies and link them with SMMEs and community organizations.</p> <p>Maintain and improve current service delivery mechanism.</p> <p>Source funding for economic development projects through donors and investors.</p>

Designation	Function
	Facilitate partnerships between investors, donors and business community in the district.
<b>Snr Manager: Community Service</b>	<p>To provide strategic management and leadership to the Department that includes, Municipal Health Services, Disaster Management and Fire Fighting services to the entire district;</p> <p>Ensure co-ordination, integration and uninterrupted provision of Community Services;</p> <p>Integrate service delivery in the context of Council's IDP and oversee implementation;</p> <p>Participate in the IDP, SDBIP and Budget processes of the district municipality;</p> <p>Establishing a partnership with Governmental and non-Governmental stakeholders/role players dealing with environmental health, fire and public disasters;</p> <p>Manage the directorate budget planning, implementation and budget review to support priorities and the deliverables; update Council's by-laws and relevant policies.</p>

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

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

Chapter three of the Constitution of the Republic of South of 1996 is an overarching legislative tool used to guide and provide detailed pieces of legislation like Municipal Systems Act, section 3, Municipal Structures Act, section 88 and the Intergovernmental Relations Framework Act, Act 13 of 2005. All spheres of government must observe and adhere to the principles of chapter three of the Constitution and must conduct their activities within the parameters that the chapter provides.

Section 41(1) (h), require the spheres of government to co-operative with one another in mutual interest and good faith by: -

- Fostering friendly relations
- Assisting and supporting one another
- Informing one another of, and consulting one another on matters of common interest
- Coordinating their actions and legislation with one another
- Adhering to the agreed procedures and
- Avoiding legal proceedings against one another.

The above legislative requirements are binding to the three spheres to enable government to provide sustainable basic services to communities as outlined in the following legal developmental documents:

- National Development Plan (NDP)
- Provincial Development Plan (PDP) and the
- Integrated Development Plan (IDP).

The legislative mandate of Dr Ruth Segomotsi Mompati District Municipality in terms of powers and functions is mainly provision of Water and Sanitation to the community of the District. Our key focus mostly is to mobilise resources across the three spheres of government and private sector to provide the service and support to our family local municipalities. The Municipality has been participating in relevant Intergovernmental Relations structures across the spheres of government including reporting on "Back to Basics".

Government has a responsibility to provide sustainable service delivery to its communities for purposes of creating a "better life for all" as guided by the manifesto of the ruling party, the African National Congress. The division of powers and functions across the three spheres of government provide/allocate each sphere with a set of services/functions to perform, guided by chapter three of the Constitution which deals with Co-operative Governance and Intergovernmental Relations. Central to all these services is that they are provided to communities in a certain local municipality. This means the three spheres of governmental are serving the same client (the community).

The National Development Plan, vision 2030 (NDP) is a guiding national developmental framework form which the development of the Provincial Development Plan (PDP) and Municipal Integrated Development Plan (IDP) are expected to complement and translate into practical implementation in the form of sustainable service delivery to communities. The three spheres of government are required to

**Achieve the below twelve (12) outcomes accordingly in line with their powers and functions as derived from the NDP:-**

- Improve quality of basic education.
- Long healthy life for all South Africans.
- All people in South Africa are and feel safe.
- Decent employment through inclusive economic growth.
- A skilled and capable workforce to support an inclusive growth path.
- An efficient, competitive and responsive economic infrastructure network.
- Vibrant, equitable and sustainable rural communities with food security for all.
- Sustainable human settlement and improved quality of household life.
- A responsive, accountable effective and efficient local government system.
- Environmental assets and natural resources that are well protected and continually enhanced.
- Create a better South Africa and contribute to a better and safer Africa and World.
- An efficient, effective and development oriented public service and empowered fair and inclusive citizenship.

For the above services to be enjoyed by communities' co-operative governance and intergovernmental relations must be observed and complied with by three spheres. In addition, section 154(1) of the Constitution of the republic assures municipalities that national and provincial governments by legislative and other measures, MUST support and strengthen the capacity of municipalities to manage their affairs, to exercise their powers and to perform their functions. In exercising its executive and legislative authority within the constitutional system of co-operative governance as envisaged in the Constitution section 41 and section 3 of the Municipal Structures Act, the Dr. Ruth Segomotsi Mompati District Municipality have been fully participating in all Intergovernmental Relations platforms across the three sphere as further outlined below.

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### 2.3 INTERGOVERNMENTAL RELATIONS

The National Development Plan, vision 2030 (NDP) is a guiding national developmental framework from which the development of the Provincial Development Plan (PDP) and Municipal Integrated Development Plan (IDP) are expected to complement and translate into practical implementation in the form of sustainable service delivery to communities. The three spheres of government are required to achieve the objectives of the NDP, PDP and the IDP of municipalities in the country to better the life of the community. The current sixth administration in support to the NDP, PDP and the IDP of municipalities introduced a comprehensive approach to deal with silo planning and implementation of government programs by introducing the District Development Model (DDM) “One Plan” which Dr. Ruth Segomotsi Mompati District is fully engaging its stakeholders to fulfill the cabinet decision as announced by the President of the country His Excellency President Matamela Cyril Ramaphosa.

For the above services to be enjoyed by communities’ co-operative governance and intergovernmental relations must be observed and complied with by three spheres. In addition section 154(1) of the Constitution of the republic assures municipalities that national and provincial governments by legislative and other measures MUST support and strengthen the capacity of municipalities to manage their affairs, to exercise their powers and to perform their functions. In exercising its executive and legislative authority within the constitutional system of co-operative governance as envisaged in the Constitution section 41 and section 3 of the Municipal Structures Act, the Dr. Ruth Segomotsi Mompati District Municipality have been fully participating in all Intergovernmental Relations platforms across the three sphere.

## **NATIONAL INTERGOVERNMENTAL STRUCTURES**

Co-operative Governance and Intergovernmental Relations protocol required the three spheres of government to work as a team and always be in consultation with each other for purpose of alignment of government plans and priorities. The deployment of both Deputy Ministers of Home Affairs and Environment, Forestry and Fisheries as DDM champions, created a conducive platform and environment for government developmental plans and programs to be well-coordinated, implemented, monitored and evaluated. The political will of the DDM champions in the District is an indication that Dr. Ruth Mompoti District Municipality.

The country went under national lockdown in the last two years as a result of the COVID-19 Worldwide pandemic and now after setting aside lockdown regulations, the District is steadily re-positioning itself to revive economic activities through IGR. For Dr. Ruth Segomotsi Mompoti District, there is an active technical and political DDM structures which always have engagement sessions with other spheres of government and institution led by national DDM champions in a quest to re-imagine and re-position the economic activities in the District. Through IGR the current 2022-2027 five year IDP document does have an annexure of the DDM catalytic projects for major shift in infrastructure to create job opportunities. The District is currently participating at national IGR structures through the deployed DDM champions. Cabinet and parliament got presentations through DDM champions. It must be indicated that this District due to its best practice on DDM, it is used as a case study at national level.



## **PROVINCIAL INTERGOVERNMENTAL STRUCTURE**

With the following departments of the Dr. Ruth Segomotsi Mompati District, Engineering, Budget and Treasury, Community Services, Economic Development, Tourism and Agriculture, Planning and Development, Cooperate Services and Internal Audit the District have been participating in the provincial intergovernmental relations structures to ensure that communities in the district does receive services as required and mandated by legislation at administrative level.

It must be noted that since the national lockdown of the country as a result of COVID-19 Pandemic, co-operative governance and intergovernmental relations (IGR) activities have been extended by the establishment of the command councils across the three spheres of government. The interaction between the district and the province as one of the spheres has tremendously improved and support in a number of activities have been provided by provincial departments to the communities of the district.

One can mention the vaccination program that has swept the District and convincing number of people across age group managed to vaccinate. Strengthening of IGR through DDM has also contributed positively in the coordination of government activities in the District. DDM meetings have been held almost monthly and service delivery blitz have been rendered throughout the District.

## **DISTRICT INTERGOVERNMENTAL STRUCTURES**

The District Development Model (DDM) as announced by President Cyril Ramaphosa for the sixth administration assisted in unlocking development bottlenecks and embedding monitoring and evaluation at the local instead of provincial and national government departments. As one of the forty-four (44) in the country, the District has already started the process with the involvement of all stakeholders in the district by submitting information on profiling as the first phase of developing one plan.

Currently the District managed to develop the DDM One Plan wherein local municipalities and sector departments fully participated with the support of officials from offices of the both deputy ministers of Home Affairs and Environment, Fisheries and Forestry. IGR structures in the District have been participating in this process for the year under review. Below table indicate a true reflection of the participation of the IGR structures in the District to change the life of its community.

The District IGR structures were unfunctional in the 2022 2023 financial year

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### Overview

Community participation in local government affairs gives expression to the democratic principles and values of our Constitution and the political rights of the individual as entrenched in section 19 of the Constitution of the Republic of South Africa, 1996.

The Municipal Council encourages participation of the community and community organizations in local government matters and adheres to the democratic values and principles as enshrined in the Constitution of the Republic of South Africa, 1996 which governs the public administration.

Public participation is a principle that is accepted by all spheres of government in South Africa. Participation is important to make sure that government addresses the real needs of communities in the most appropriate way.

Public participation also helps to build an informed and responsible citizenry with a sense of ownership of government developments and projects. It allows municipalities to get buy-in and to develop partnerships with stakeholders.

The Municipal Council encourages participation of the community and community organizations in the local government matters and to adhere to the democratic values and principles as enshrined in the Constitution of the Republic of South Africa, 1996 which governs the public administration through:

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

**COMMUNICATION, PARTICIPATION AND FORUMS**

**COMMUNICATIONS**

Communication is a two-way process in which there is an exchange of thoughts, opinions, or information by speech, writing, or symbols towards a mutually accepted goal or outcome. "Purpose of effective communication is sustaining the on-going work with maximum efficiency" Communication will help build good relationships with team members, sponsors, and other key stakeholders, to increase the likelihood of project or any activity success.

The Council also responds to the people's needs and encourage the public to participate in policy-making through IDP Representative Forums and other intergovernmental Forums established by different departments within Dr Ruth S Mompoti District Municipality.

The Council fosters transparency by providing the public with timely, accessible and accurate information by publishing information in the local newspapers, using three predominant official languages of Setswana, Afrikaans and English. From time to time the municipality makes use of radio broadcast to spread service delivery-oriented messages to communities. The Municipal Council also engages the community through consultation in matters such as the IDP, budget, performance management, provision of services etc.

A key part of the municipality's annual plans should be how to communicate all this to the people and how to involve them in decisions or as partners. The municipality has developed public participation (where is the strategy?) and communication strategies. The municipality has developed the Communications Strategy that needs to be reviewed on annual basis in order to communicate and reach all citizens of the region. . The empowerment of Unit employees is very crucial taking into consideration that the environment in which they operate in is not statics but always changing with government transitional periods. E.g there are always reviews on government policies and programmes, though communicators must know and understand that before it being communicated to the public.

Both strategies take into consideration the approved IDP, MTREF Budget and the SDBIP and set out where and how communication and public participation should play a role to ensure that information is disseminated effectively to the public. The communication strategy is used to ensure that the Council provides regular report back and accounts to the communities about Council's decisions, plans and budgets. It ensures that the public is informed about new services, developments and policies and as such provides a platform for the communities to be partners for the delivery of government services.

The District Municipality has established the District Communicators Forum and Local Communicators Forums. As we are no more living in analog age but on digital world, the District Municipality must exploit every opportunity to communicate with the public by utilizing social media. Social Media is a good tool that can be used to convey important information to all stakeholders and it must be noted that updates should be done regularly. The District Municipality's Facebook page is "Dr RSM District Municipality."

On corporate identity and branding, there is a need for bigger budget in order to undertake the branding of the entire District Municipality Offices.

Our current communication initiatives are our News Updates which covers the programmes and projects undertaken by the District Municipality. As the News Updates are on Web page format the Unit design and issue them at least twice a month in order to replace the previously launched the District Municipality External Newsletters issued twice a year.

The District Municipality has established the Communicators Forum and Editors Forum. Our current communication initiatives are our external newsletters issued twice a year and internal issued twice a year. There are also Executive Mayoral outreach programmes where the Executive Mayor in his capacity visits communities to listen to their needs and challenges they are encountering in their different villages. We have also hosted the District Budget Speech Address where all stakeholders attended and commented in the budget speech. The benefit of these processes is to provide Executive Mayor, Councillors and administrative arm with an opportunity to interact with communities so as make informed decisions.

The council also respond to the people's needs and encourage the public to participate in policy-making through IDP Representative Forums. The Council fosters transparency by providing the public with timely, accessible and accurate information by publishing information in the local newspapers using three predominant officials' languages of Setswana, Afrikaans and English. From time to time the municipality make use of radio broadcast to spread service delivery-oriented messages to the community

To strengthen and heighten the communications between the Municipality and the public, the District Municipality Communications has given a task to communicate more and often on municipal owned billboards in order to attract tourists who usually pass within the district. The District Municipality's website ([www.drsm.gov.za](http://www.drsm.gov.za)) is up and running, reaching more internal and external stakeholders.

## **WARD COMMITTEES**

Ward Committees are managed by respective Local Municipalities and the District Municipality assist in coordinating trainings to the Ward Committees. A Ward Committee is established in each ward in order to assist and advise Ward Councillor with regard to service delivery matters and further improve public participation. Ward Committees are mainly advisory committees which can make recommendations on any matter affecting the ward within a municipality. The Municipal Council makes the rules that guide Ward Committee Members, how often should meetings be held and the circumstances under which a member of a Ward Committee can be removed.

The purpose of a Ward Committee is to:

- Get public participation from the community in order to inform council decision making,
- Make sure that there is more effective communication between the council and the community,
- Assist the ward councillor with consultation and report-back to the community and
- Advise the ward councillor on service delivery and developmental projects in the community.

### **Structure of Ward Committee:**

A Ward Committee consists of a Ward Councillor as elected in the local government elections and a maximum of 10 people from the Ward who are elected by the community they serve. The Councillor is the Chairperson of the Ward Committee. Members of the Ward Committee must participate as volunteers and are only getting stipends.

### **Roles and Responsibility of the District Municipality**

The District Municipality has to play its legislative role in supporting and monitoring the Ward Committees through the Office of the District Speaker.

### **List of Local Municipalities**

1. Kagisano Molopo Local Municipality - 15 wards
2. Naledi Local Municipality – 10 wards
3. Lekwa-Taemane Local Municipality – 08 wards
4. Mamusa Local Municipality – 9 wards
5. Greater Taung Local Municipality – 24 wards

## 2.5 IDP PARTICIPATION AND ALIGNMENT

<b>IDP Participation and Alignment Criteria*</b>	<b>Yes/No</b>
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

**Participation is one of the cornerstones of our democracy and has equal benefits for politicians, officials and civil society:**

1. Consultation will help council make more appropriate decisions based on the real needs of people.
2. The more informed people are, the better they will understand what government is trying to do and what the budget and resource limitations are.
3. Councillors can only claim to be accountable if they have regular interactions with the people they represent and if they consult and report back on key council decisions.
4. Government cannot address all the development needs on its own and partnerships are needed with communities, civil society and business to improve service delivery and development.

### **2020/2021 ANNUAL REPORT IDP PROCESSES**

**Our District comprise of five families of local municipalities namely:-**

<b>Municipality</b>	<b>Number of wards</b>
Greater Taung Local Municipality	24
Kagisano-Molopo Local Municipality	15
Naledi Local Municipality	10
Mamusa Local Municipality	09
Lekwa-Teemane Local Municipality	08

### **Meetings of the IDP**

IDP steering committee meetings were held in line with the IDP process plan to prepare for the IDP review process and preparations for the following financial year. As required by the process plan stakeholder consultations were conducted throughout the District despite COVID-19 pandemic. The District decentralized the program by clustering local municipalities during its District –Wide IDP representative form meetings. A joint District IGR and IDP meetings were held on the 19<sup>th</sup> May 2021 for Kagisano-Molopo and

The outcome of the above processes led by the Executive and the Speaker were presented to council as part of the adoption of the IDP review process and or adoption for the following financial year as required by leg

The Municipality has fully complied with the aforesaid development planning prescripts. The 2022-2023 IDP/Budget Process Plan was approved by Council on the with milestones and activities towards approval of the reviewed 2021/2022 IDP.

The composition and responsibilities of each of the above-mentioned structure are outlined in the approved IDP/Budget Process Plan.

The Planning & Development is responsible to ensure that there is efficient and effective compliance with legislative imperatives such as IDP, Public Participation, PMS and other applicable laws. In addition, they perform strategic planning, facilitation, reporting and provide advice and support internally and externally which in most cases is demand-driven.

Section 27 (1) & (2) of the Municipal Systems Act Mandates District Municipality to adopt a framework for Integrated Development Planning that binds both the District and the local municipalities in the area of the district municipality as a whole;

Section 28 of the Municipal Systems Act mandates municipal council to adopt a process set out in writing to guide the planning, drafting, adoption and review of municipal integrated development plan (IDP); and Section 21 of the MFMA mandates municipalities to prepare time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget and the annual review of the IDP.

The Municipality has fully complied with the aforesaid development planning prescripts. The 2022/23 IDP/Budget Process Plan was approved by Council on the with milestones and activities towards approval of the reviewed 2023/2024 IDP.

The composition and responsibilities of each of the above-mentioned structure are outlined in the approved IDP/Budget Process Plan.



## PLANNING

### Town & Regional Planning

The Unit is responsible for Spatial Planning in line with Chapter 4 of the Spatial Planning and Land Use Management Act (SPLUMA), Act 16 of 2013 along with providing support to constituent local municipalities with the implementation of SPLUMA.

The Municipality reviewed its Spatial Development Framework in the 2021/22 financial year.

The Unit also includes a Geographic Information Systems (GIS) section which is responsible for storing spatial information within the Municipality and assist in surveying of completed infrastructure projects. In the past financial year 2021/22 the played an active role in assisting the Office of the Premier with the development of a provincial GIS Strategy.

The Dr Ruth Segomotsi Mompati District Municipality (herein referred to as the District or DRSM) is a Category C municipality located in the North West Province and it comprises the following local municipalities:

- Naledi Local Municipality,
- Greater Taung Local Municipality,
- Kagisano-Molopo Municipality,
- Mamusa Local Municipality, and
- Lekwa-Teemane Local Municipality

The District is predominantly rural with a population that is situated in more than 470 villages and towns dispersed in a 250km radius (approximately 50km north to south and 200km east to west).

- Amalia
- Bloemhof
- Christiana
- Piet Plessis
- Pomfret
- Pudimoe
- Reivilo
- Schweizer-Reneke
- Stella
- Taung, and
- Vryburg

### Integrated Development Planning

The IDP unit is responsible for ensuring compliance with implementation of Chapter 5 of the Systems Act, especially compliance with Section 25 by identifying with the key deliverables and immediate goals detailed in the Council's IDP in respect of the communication, investment, tourism and agricultural dimensions of local economic development.

#### Performance Management System

The PMS Unit was responsible for the implementation of PMS in line with the Municipal Systems Act (MSA) 2000 which requires municipalities to establish a performance management system, the Municipal Finance Management Act (MFMA) which requires that the IDP to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP). The following were achieved during the financial year

- The Executive Mayor approved the SDBIP within 28 days of adoption of budget as legislated
- The Municipal Manager and Manager reporting directly to Municipal Manager (Section 56 Managers) their performance agreements.



## OVERVIEW OF CORPORATE GOVERNANCE

Cooperative governance is the set of processes, practices, policies, laws and stakeholder affecting the way an institution is directed, administered or controlled. Corporate Governance also includes the relationship among the many stakeholders involved and the goals for the institution is governed and is also governed by King iv Code of Practice applicable to local government sphere.

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### 2.6 RISK MANAGEMENT

#### ***Risk Governance***

The Dr. Ruth S. Mompoti District Municipality has adopted the Risk Management Manual 2019/2020 on 12 March 2020, Council Resolution 34/2019/2020. which consists of the Risk Management Framework, Policy, Strategy and Committee Charter. This forms the uniformed standard to be used in all Municipalities within the District.

The Dr. Ruth S. Mompoti District Municipality has adopted the Fraud Prevention Manual 2019/2020 on 12 March 2020 Council Resolution 34/2019/2020 which consists of the Fraud and Anti-Corruption Policy, Fraud Prevention Plan, Anti-Corruption Strategy, Whistleblowing Policy and Ethics Policy and Committee Charter. This forms the uniformed standard to be used in all Municipalities within the District.

The Dr. Ruth Segomotsi Mompoti District Municipality's Risk Management Unit is a Shared Services which renders support for Risk Management in terms of Section 88 of the Municipal Systems Act, 32 of 2000 to all Municipalities within the District jurisdiction. The Shared Services was adopted and became functional in 2015/2016. The Shared Services are rolled out to Greater-Taung, Kagisano-Molopo, Lekwa-Teemane and Mamusa Local Municipalities

The Risk Management Unit facilitates and co-ordinate with the Management team (Section 56 and Unit Managers) to review the risk register annually and update this risk registers quarterly and develops a risk management strategy to direct the institution's risk management priorities. The Risk Registers are aligned to each Department's Key Performance Targets.

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

The Risk Management Unit also maintains the consolidated Institutional Risk Register and reports thereon. The District Risk Management, Fraud and Anti-Corruption Committee Shared Services, was launched in August 2015 and serves as a District Forum. The Risk Management, Fraud and Anti-Corruption Committee provides governance oversight over the entire system of risk management and furnishes the Audit and Performance Committee, the Accounting Officer and Council with reports of its findings and recommendations. The Risk Management, Fraud and Anti-Corruption Committee provides independent oversight over the system of risk management, through the appointed Independent Chairperson and/or Committee.

### ***Risk management process***

During the period under review, Dr. Ruth S. Mompoti District Municipality compiled an assessment register on Institutional Strategic Risks 2022/2023, before end of May 2022.

The Risk Assessment based on the Departmental was facilitated and co-ordinated before end of June 2021. The first (Departmental) updated of the Risk Registers was conducted before end September 2021. The second (Departmental) updated of the Risk Registers was conducted before end of December 2021 and the third (Departmental) updated of the Risk Registers was conducted before end of March 2021.

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

The content of this Risk Assessment and quarterly Risk Updates 2022/2023 represent the participant's interpretation and perception of the nature and quantum of the risks impacting their respective Municipality and/or Agency and/or Department and/or Unit. The quality of the results therefore depends on the knowledge, experience and quality of input of the participants (risk owners)

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

### ***Impact on institutional performance***

During the period under review, Dr. Ruth Segomotsi Mompoti District Municipality's Risk Management Fraud and Anti-Corruption Committee and Risk Management unit assessed the effectiveness of its system of risk management.

The areas requiring improvement are receiving the required attention. The Dr. Ruth S. Mompoti District Municipality risk management efforts are contributing positively Municipality performance. On a residual basis, meaning that after mitigating actions were taken, Dr. Ruth

S. Mompoti District Municipality risk profile based on the main categories of risk is as follows:

<b>No.</b>	<b>Area</b>	<b>Inherent</b>	<b>Status</b>	<b>Residual</b>	<b>Status</b>
1	Institutional Strategic Risk	25	Maximum	23	Maximum
2	Engineering (Non-Compliant) (Contravention MFMA)	No submission	No submission	No submission	No submission
3	Corporate Services	20	Maximum	18	Maximum
4	EDTA	25	Maximum	18	Maximum
5	Planning and Development	20	Maximum	18	Maximum

<b>6</b>	Budget and Treasury Office	20	Maximum	16	High
<b>7</b>	Internal Audit	16	High	13	High
<b>8</b>	Community Services	25	Maximum	16	High
<b>9</b>	Office of the MM	25	Maximum	23	Maximum
<b>10</b>	ICT	25	Maximum	23	Maximum

**No Submission: No information received from the Risk Owner and/or**

**Department Key:**

	<b>Extreme risk</b>
	<b>High risk</b>
	<b>Moderate risk</b>
	<b>Low risk</b>
	<b>Minimum risk</b>

### ***Risk Management Fraud and Anti-Corruption Committee***

Dr. Ruth Segomotsi Mompoti District Municipality has established a Risk Management Fraud and Anti-Corruption Committee in terms of the Local Government: Municipal Finance Management Act 56 of 2003. The Risk Management Fraud and Anti-Corruption Committee is guided by the Committee Charter in conjunction with the Public Sector Risk Management Framework from the National Treasury Department and the adopted Risk Management Manual 2019/2020. The committee operates under terms of reference as per adopted Dr. Ruth Segomotsi Mompoti District Risk Management Fraud and Anti-Corruption Charter.

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

The Risk Management Fraud and Anti-Corruption Committee is a district forum with standing members representing each municipality (five) within the Dr. Ruth S. Mompoti District Municipal jurisdiction. The Committee is chaired by an appointed external professional expert who also represents the Risk Management Fraud and Anti-Corruption Committee at the Audit and Performance Committee. The Risk Management Fraud and Anti-Corruption Committee meet on a quarterly basis and the members, as a collective, shall possess the blend of skills, expertise and knowledge of each Municipality, including familiarity with the concepts, principles and practice of risk management, such that they can contribute meaningfully to the advancement of risk management within their respective Municipalities.

The statutory quarterly meetings of the Dr. Ruth S. Mompoti District Municipality Risk Management Fraud and Anti-Corruption Committee (FARMCO) were scheduled as follows:

- a) Risk Management Assessment (Period 1 July – 30 September 2022) held on the 11<sup>th</sup> August 2022; (Meeting did not quorate. Only Chairperson, Risk Management Unit and two members were present. Not Accounting Officer);
- b) 1<sup>st</sup> Updated Risk Management Report (Period 1 October – 31 December 2022) held on the 20<sup>th</sup> November 2021 (Meeting did not quorate Only Chairperson, Risk Management Unit and four members were present. No Accounting Officer);
- c) 2<sup>nd</sup> Updated Risk Management Report (Period 1 January – 31 March 2023) held on the 2<sup>nd</sup> February 2022 (Meeting quorate Accounting Officer not present);
- d) 3<sup>rd</sup> Updated Risk Management Report (Period 1 April – 30 June 2023) held on the 19<sup>th</sup> April 2023 ((Meeting quorate Accounting Officer not present);

The Chairperson of the Risk Management Fraud and Anti-Corruption Committee (FARMCO) could not table the reports at the Audit and Performance Committee due that this Committee was not functional. None of the Risk Management Reports were tabled and adopted by Council for the year under review.

**Overview**

The SCM Unit is established in terms of Chapter 11 of the MFMA and is operating from a centralized point. Capacitation of the unit is an ongoing process with the main goal being to ensure that all the procurement processes support service delivery. Timeous turnaround times are a priority number one for the SCM Unit, while ensuring adherence to laws and regulations. The SCM unit guides and implements the SCM Policy of council which caters for three (3) bid committees. These bid committees namely, Bid Specifications Committee (BSC), Bid Evaluation Committee (BEC) and Bid Adjudication Committees (BAC) are in place and operated effectively during the year under review. Training of SCM staff and SCM committees was done on a continuous basis.

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## 2.9 BY-LAWS

Dr RSM District Municipality renders the MHS as per requirements of the Constitution of SA/1996. Contitution of the Republic of SA. Act 108 of 1996 section 156 and part B Schedule 4, read with the National Health Act, 61 of 2003 which define Municipal Health Services.

Environmental Health Practitioners of the District are serving the Local Municipalities of the District and are distributed as;

- a) Kagisano Molopo = 4
- b) Naledi = 3
- c) Greater Taung - 4
- d) Mamusa = 3
- e) Lekwa-Teemane = 3

DR RSM has received 2 Community Services EHP whom are operating under the supervision of EHP's for the financial year. Inspections at food premises are conducted regularly with some challenges especially on foreign operated business.

Joint inspections are conducted regularly and with assistance of SAPS to enforce business related Acts. The Compliance rate including licensing of business premises is very low due to lack of By-Laws by Local Municipalities and also the LMS do not cooperate in signing the MOU for MHS, with the District.

The District has developed the Generic by-Laws on MHS, they were Public Participated and awaiting adoption by Council and ultimately Gazetting.



### **INTRODUCTION TO COMMUNICATIONS**

Communication is a key strategic service – to ensure that information is widely accessible within the public space, to engage citizens in conversation around critical issues and to empower citizens to participate in not only shaping government policies but also in taking up opportunities that affect their lives. Effective communication can also contribute positively to government endeavours – leading to good governance, improved internal staff and external citizen/stakeholder morale, and contributing towards meeting government’s aims and objectives. It further builds public trust and confidence in the integrity of government and can be used to challenge any negative perceptions that might exist in the public space. In the region, the District Communications uses various platforms and mediums of communication to seek the views of the public, whilst consistently disseminating information on the objectives, programmes, decisions, actions and activities of Dr Ruth Segomotsi Mompati District Municipality. The Communications Unit consists of four (4) officials including manager and is administratively reporting to the accounting officer while politically to the Executive Mayor as the face of the institution.

### **PURPOSE**

The Government Communication and Information System (GCIS), as the custodian of government communications, has drafted Communication Policy to strengthen government communications so as to deliver on its mandate. The Government communication including the District Municipality Communications is driven by democratic principles of openness and participation, and is guided by the basic principles of:

- transparency
- accountability
- consultation

It gives an overview of the entire operation in order to analysis the strength, weaknesses, opportunities and threats. It is very much important to know and understand the Communications key performance areas in order to advise and support. Building a good reputation of the institution is crucial for the enhancement of service delivery and it is in this regard that the report outlines challenges and achievements, taking into consideration the general recommendations.

## COMMUNICATIONS OBJECTIVES

- To establish and maintain a positive relationship and mutual understanding between the Dr Ruth Segomotsi Mompoti District Municipality and all its stakeholders.
- Solicit a uniform message about service delivery in a professional manner to educate stakeholders.
- To present Communication plan to the Municipal Manager or accounting officer and council.
- Development and implementation of approved Communication policy and strategy
- To cover and gather the district information on emergency situations by conducting the environmental scanning for interview purpose.
- To sensitize the political leadership and management of Dr Ruth Segomotsi Mompoti District Municipality on the entire communication implications within the institution.
- Unit's task is to profile the Executive Mayor as the head of the institution and to communicate the programmes and projects of municipality to internal and external stakeholders while enhancing the reputation.

## COMMUNICATION CHALLENGES

- It is very crucial taking into consideration that the environment in which communicators operate in is not static but always changing with government transitional periods and limited budget as well as the lack of resources, particularly financial and tools of the trade play critical role on taking communications to the greatest heights.
- For corporate identity and branding, there is a need for bigger budget in order to undertake the branding of the entire District Municipality Offices including the four (4) billboards owned by the District Municipality.

## DISTRICT MUNICIPALITY'S ACHIEVEMENTS

- As the world is no more living in analog age but on digital, the District Municipality has joined the global arena by exploiting every opportunity to communicate with the public by utilizing social media and other platforms. Social Media is a good tool that can be used to convey important information to all stakeholders and it must be noted that updates should be done regularly. The District Municipality's Facebook page is "**Dr RSM District Municipality.**"
- The installation of flat LCD TV screen at the Municipal reception to play all recorded video clips of district events. The District Newsletter has been issued as planned on bi-annual basis. Only one newsletter has been issued and coupled with monthly electronic news update to internal and external stakeholders.
- The District Municipality events video have been captured and edited for both internal and external stakeholders.
- The new approved NDP2030 branding material have been procured for the District Municipality including the implementation of the NDP2030 letterhead.
- The District Municipality's website has been re-designed for the better look but it seems to be problematic sometimes to access it due to incapacity of service provider.
- A functional website is regularly updated and running

## **CONCLUSION**

In conclusion, a successful communication creates enormous benefits for the municipality and its stakeholders. Effective communication reaps incredibly positive results like greater employee commitment, staff involvement, morale boosting and stronger stakeholder loyalty.

Government's communication strategy is drafted every five years and updated once a year to ensure that all communicators operate from a developmental communication paradigm in the district.

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### **2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES**

No public satisfaction survey conducted in the 2021/2022 financial year

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

### INTRODUCTION

The Dr Ruth Segomotsi Mompati District Municipality is fulfilling its mandate as a Water Service Authority by ensuring that basic water and sanitation services are delivered to its communities in the entire district. Most of service delivery needs by communities are captured through regular IDP and budget roadshows which form part of the Water Services Delivery Plan. In these public participation engagements, more challenges with regard to inadequate bulk and internal water were identified. The ever-increasing demand to cater for the new housing development and extension of villages is a reality and the district is bracing itself to conquer this battle.

Ensuring that the district is not overwhelmed by service delivery needs, more work was done in sourcing funding from the Department of Water and Sanitation by submitting business plans on new water and sanitation reticulations, upgrading (increasing capacity) and refurbishment of existing infrastructure in 2019-2020 financial year. The district has been successful after many challenges in receiving funding approvals for the submitted business plans, mostly from the Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant (WSIG).

Going forward in addressing provision for bulk water, more strides will be made whilst taking into account the limited funding available for the operation and maintenance of water and sanitation infrastructure as well

### COMPONENT A: BASIC SERVICES

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

#### INTRODUCTION TO BASIC SERVICES

The Dr Ruth S Mompati District Municipality is a Water Service Authority responsible for water and sanitation provision in the following five Local Municipal Areas:

- Kagisano Molopo Local Municipality (NW397)
- Naledi Local Municipality (NW392)
- Mamusa Local Municipality (NW393)
- Greater Taung Local Municipality (NW394)
- Lekwa-Teemane Local Municipality (NW396)

The provision for both bulk and internal water services in the District Municipality's five local municipalities is making a difference in the lives of communities especially who never had services before. However, area such as Eksdale in Kagisano Molopo where yields from boreholes are very low and the quality of water is not suitable for human consumption is receiving water through tankering.

The implementation for the long-term solution, though the Regional Bulk Water Scheme where supply of water from villages with adequate underground sources is delayed by the availability of funds from the Department of Water and Sanitation. The community of Pomfret has been without electricity since 2014 and this has negatively affected supply of water whereby diesel engines are now been used in the District's boreholes.

### **3.1. WATER PROVISION**

Section 27 of the Constitution accords everyone the right to have access to sufficient water. Delivery of water is the primary mandate of DRRSMDM as a Water Services Authority (WSA).

The Municipality is supported in this regard by Sedibeng and local municipalities as Water Service Providers (WSPs), and the national government as the primary funder through Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant (WSIG).

The District Municipality is engaging the local municipalities that are Water Service Providers to enhance their revenue collection. The provision of infrastructure to ensure that billing and collection for water and sanitation services is enhanced is done through replacement of water meters and leaking pipes.

The ever-increasing demands for water in villages' expansion, both formally or informally, is being addressed through provision of bulk infrastructure funded under the Regional Bulk Infrastructure Grant (RBIG) and the provision of internal reticulation budgeted Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant. However, allocation to these grants by National Treasury is inadequate and therefore access to basic services is somewhat delayed.

The performance of the Water Service Providers has been closely monitored and those that are not performing will be taken on board. Monthly coordination meetings with the Water Service Providers are being held where issues relating to operations improvement and feedback from communities are dealt with.

In terms of the Blue Drop Certification Programme, the District Municipality need to adequately address water safety planning, treatment process management, drinking water quality compliance and asset management. The District Municipality, as the Water Service Authority, is coordinating compliance by the Water Service Providers to ensure the status of the Blue Drop improve with time. The projects for 19-20 were not provided as part of annual report due to unavailability when data are requested.

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## 3.2 WASTE WATER (SANITATION) PROVISION

The District Municipality is responding to basic sanitation needs of its communities by implementing the Rural Sanitation Programme funded through Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant (WSIG).

### Top 3 Priorities

1. Compliance with the Environmental requirements
2. Waste Water Treatment Plants Compliance to Green Drop Certification
3. Provision of new and upgrading of existing bulk Infrastructure

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3.3 ELECTRICITY

NOT A FUNCTION OF THE DR RUTH SEGOMOTSI MOMPATI DISTRICT MUNICIPALITY

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

**INTRODUCTION TO WASTE MANAGEMENT**

<p>Refuse removal, refuse dumps and solid waste disposal</p>	<p>“Refuse removal, refuse dumps and solid waste disposal” means the removal of any household or other waste and the disposal of such waste in an area, space or facility established for such purpose, and includes the provision, maintenance and control of any infrastructure or facility to ensure a clean and healthy environment for the inhabitants of a municipality</p> <p>In relation to the District Municipality it means:</p> <p>Solid waste disposal sites, in so far as it relate to-</p> <ul style="list-style-type: none"> <li>i. the determination of a waste disposal strategy for the district as a whole;</li> <li>ii. the regulation of waste disposal strategy for the district as a whole;</li> <li>iii. the establishment, operation and control of waste disposal sites, bulk waste transfer facilities and waste disposal facilities for more than one local municipality in the district.</li> </ul> <p>In relation to the Local Municipality it means:</p> <ul style="list-style-type: none"> <li>i. The determination of a waste disposal strategy for the local municipality only</li> <li>ii. The regulation of local waste disposal for the local municipality only</li> <li>iii. The collection and removal of waste and transporting to a local waste disposal site, bulk transfer facility and district waste disposal site</li> </ul> <p>The establishment, operation and control of waste disposal sites, bulk waste transfer facilities and waste disposal facilities for the local municipality only</p>	<p>According to Section 156(1) of the Constitution and Section 84(1) and (2) of the Municipal Structures Act, the refuse removal, refuse dumps and solid waste disposal function is a shared municipal function, with district and functions as stipulated above. However, as indicated the refuse removal, refuse dumps and solid waste disposal function may, subject to the provisions stated above, be adjusted by the MEC for local government.</p>
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In 2008 the Solid Waste function and power of four of the five local municipalities in the Dr Ruth Segomotsi Mompati District Municipality (RMDM) area, i.e. Mamusa Local Municipality (MLM), Lekwa-Teemane Local Municipality (LTLM), Greater Taung Local Municipality (GTLM) and Kagisano/Molopo Local Municipality (KMLM) was reallocated to the RMDM in terms of section 85(1), 85(6) and 85(9) of the Local Government: Municipal Structures Act, 117 of 1998 (the "Structures Act"). Since 2008 the RMDM has not made any real progress in fulfilling its solid waste services mandate due to a lack of financial and human resources capacity to deliver the solid waste services with the result that all four of the local municipalities are still rendering the solid waste services as if no reallocation of it took place in 2008. Finding a way forward to determine a permanent solution for this *impasse* was urgently required.

Golder Associates Africa (Pty) Ltd ("Golder") was appointed to assist RMDM to do a S78 study consisting of a S78(1) assessment (phase 1) to determine whether RMDM has the internal capacity to deliver the solid waste service and thereafter, if concluded that internal capacity is inadequate, to do a S78(3) feasibility study (phase 2) to assess whether and which external service delivery mechanisms would be suitable to render solid waste services to Mamusa, Greater Taung, Lekwa-Teemane and Kagisano-Molopo.

## **1. Assessment**

Based on the Needs Analysis done (in a summarised version included in this report) the S78(1) assessment found that the RMDM, although tasked with the powers and functions to deliver waste management services in the four local municipalities, did not have the human resources or financial capacity to implement these services. It recommended that external service delivery options such as: other municipalities (implying the four local municipalities); Community Based Options (CBOs); Non-governmental Organisations (NGOs) and Public-private Partnerships (PPPs) be explored and investigated as potential solutions to the challenges identified by way of a S78(3) feasibility study.

## **2. Decision**

Realising that it will not be able to comply with S79 of the Systems Act (i.e. be able to commit the financial, human and other resources necessary for the proper provision of the solid waste service and transform it in accordance with the Systems Act) the RMDM Council approved the recommendation to proceed with the S78(3) feasibility study to explore external service delivery mechanisms. This was done at a Council meeting held on 26 June 2014 (Resolution 107/2014) in accordance with the requirements of S78(2)(b) of the Systems Act.

## **Service delivery options analysis**

The comparative analysis of possible options conclusively found that the best solution would be for the reallocation of the solid waste power and function to the local municipalities in terms of subsection 85(9) of the Structures Act with the RMDM rendering administrative, financial and technical assistance to the extent that its capacity allows. This analysis was done in much detail by looking at all aspects of governance and management; the financial impact including the potential sourcing of funding; the legal, human resources, technical and operational considerations; the market capacity and appetite of the private sector and risk factors.

## **Conclusions and recommendations**

Having 1) taken into account the findings of the S78(1) assessment, 2) acted in adherence to the S78(2) decision of the RMDM Council and 3) taken into account the findings of this S78(3) feasibility study, it is concluded that:

- 1. The RMDM is not in compliance with the solid waste power and function re-allocated to it in 2008 and does not have the capacity or funds or access to the funds required to deliver solid waste services to the Mamusa, Kagisano/Molopo, Greater Taung or Lekwa-Teemane Local Municipalities or, by way of a Service Delivery Agreement, cause reliable and sustainable waste services to be delivered to these municipalities.*
- 2. A SDA between the DRRSMDM and each local municipality will spell out roles and responsibilities and accountability thus bringing clarity but it will not improve the current waste service delivery situation given that staff, assets and liabilities will remain unchanged if reliant on the DRRSMDM's capacity and funding ability. SDAs can also not ensure reliable, good and expanded waste services since other contributing factors such as good administration, human resources management, technical experience and capacity and sound financial management or the lack of these are not within the control of the DRRSMDM. Furthermore, SDAs will place an unnecessary administrative burden on the DRRSMDM and the local municipalities while negatively affecting the local municipalities' ability to access MIG funding.*
- 3. Due to the small scale of the waste services operations of the local municipalities, it is not foreseen that private sector operators will be interested in outsourced collection services but it is possible, once the waste handling and disposal sites of the various local municipalities are developed/upgraded, that there might be private sector interest in the outsourced operation and management of such landfill sites, transfer stations and drop-offs.*
- 4. The four local municipalities are despite administrative, human resources, financial, technical, operational and maintenance constraints in a better position to deliver waste services to their own communities through their respective ability to access more grant funding; manage own staff, assets and liabilities and improve own governance, administrative, financial management and service delivery systems, processes and practices.*

*Organised labour and the respective communities of the four local municipalities are in favour of the solid waste power and function being located at their own local municipality.*

*The opinion of officials of the four local municipalities ranges on a scale of either being in favour of the re-allocation of the solid waste service to the local municipalities to not being totally against it but having reservations about it due to concerns about the financial implications thereof.*

*The re-allocation of the solid waste power and function back to the local municipalities in terms of subsection 85(9) of the Structures Act is the most feasible and financially sustainable solution given the other conclusions and due to the fact that:*

*it will open the door for the local municipalities to access MIG funding for solid waste projects, i.e. to complete the landfill and transfer station projects and the revised MIG funding conditions will include allowance for 5% thereof to be spend on repairs and maintenance;*

*it will bring the location of the solid waste power and function in line with national policy;*

*it will result in a single source of responsibility and accountability which is known as a principle of goodservicedelivery;*

*it will place responsibility and accountability of the waste services where it belongs, i.e. close to the people who receive the services;*

*the aged indigent registers causing the local municipalities not to get their rightful share of the LGES, can only be updated by themselves, thus they are masters of their own destiny in this regard;*

*the local municipalities are in a better position through daily management of their staff and activities to promote and enforce a safe and healthy environment through practices which should span across all services;*

*the local municipalities are in a better position through intimate knowledge of their communities and a wider commitment to their communities to explore and facilitate possible avenues for LED activities linked to solid waste services, e.g. recycling initiatives and the roll out of waste services to hitherto unserved communities through the use of CBOs funded by the waste portion of the LGES grant.*

*Legislation enables the DRRSMDM to still provide financial, technical and administrative support services to the local municipalities to the extent that the DRRSMDM has such capacity which, in the case of the management and monitoring of landfill projects does exist, and could be made available.*

*The DRRSMDM waste staff also has knowledge of waste management practices such as the optimisation of collection routes, which could still be available to the local municipalities.*

*Officials in the Solid Waste Unit of the DRRSMDM must ensure that the goals and implementation plans which are applicable to the DRRSMDM as included in the revised 2016 IWMPs, be implemented accordingly.*

*Council resolved on 30 June 2016:*

- a) *That solid waste power and function be re-allocated to the local municipalities in terms of subsection 85(9) of the Structures Act and, if this avenue proves to be unsatisfactory, the legal avenue provided for such circumstances in subsection 85(7) of the Structures Act, be used to affect the re-allocation.*
- b) *That the recommendations in the attached report serve before the Council of DRRSMDM and be approved in terms of S78(4) of the Systems Act.*

*That in pursuance of the above recommendations in the attached feasibility report and Council Resolution, the DRRSMDM communicate its request for the re-allocation of the solid waste power and function to the respective local municipalities in terms of subsection 85(9) of the Structures Act in writing to the Honourable Ms Fenny Gaolalwe, MEC of the Department of Local Government and Human Settlements of the North West Province, supported by its Council Resolution and this S78(3) Feasibility Report.*

Facility Name	Facility Type	Specify - Other	Municipality	Latitude	Longitude	Facility Status	License Status	License/Reference No	Compliant	Ownership
Taung Landfill Site	Landfill sites - General	G:C:B-	Greater_Taung_(NW 394)	24° 34' 16.13" S	24° 44' 59.96" E	Operational	Closure and rehabilitation	NWP/WM/DR2/2013/26	Partial	DRSM
Reivilo Landfill Site	Landfill sites - General	G:C:B-	Greater_Taung_(NW 394)	24° 34' 07.07" S	24° 09' 21.66" E	Operational	Closure and rehabilitation	NWP/WM/DR2/2016/02	Partial	DRSM
Old Pudimoe Landfill Site	Landfill sites - General	G:C:B-	Greater_Taung_(NW 394)	24° 44' 51.9" S	24° 44' 21.6" E	Closed and Rehabilitated	Closure and rehabilitation	NWP/WM/DR2/2013/15	Partial	DRSM
New Pudimoe Landfill Site	Landfill sites - General	G:C:B-	Greater_Taung_(NW 394)	27° 25' 27" S	24° 43' 11" E	Approved	Licensed	NWP/WM/DR1/2009/04	Partial	DRSM
Ganyesa	Landfill sites -	G:C:B-	Kagisano/Molopo_(NW397)	26° 35' 29.5" S	24 ° 07' 58.7" E	Operational	UnLicensed	No license	No	Kagisano-Molopo

	General									
Morokweng	Landfill sites - General	G:C:B-	Kagisano/Molopo_(NW397)	26° 11' 16.3" S	23 ° 41' 25.7" E	Planned	UnLicensed	No license	No	Kagisano-Molopo
Piet Plessis	Landfill sites - General	G:C:B-	Kagisano/Molopo_(NW397)	26° 35' 26.99" S	24 ° 07' 57.07" E	Operational	Licensed	NWP/WM/DR3/2016/05	No	Kagisano-Molopo
Bray	Landfill sites - General	G:C:B-	Kagisano/Molopo_(NW397)	25 ° 28' 17.09" S	23 ° 42' 8.86" E	Operational	Licensed	NWP/WM/DR3/2016/03	No	Kagisano-Molopo
Tosca	Landfill sites - General	G:C:B-	Kagisano/Molopo_(NW397)	25 ° 53' 1.65" S	23 ° 57' 29.19" E	Closed and Rehabilitated	Licensed	NWP/WM/DR3/2016/04	No	Kagisano-Molopo
Pomfret	Landfill sites - General	G:C:B-	Kagisano/Molopo_(NW397)	25 ° 47' 59.12" S	23 ° 31' 29.63" E	Closed	UnLicensed	Unknown	No	Kagisano-Molopo
Naledi Landfill site	Landfill sites - General	N/A	Naledi_(NW392)	2 67" S	2 6" E	Operational	Licensed	NWP/WM/DR1/2009/01	No	Naledi

Stella Landfill site	Landfill sites - General	N/A	Naledi_(NW392)	2 33' 25.52" S	2 50' 49.99" E	Operational	Licensed	NW/WM/DR1/2013/16	No	Naledi
Huhudi Transfer station	Transfer station	N/A	Naledi_(NW392)	2 2 75" S	2 2 88" E	Operational			Yes	Naledi
Vryburg Transfer station	Transfer station	N/A	Naledi_(NW392)			Closed and Rehabilitated	Closed and Rehabilitated		Yes	Naledi
Vryburg Landfill site	Landfill sites - General	N/A	Naledi_(NW392)	2 58' 17" S	2 45' 10" E	Closed and Rehabilitated	Closed and Rehabilitated	NWP/WM/DR1/2009/03	Yes	Naledi
Vryburg Buyback centre	Buyback centre	N/A	Naledi_(NW392)	27° 57' 28" S	24° 45' 38" E	Closed		NW/WM/DR1/2014/05	No	Naledi
Amalia	Landfill sites - General	G:C:B-	Mamusa_(NW393)	2 15' 20" S	2 2' 34" E	Operational	Licensed	NWP/WM/DR6/2012/20	No	DRSM
Schweizer Reneke	Landfill sites - General	G:C:B-	Mamusa_(NW393)	2 1 2 " S	2 1 E	Operational	Licensed	NWP/WM/DR6/2012/22	Partial	DRSM
Migdol	Landfill sites -	G:C:B-	Mamusa_(NW393)			Operational	UnLicensed	NWP/WM/DR6/2013/18	No	DRSM

	General									
Glaudina	Landfill sites - General	G:C:B-	Mamusa_(NW393)			Operational	UnLicensed	No license	No	DRSM
Nooitgedaght	Landfill sites - General	G:C:B-	Mamusa_(NW393)			Operational	UnLicensed	NWP/MM/DR6/2012/20	No	DRSM
Bloemhof landfill site	Landfill sites - General	G:C:B-	Lekwa-Teemane_(NW396)	27° 39' 21" S	25° 34' 36" E	Operational	Licensed	NWP/MM/DR4/2011/08	No	DRSM
Christiana Landfill site	Landfill sites - General	G:C:B-	Lekwa-Teemane_(NW396)	27° 53' 52" S	25° 7' 36" E	Operational	Licensed	NWP/MM/DR4/2011/09	No	DRSM
Christiana Landfill site	Landfill sites - General	G:C:B-	Lekwa-Teemane_(NW396)	27° 53' 52" S	25° 7' 36" E	Closed and Rehabilitated	Licensed	NWP/MM/DR4/2013/17	No	DRSM



## **WASTE MANGEMENT SERVICE PERFORMANCE OVERALL:**

In accordance the Resolution 149/2016, the DRRSMDM on Solid Waste as determined by the Section 78 Report resolved; that solid waste powers and function be re-allocated to the local municipalities in terms of Section 85(9) of the Structures Act and, if this avenue proves to be unsatisfactory, the legal avenue provide for such circumstances in Section 85(7) of the Structures Act, be used to affect the re-allocation.

That in pursuance of the recommendations in the Section 78 Report and the Council Resolution, the DRRSMDM communicates its request for the re-allocation of the solid waste powers and functions to the respective local municipalities in terms of Section 85(9) of the Structures Act in writing to the Honourable MEC Fenny Gaolalwe, of the Department of Local Government and Human Settlement of the North West Province, supported by its Council Resolution and the Section 78 Report. This was done but till to date there is no Role clarification from the MEC offices and due to unfunded mandate DRRSMDM could not commit to the function and as a result there is no budget allocated for the function.

Environmental Health Practitioners as they are rendering Municipal Health Services in the local municipalities of DRRSMDM are ensuring the proper management and of solid waste management to local municipalities and also conduct education awareness in the communities.

The local municipalities function is to ensure the proper refuse storage, collection, transportation, transfer and processing, materials recovery and final disposal.

The Solidwaste management unit supports and give advice to the local municipalities on solid waste management issues whereby the Youth Ambassadors, appointed by the Department of Environment, Forestry and Fisheries, are involved with conducting education awareness in the communities as part of the youth and community outreach Programme.

**3.5 HOUSING**

This is not a function of the Dr Ruth Segomotsi Mompati District Municipality.

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### 3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

Municipalities have a legal obligation to ensure the provision of free basic services to indigent households. A “basic municipal services” means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety or the environment. This includes water, sanitation and electricity.

The District plan to undertake the to annually approve Indigent Support Policy and allocate budget to support qualifying households. The Indigent Support Policy will include and provide for the following, amongst others:

- Criteria for identification of indigent households;

- Process for registration of indigent households;

- Indigent tariffs and subsidy;

- Determination of the municipal services and levels thereof which will be subsidized in respect of indigent customers; and

- Conditions for the termination of indigent support.

The District Municipality is supporting Local Municipalities through equitable share and in ensuring that the indigent support is being catered through the provision of free basic services through policy development and guidance, however the primary function lay with the Local Municipality

## COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (stormwater drainage).

The Dr Ruth Segomotsi Mompati District Municipality is not the custodian of roads within its area of jurisdiction. In terms Section 36 (1) of the National Land Transport Act, Act 5 of 2009 all planning authorities must prepare Integrated Transport Plans (ITP's) for their area of jurisdiction. The Municipality is responsible for municipal planning as derived from Schedule 4 Part B of the Constitution. The Municipality is in the process of developing an Integrated Transport Plan with support from the North West Department of Community Safety & Transport Management.

The National Department of Transport, as part of the S'Hambe Sonke Programme, has provided grant funding for the implementation of Rural Roads Asset Management Systems (RRAMS). The strategic goal of RRAMS grants is to ensure efficient and effective investment in rural roads and bridge inventory data condition assessments and traffic information. Improved data on roads will guide infrastructure investment and also enhance accessibility and mobility of rural communities.

### **Description of Public Transport Operations and Services**

In addition to the preceding literature study, this section aims to provide insight into the current public transport operations and service provision within the Dr Ruth Segomotsi Mompati District Municipality. This is an important step as part of laying a fundamental understanding upon which the IPTN plan can be built. The information provided in this section is gathered from the latest ITP and CPTR documents, as well as from field surveys during the course of this project.

### **General Public Transport Pattern**

As a start, the general public transport pattern and system has to be analysed and understood. Two main elements of the public transport system can be identified that define and form the systems' functioning. The supply and demand sides.

- The **supply side** element refers to all infrastructure aspects such as the roads, facilities and transport modes, as well the operational and management aspects of the system which includes the route planning and scheduling conducted by the service providers.
- The **demand side** element essentially refers to the users that utilise the services in order to meet a specific need to travel.

The functioning of the public transport system is based on the highly complex and mixed interaction between various elements and aspects of the system's demand and supply side. Table 2-8 visually shows the various aspects included in the public transport supply and demand. This is a simplified representation of the system and is based on the information provided in the latest ITP. Table 2-8 focuses exclusively on public transport and therefore only shows the various elements of public transport operations as a separate part of the bigger transport system.

Of importance in this section is the consideration of what the supply side status quo situation currently is in order to better understand its interaction with the demand side and thus to enable a better understanding of certain issues in the current public transport system, such as a skewed or inadequate provision of transport to meet specific users travel needs.

### **Overview of Public Transport Services**

The current public transport system in DrRSMDM comprises two main road-based transport modes, namely the minibus-taxi and standard bus modes. These are therefore of most importance during the evaluation of current public transport service provision. Whenever this report makes reference to a taxi, a 15-seater minibus-taxi is implied and when reference is made to a bus, a standard 65-seater

bus is implied. There is no significant presence of metered taxi operation within the district and the rail network currently present is not utilised for commuter purposes.

The status quo of the public transport system described in this document is mainly based on the 2007-2013 ITP and verified by field surveys undertaken as part of the 2018 CPTR project, as well as on a desktop study and site visits undertaken during the course of this project. The description of the supply side of the existing public transport system has been summarised with regard to the following aspects related to each transport mode:

- Operators providing public transport service
- Facilities utilised by public transport vehicles and passengers
- Vehicles used in public transport operations
- Public transport service provided to passengers

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### 3.7 ROADS

Not a function of the District

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3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

NOT A FUNCTION DISTRICT

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### 3.9 WASTE WATER (STORMWATER DRAINAGE)

This is not a function of the Dr Ruth Segomotsi Mompati District Municipality



## COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

The Municipality has fully complied with the aforesaid development planning prescripts. The 2022-2023 IDP/Budget Process Plan was approved by Council on the with milestones and activities towards approval of the reviewed 2023/2024 IDP

The composition and responsibilities of each of the above-mentioned structure are outlined in the approved IDP/Budget Process Plan.

The Planning & Development is responsible to ensure that there is efficient and effective compliance with legislative imperatives such as IDP, Public Participation, PMS and other applicable laws. In addition, they perform strategic planning, facilitation, reporting and provide advice and support internally and externally which in most cases is demand-driven.

Section 27 (1) & (2) of the Municipal Systems Act Mandates District Municipality to adopt a framework for Integrated Development Planning that binds both the District and the local municipalities in the area of the district municipality as a whole;

Section 28 of the Municipal Systems Act mandates municipal council to adopt a process set out in writing to guide the planning, drafting, adoption and review of municipal integrated development plan (IDP); and

Section 21 of the MFMA mandates municipalities to prepare time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget and the annual review of the IDP.

The Municipality has fully complied with the aforesaid development planning prescripts. The 2019/20 IDP/Budget Process Plan was approved by Council on the with milestones and activities towards approval of the reviewed 2019/2020 IDP

The composition and responsibilities of each of the above-mentioned structure are outlined in the approved IDP/Budget Process Plan.

### **Town & Regional Planning**

The Unit is responsible for Spatial Planning in line with Chapter 4 of the Spatial Planning and Land Use Management Act (SPLUMA), Act 16 of 2013 along with providing support to constituent local municipalities with the implementation of SPLUMA.

The Municipality reviewed its Spatial Development Framework in the 2019/20 financial year.

The Unit also includes a Geographic Information Systems (GIS) section which is responsible for storing spatial information within the Municipality and assist in surveying of completed infrastructure projects. In the past financial year 2019/20 the played an active role in assisting the Office of the Premier with the development of a provincial GIS Strategy.

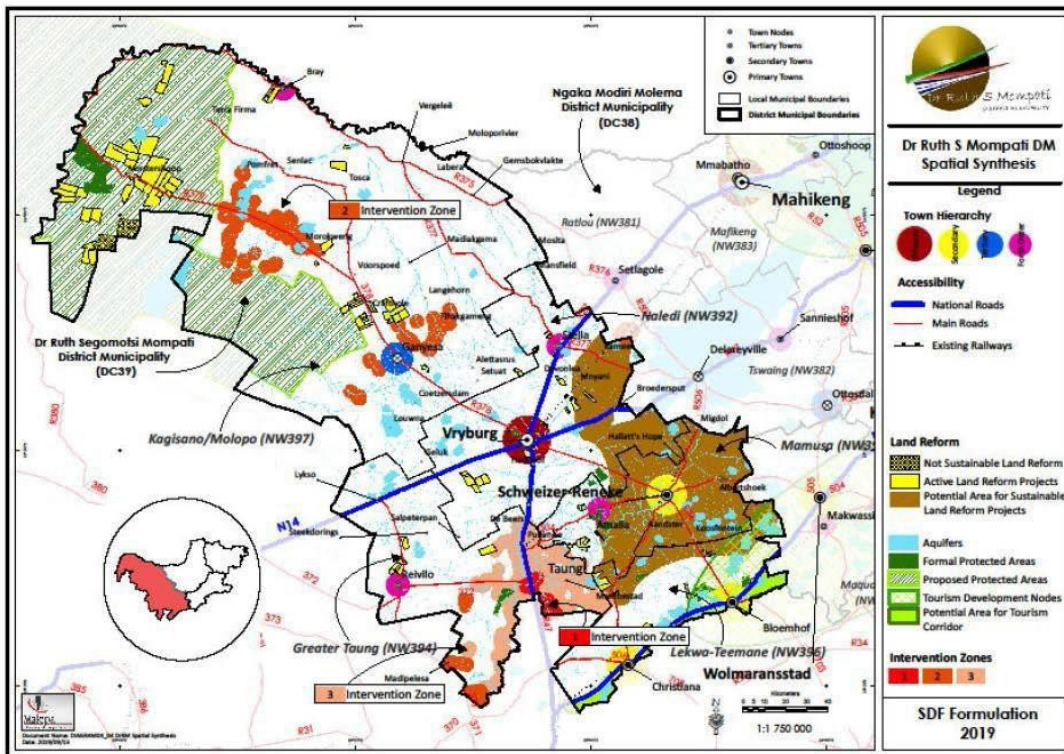
The Dr Ruth Segomotsi Mompati District Municipality (herein referred to as the District or DRSM) is a Category C municipality located in the North West Province and it comprises the following local municipalities:

Naledi Local Municipality, Greater  
Taung Local Municipality,  
Kagisano-Molopo Municipality,  
Mamusa Local Municipality, and  
Lekwa-Teemane Local Municipality

The District is predominantly rural with a population that is situated in more than 470 villages and towns dispersed in a 250km radius (approximately 50km north to south and 200km east to west).

Amalia  
Bloemhof  
Christiana  
Piet Plessis  
Pomfret  
Pudimoe  
Reivilo  
Schweizer-Reneke  
Stella  
Taung, and  
Vryburg

The map below indicates the spatial synthesis of the District:



### Integrated Development Planning

The IDP unit is responsible for ensuring compliance with implementation of Chapter 5 of the Systems Act, especially compliance with Section 25 by identifying with the key deliverables and immediate goals detailed in the Council's IDP in respect of the communication, investment, tourism and agricultural dimensions of local economic development.

### Performance Management System

The PMS Unit was responsible for the implementation of PMS in line with the Municipal Systems Act (MSA) 2000 which requires municipalities to establish a performance management system, the Municipal Finance Management Act (MFMA) which requires that the IDP to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

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

#### **INTRODUCTION TO LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)**

The current unemployment rate in the district stands at 38%. This unprecedented state affects the majority of the Youth. Hence the district will continue to strive towards creating an enabling environment that accommodates ongoing youth skills development, small business and cooperatives support, product development and promotion as well as other farmer support programmes.

The strategic objective of the EDTA department is to facilitate and promote local economic development in the District through existing partnerships. Specifically, the district is an agricultural hub within the province and as a result, special attention is given to promoting agricultural initiatives and ensures value chain benefits from the sector. The AgriParks programme therefore, will play a central role in ensuring broader accessibility of the previously disadvantaged communities to value chain benefits associated with the programme. The District is one of the 44 poorest districts, with an economy that is highly dependent on the Agricultural sector. Despite having a thriving Agricultural sector that is perceived to be overly dependent on the beef cattle industry, the entire sector is still relatively underdeveloped in terms of agro-processing value chain, infrastructure and related activities. A larger percentage of agricultural produce originating from the district is usually processed outside. Therefore, the establishment of the Agri-Park will afford the district an opportunity to promote and implement agro-processing of produce, value addition, and an overall increase in agricultural production and diversification.

In addition to agriculture, the district has, over the past years ensured equitable focus on other sectors of the economy. Considerable effort went into the promotion and creation of a conducive environment that enhances access to markets for SMMEs and encouraging participation in existing and new employment creation opportunities. Thus, the promotion of SMMEs and Cooperatives as the driving force to job creation needs to be fully harnessed and supported. In the previous financial year, a total of 394 SMMEs and Cooperatives collectively were successfully assisted. The two support programmes accessed include shared economic Infrastructure Fund, from the department of Small Business Development and the NW Growth Accelerator Programme both administered through the Finance, Economy & Enterprise Development Department.

Attraction of major investments to the District remains a challenge because of the poor infrastructure conditions, more especially roads, water networks or reticulation, communication, electricity and transport networks. The critical importance of commitment to transforming the economy of the district therefore remains emphasized. This will ensure that job opportunities are increased for the unemployed masses (mainly the youth) of the DR RSM District.

The District Municipality acknowledges the fact that effective economic growth and stimulation emanates from committed stakeholder strategic partnerships in order to ensure rural development and jointly implementing programmes and projects for sustainable livelihood. As a result, the department will for the next five years intensify joint economic planning and execution of programmes focusing on the prioritized sectors of the district. Partnerships with the private sector to impart the necessary skills to small businesses and cooperatives will be duly enhanced and supported. With the minimum resources allocated to the district for service delivery priorities, Local Economic Development is usually given the least of the resources usually not commensurate with the existing economic challenges and needs. The same applies to the local municipalities supported by the district, a matter that will require a decisive political will if the prospects of the district economic growth are to be attained.

The Dr Ruth S Mompati District Municipality affirms that tourism "constitutes a right equally open to all of the world's inhabitants, and obstacles should not be placed in its way". There has been a growing awareness of the positive influence that tourism as a sector has on different aspects of life. This sector provides a chance for recreation, an opportunity for mutual understanding between peoples and cultures, an instrument for economic development, a promoter of peace and dialogue, a possibility for education and for personal growth, a moment of encounter with nature, and an environment for spiritual growth, just to mention few. Therefore, the district will continue to market its five (5) tourism offerings being, Agriculture, Culture, Heritage, Water Sport and Hunting. Through these offerings, the district hopes to create a unique experience exclusive towards the existing comparative advantages within each local municipality.

#### **LOCAL JOB OPPORTUNITIES:**

EDTA has an indirect and direct impact on jobs created. In the 2022-2023 financial year in terms of based on SMMEs supported through both special projects and operational projects.

## COMPONENT D: COMMUNITY & SOCIAL SERVICES

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

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

Not a function of the Dr Ruth Segomotsi Mompati District Municipality

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### 3.13 CEMETORIES AND CREMATORIALS

Regulations defining the scope of the profession of environmental health: amendment; provide for the following to be rendered:

#### **Disposal Of The Dead**

Controlling, restricting or prohibiting the business of an undertaker or embalmer, mortuaries and other places or facilities for the storage of dead bodies; monitoring practices at cemeteries, crematoria and other facilities used for the disposal of dead bodies; managing, controlling and monitoring exhumations and reburials or the disposal of human remains.

Environmental Health Practitioners are performing the function as outlined per the regulations.

**INTRODUCTION TO CHILD CARE; AGED CARE; SOCIAL PROGRAMMES**

**A child care Centre** shall refer to a facility that provides care for “children under the age of 6 years” who are not yet attending a formal school or equivalent. These shall include full time day care or half day care where more than 3 children are being care for between the ages of 0-6 years. Child care centers also include afterschool care services for school going children.

The premises operated under a valid Health Certificate issued by an Environmental Health Practitioner of a relevant District or Metropolitan Municipality, to the effect that the premises and general facilities comply with environmental health requirements.

The premises promote a healthy and safe environment, free from environmental hazards and diseases and welfare of the children accommodated.

Staff members adequately qualified in child care, and knowledgeable in health and safety aspects relating to children. Playground equipment in compliance to the *SANS 51176:2010 for playground equipment and surfacing*.



### **Environmental health inspections of day care centers should include:**

A risk assessment of a child care should be conducted by an EHP to assess conditions on the premises that may pose a threat to the health, safety and welfare of children, by:

- Identifying hazards in a child care centre;
- Assessing the likelihood of the hazard posing a risk to the children on the premises;
- Estimating the severity of the consequences, if harm is caused. The risk analysis should be done with specific focus to the following areas:
  - Food preparation areas, (to include analysis of food risks);
  - Indoor and outdoor play areas and equipment;
  - Water and sanitation;
  - Pests; Care and protection of children;
  - Disease infection risk factors and prevention strategies, including hygiene practices; and
  - Environmental toxins on the premises
- Risk communication should form part of every EH inspection, as well as recommendation of action plans on elimination and minimisation of hazards through control measures.
- Assessment of disease prevention and control, including disease reporting and inspection protocols.
- Health education should be part of and provided with every compliance inspection conducted.
- Inspection checklists should be designed and utilized for every inspection conducted. Prescribed standards for day care centers should be used as guides for developing of inspection checklists.
- An inspection report, with the risk assessment findings and recommendations should be issued to the owner or person in charge of the day care center after every inspection.
- An EHP should maintain a database of all child care centers (both compliant and non-compliant) for control purposes.
- Monitoring of child care centers should be coordinated with all other relevant stakeholders, such as Social development, Basic Education and Primary Health Care, to ensure synergy and comprehensive provision of services.

**Day care centers** must comply with the following health requirements:

- A valid health certificate must be issued by an EHP certifying that the premises comply with environmental health requirements. The certificate must indicate the following:
  - The health certificate holder;
  - The physical address of the premises;
  - The identity number of the certificate holder;
  - The number of children and the minimum age groups permitted on the premises; and
  - Hours of operation; full day or half day care.Each certificate should be issued with a certificate number.
- The health certificate must be displayed in a conspicuous manner on the premises, so as to be clearly visible to everyone entering the premises.
- Health certificates issued to a child care center must be renewed by an EHP:
  - Annually;
  - In case of change of ownership;
  - In the case of renovations/additions to the existing premises; and
  - If the services moves from one premises to another
- A Day care center must be inspected at least once every quarter (not less than 3 times in a year). The risk profile of the day care center should also inform the frequency of inspections of specific premises.

**Homes for the aged** refer to a care home providing accommodation and nursing, or personal care for older people or for the aged.

**Norms:**

- Old Age Homes operated under a permit/registration authorizing that activity by the relevant municipality/authority.
- The premises operated under a valid Health Certificate issued by an Environmental Health Practitioner of a relevant municipality, to the effect that the premises and general facilities comply with environmental health requirements.
- Building and facilities accessible and promote health, safety and welfare of residents.
- Physical layout of the grounds and buildings promotes mobility, social interaction and areas of service delivery.

## COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and coastal protection.

Section 24 of the Constitution provides that everyone has the right to an environment that is not harmful to their health or well-being and to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that:

- prevent pollution and ecological degradation;
- promote conservation; and
- Secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development.

DR RSM's considerable and diverse natural resources open up a wide array of investment possibilities, from alternative energy (Solar power) to both game and livestock farming. Being part of the Republic of South Africa, which is a signatory to various international environmental agreements, DR RSM is concerned to protect its natural resources and promote their sustainable use.

DR RSM district municipality derives its environmental mandate to ensure the protection of the environment and conservation of natural resources. The Municipality performs its environmental mandate through the community services' environmental/Municipal health unit with further support from the Department of Environmental Affairs' local government support unit that has deployed 1 Control environmental Officer Grade A to provide support to the District and its 5 Local municipalities on environmental management issues.

### INTRODUCTION TO ENVIRONMENTAL POLLUTION CONTROL

Environmental pollution control functions are as follows:

- Ensuring hygienic working, living and recreational environments;
- identifying the polluting agents and sources of water, air and soil pollution;
- conducting environmental health impact assessments of development projects and policies, including assessments of major hazard installations;
- identifying environmental health hazards and conducting risk assessment and mapping thereof;
- preventing accidents, e.g. owing to paraffin usage;
- approving environmental health impact assessment reports and commenting on environmental impact assessment applications;
- ensuring clean and safe air externally (ambient and point sources) through emission inventory monitoring, modelling and toxicological reports, reviews and complaint investigations;
- controlling and preventing vibration and noise pollution;
- preventing and controlling soil pollution that is detrimental to human, animal or plant life;
- ensuring compliance with the provisions of the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993), and its regulations, including anticipating, identifying, evaluating and controlling occupational hazards;
- taking the required preventative measures to ensure that the general environment is free from health risks;
- ensuring the registration, permitting, monitoring and auditing of all industries, activities, trade, etc., which involves controlling the internal effects of pollution on the worker and the external effects of pollution on the community and the environment;
- monitoring management of infrastructure integrity, including management of the infrastructure integrity of pipelines and tanks;
- ensuring, jointly with other role players, a readiness for abnormal operating conditions and disasters;
- developing sustainable indicators appropriate for monitoring the effectiveness of environmental management systems of industries

3.16 BIO- DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTALPROTECTION)

NOT A FUNCTION OF THE DISTRICT

## COMPONENT F: HEALTH

This component includes: clinics; ambulance services; and health inspections.

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### 3.17 CLINICS

NOT A DISTRICT FUNCTION

3.18 AMBULANCE SERVICES

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Not a district function

### **INTRODUCTION TO MUNICIPAL HEALTH (INSPECTIONS, FOOD, ETC.)**

In terms of the Constitution of the Republic of South Africa, 1996, the Local Government: Municipal Structures, 1998 (Act 117 of 1998) and the National Health Act, 2003 (Act 61 of 2003), it is the statutory responsibility of the District Municipality to render Municipal Health Services in the district, in terms of Government Notice No. 826 of 13 June 2003 which became effective from 1 July 2004, and DR RSM DM is amongst the municipalities that renders the service fully.

Environmental health is concerned with monitoring or mitigating those factors of the natural and built environment affecting human health and disease. It involves identifying and evaluating environmental sources and hazardous agents and limiting exposures to hazardous physical, chemical, and biological agents in air, water, soil, food, and other environmental media or settings that may adversely affect human health. The programmes are implemented as per Regulation No. 123; The Scope of Profession of Environmental Health under the Health Professions Act (Act No. 56 of 1974 as amended).

Section 1 of the National Health Act 61 of 2003, defines Municipal Health Services which include the following environmental health functions provided by District and Metropolitan Municipalities:

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

#### **Water Quality Management**

DR RSM DM is responsible for ensuring that the water provided to communities is safe for human consumption and adequate for domestic use as well as for recreational, industrial, food production and all other human and animal use. This is facilitated through water sampling and analysis by accredited Laboratory to determine compliance with South African National Standards (SANS): 241.

#### **Food Inspections**

The district has responsibility of ensuring food safety in respect of acceptable microbiological, chemical and hygiene standards. This is implemented by monitoring food premises for compliance with set standards on a monthly basis to ensure compliance of all food premises and optimal hygiene control throughout the food supply chain.

**Waste Management:** The inspections are conducted in LM's waste site to assist them to come to compliance to the NEM Waste Act 2008.



**Health and Hygiene Awareness and activities in response to COVID-19 pandemic**

- Community Awareness, educations and communication which is critical in the management and prevention of the spread of COVID-19 were and are still conducted regarding the precautionary measures and the persons behaviours during the pandemic at pension pay out points, during premises inspections (Non-Food and Food)
- Intensive inspections were conducted at Funeral Parlour premises for compliance with disaster management regulations.
- Provided guidance and advice to Funeral Undertakers on management of infectious human remains
- Participated in Outbreak Response Teams in the District and constantly informed the Provincial Disaster and the National Health on the Environmental Health activities during the pandemic.
- Conducted investigation of suspected cases and contact tracing in the district.
- Monitored the management of health care wastes in health facilities, quarantine premises, etc
- Facilitated and monitored the decontamination and disinfection of affected premises
- 

DRRSM has in its employ 20 Environmental Health Practitioners and are distributed amongst the local municipalities as follows: Greater Taung 4, Mamusa 3, Naledi 3, Kagisano/Molopo 5 and Lekwa-Teemane 3 with Assistant Manager: Solid Waste and Manager: MHS. Norms for Environmental Health Practitioners was established in South Africa as one Environmental Health Practitioner per 15 000 population, insured and uninsured combined. The WHO norm stands at 1 Environmental Health Practitioner per 10 000 population. A new cadre of Environmental Health Assistant is being defined; no norms exist as to the ratio of Environmental Health Assistant to Environmental Health Practitioner.

**The Table below outline the inspections conducted:**

<b>SDBIP CORPORATE OBJECTIVES</b>	<b>KEY PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>ANNUAL ACTUAL PERFORMANCE ACHIEVED</b>	<b>VARIANCE</b>	<b>BLOCKAGES/ CHALLENGES/ REASONS FOR UNDERPERFORMANCE/DEVIATION</b>
To provide Food Safety and control services	No. of Food premises inspected	<b>200 inspection</b>	200	0	N/A
To provide water quality services	No. of water samples collected for analysis	<b>1100 water samples</b>	1100	0	N/A

To provide milk quality and safety services	No. of milk samples collected for analysis	52 samples	12	-40	The SA Dairy Agency did not provide with the sampling program in the financial year
To provide meat safety and inspection services	No. of meat safety inspections conducted	132 meat inspections	130	-2	Output of slaughtering is dependent on the Abattoir Management
To provide and monitor the Disposal of the Dead services	No. of Under takers premises inspections	40 inspection	74	34	Accelerated Service Provision Operation engagements are a source
Surveillance and Prevention of communicable diseases	No. of Clinic visits done to collate information	40	44	4	Thuntsa Lerole special activities

Environmental Health Practitioners (EHP's), as registered health practitioners, are required by law to engage in continued professional development activities (CPD). These activities are registered and administered by the Health Professions Council South Africa (HPCSA) and it is compulsory for all EHP's to comply with CPD requirements in order to maintain their registration with the HPCSA.

**CHALLENGE**

insufficient budget provision to advance other tools of trade, like surface cleanliness tests, noise testing machine and others.

## COMPONENT G: SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

### INTRODUCTION TO SECURITY & SAFETY

The Structures Act gives District Municipalities the functions and powers to conduct firefighting services. (The word “function” is defined as an activity proper to a person or institution, a mode, of action or activity by which a thing fulfils its purpose, an official or professional duty). This clearly goes beyond a “right” or “power” and the Structures Act therefore places on District Municipalities an obligation to provide these services.

The District Municipality has a security component which consists of the Minimum Information Security Standard. In terms of the National Intelligence Strategic Act this Unit is responsible for Screening and Vetting of both employees and Service providers.

Employees are screened regularly to ensure compliance with the Act and also to minimise the risk of employing those who are viewed as Security risk to the institution. All Municipal assets such as water infrastructure are guarded on a 24 hour basis to avoid vandalism.

Access control is a process in which several measures are applied to ensure that any object or person requiring access to the premises of an institution is safe, has a bona-fide reason to enter, is entitled and authorised thereto and breaches of security during the presence of such a person. It is therefore important for the institution to have a policy guideline to regulate access control.

*The Security policy has been developed and in place in accordance with the provisions of the Act.*

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### 3.20 POLICE

Not a district Function

## INTRODUCTION TO FIRE SERVICES

### FIRE SERVICES

The District Municipality is responsible for provision of firefighting service throughout the District in terms of Section 84(1) j of the Local Government Municipal Structures Act, (Act 117 of 1998).

“The District Municipality is, inter alia, responsible for provision of firefighting services serving the area of the district municipality as a whole, which include:

- Planning, co-ordination and regulating fire services
- Specialised firefighting services such as mountain, veld and chemical fire services
- Co-ordination of the standardisation of infrastructure, vehicles, equipment and procedures
- Training fire officers”

### Fire Fighting Service - Local Municipality Function

The District Municipality is also responsible for provision of firefighting service to local municipalities in terms of the adjustment by the of Section 84 (2) of the Local Government Municipal Structures Act, (Act 117 of 1998), The Act further describes the local function as:

- Preventing the outbreak or spread of a fire
- Fighting or extinguishing a fire
- The protection of life or property against a fire or other threatening danger
- The rescue of life or property from a fire or other danger” Analysis

The Local Municipality of Naledi is responsible for provision of firefighting services according to Section 84(2) of the Local Government Municipal Structures Act, (Act 117 of 1998), within its respective area of jurisdiction as agreed with the Provincial Government.

The District Municipality has entered into service level agreement to get the function being temporarily performed by the District Municipality till the statutory capacity assessment is conducted by the MDB to enable the MEC to make the necessary adjustments.

### Challenges

- Budget constraints to do maintenance of fire station facilities, vehicles and equipment
- Lack of appropriate fire stations facilities and amenities at the towns of Bloemhof, Christiana.
- Insufficient capacitated personnel to render effective efficient fire services.
- Adjustment of powers and functions to absorb Lekwa-Teemane Firefighting service.
- Insufficient and unreliable and poorly maintained water infrastructure (fire hydrants) for firefighting purpose
- Fire stations only available in main towns and non-existent in more remote and deserving towns, Lack “tools of trade” enabling the services to full fill it mandate. (Independent, reliable communication system)
- Adjustment of powers and functions to absorb Lekwa- Teemane and Naledi firefighting service.

### Proposed Solutions

- Provide additional 16 fire fighters per year to deal with the backblock of 81 fire fighters.
- Budget allocation to be increased to expectable norms and standards (8% of value of capital asset to be maintained)
- Replace redundant fire appliance and budget to replace those in excess of 15 years (12 fire appliances = R 66 m) over the next five year period.
- Sufficient provision to be made within the next financial year’s budget for standardization of

Facilities  
 - Satellite stations to be established  
 - Capacity building to be implemented further  
 - Absorption of Lekwa-Teemane and Naledi firefighting services to be provided for within the 2022/23 financial year.

District Fire Service Data					
Details	Year -1	Year 0		Year 1	
	Actual No.	Estimate No.	Actual No.	Estimate	
1 Total fires attended in the year	389	300	350	499	350
2 Total of other incidents attended in	88	110	110		110
3 Average turnout time - urban areas	30	30	30	30	30
4 Average turnout time - rural areas	2,5 hrs	2,5	2,5 Hrs		2,5 hrs
5 Fire fighters in post at year end	69	69	69	69	69
6 Total fire appliances at year end	18	18	19	20	19
7 Average number of appliance off the road during the year	2	0	0	2	0

#### Fire Calls

In a year which has been difficult for the fire protection industry due to the disruptions of Covid-19, the Annual Fire Statistics that bring at least some partial good news.

The 2021/22 figures compiled by the office with the input of fire services around the district municipality show a steadily increased in fires versus the previous year's figures.

According to the latest figures, the total number of fires increased from 407 to 499 fires recorder in the previous year. The number of grass fire has decreased from 278 to 208 in the current year. The reason for this drastic decreased can be the above-normal rainfall experienced during this raining season.

The number of Transport related fires (Heavy goods vehicles) has also increased. Our compiled figures show that transport related fires increased from one (1) during previous year to seven (7) in 2021/22. Road Transport carries transport more valuable cargo loads efficiently, but with more exposure risk to possible accidents and consequential fires.

#### Fire Loss

Residential and transport losses continue to climb from R20 m in 2021/22 to R72 m in the current year. This is mainly due to the Christiana Hospital fire that was experienced in this financial year. Building replacement costs are increasing as formal housing developments expand.

Informal settlements are, of course, an on-going challenge and in 2021/22 there were 33 recorded fires related to informal dwellings.

Common causes of informal dwelling blazes include heating and cooking -activities. But in a significant number of informal dwelling incidents of 22% of which the cause was undetermined.

Fires related to formal dwellings exceeded the number for informal dwellings – 77 formal dwelling fires

vs. the 33 fires for informal dwellings. But deaths in formal dwellings were far higher and if these fatalities could be reduced, then the national death toll from all fires would fall markedly.

Fires resulting from electrical faults and open flames are a common cause in formal dwellings. So too are heating fires activities. Anecdotally, load shedding may be playing a part in this, with stoves being left on when the power goes off and then forgotten later when power is restored. There are instances when a gas cooker has been placed on a non-functioning stove, only for the stove to come on later and the gas heated to the point that ignition occurs.

#### Fire Services

Of the nearly 499 fire calls attended. 42% were to deal with fires involving grass, bush and agriculture. This is a seemingly frivolous, time-consuming activity that must however be dealt with to protect structures under threat, as well as valuable grazing land.

The Fire services also attended to 153 motor vehicle incidents with a devastating amount of 65 fatalities.

The cost of curtailing these incidents continues to be draining on available resources and is extremely costly.

Fire Policy Objectives Taken From IDP									
Service	Outline Service Targets	Year -2		Year -1		Year 0		Year 0	Year 1
Service	Outline Service Targets	Target	Actual	Target	Actual	Target	Actual		*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vii)	(viii)	(ix)		(x)
<b>Service Objective</b>									
Provision of Fire Prevention Services	100 x Fire prevention inspections conducted	Conducted 100 x fire prevention inspections	107 Target reached	100 x Fire prevention inspections	83 x Fire prevention inspections conducted	120 x Fire prevention inspections	151 x Fire prevention inspections		120 x Fire prevention
Provision of Fire Prevention Services	Conduct four awareness campaigns each quarter total (10 per annum)	10	13	10	9	10	14		Conduct 10 awareness campaigns per annum

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### 3.22 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

#### **INTRODUCTION TO DISASTER MANAGEMENT ETC.**

##### Analysis

This District Disaster Management Plan expounds the start of the longer-term process to follow with a comprehensive plan containing a clear understanding of the District Municipality's policy statement, the district municipal framework for Disaster Management and the strategy (including methodologies to provide support to local municipalities to operationalize disaster management in Dr. Ruth S Mompoti District Municipality) embarked upon.

Capacity constraints at our local municipalities prevents collateral support in sharing resources fundamental to disaster responses and recovery functions. Weak and non-existing local municipal infrastructure in some of the local Municipalities within the District result in weakness and ineffectiveness to activate disaster response and recovery plans.

Currently there are limited dedicated funds for Disaster Management interventions. As a result, resources are not released to maximize the effectiveness of response activities.

The funding arrangement as set out in the Disaster Management Act, 57 of 2002, are inadequate to address the need to fund support response and recovery efforts, such as humanitarian relief aid, rescue efforts, disaster containment activities, provision of immediate basic services, emergency health services and critical infrastructure repair.

The existing arrangements as implemented by Social Development follow a vetting process and only assist people already registered for social grants on their system. Social Development does not cater for all people affected by an incident of a disaster. There is a need to assist affected community members on a need only basis. Social Development Department needs to align the guidelines "SASSA'S response to disasters" in order to ensure effective systems, structures and procedures to effectively and efficiently deal with these challenges.



## **COVID 19 PANDEMIC**

We have learned important lessons through COVID 19 pandemic as this will have a long lasting positive impact in how we conduct business as Government and deliver services to the people. The world as we have known it before 26th March 2020 has changed!

-How do we address the Health Crises?

Use communication to inform and build trust. Social distancing.  
Mass screening and testing.  
Contact tracing, tracking and treatment

-How do we address the Economic Crises?

Provide clear guidance for reengaging in economic and social activity. Use data to identify the hardest-hit areas  
Conduct an industry/sector assessment.  
Engage private sector participation to revive certain sectors. Retrofit infrastructure and civic assets.

-How do we keep the "business of government" operating

People: Management of public employees as well as other partners of government are likely to be irrevocably changed. In the Recovery phase, safeguarding the health and safety of public employees will likely be an area of emphasis, as well as optimizing the use of remote work.

The COVID-19 crisis has demonstrated clearly that rules and regulations that hinder public service should be altered or removed quickly.

Serve the public: Expectations for service will only grow after the COVID-19 crisis. In the short term, government must be able to sense and react rapidly to changes in the pandemic.

Communicate. Getting back to normal won't be easy for anyone, and the public may be confused by changes due to COVID-19. They are likely to wonder, for example, if there will be changes in service offerings or office hours. Transparency can help build understanding while services slowly come back to acceptable levels.

## **CHALLENGES AND PROPOSED INTERVENTIONS**

Disaster Management at District and Local Municipal levels need to address the following shortcomings and challenges.

- Lack of sufficient personnel to establish and maintain institutional arrangements that will enable the implementation of the Act (which should include recruitment of staff)
- A general lack of preparedness for disaster on the part of communities to facilitate the development, implementation and maintenance of disaster risk reduction strategies that will result in resilient areas, communities, households and individuals
- Over-reliance on the District Municipality by Local Municipalities: Measures to be implemented to develop progressive risk profiles to inform the IDP processes of municipalities for the purposes of disaster risk reduction and to determine the effectiveness of specific disaster risk reduction programmes and projects undertaken
- Uninformed and unprepared communities: To develop and implement mechanisms for creating public awareness to inculcate a culture of risk avoidance

Three national state of Disasters were declared during this period under review, namely;-

### **AFTERMATH OF AGRICULTURAL, HYDROLOGICAL AND SOCIO-ECONOMIC DROUGHT NATIONAL DISASTER)**

Due to prolonged lower-than-normal rainfall since the year started, drought conditions are being experienced across the country. This has led to water shortages in a number of public water supply schemes/dams.

The district were assisted by the Farmer Support Directorate of the Provincial Department of Agriculture to coordinate the assessment and compile reports in order to determine the magnitude and severity of the drought on the Agricultural sector.

### **COVID -19 PANDEMIC AS A NATIONAL DISASTER**

Dr Mmaphaka Tau, in his capacity as Head of the National Disaster Management Centre after assessing the potential magnitude and severity of the COVID -19 pandemic in the country, give notice that on 15 March 2020, in terms of section 23(1)(b) of the Disaster Management Act, 2002 (Act No. 57 of 2002) (the Act), classified the COVID -19 pandemic as a national disaster.

The National Coronavirus Command Council has decided to enforce a nation-wide lockdown with effect from midnight on Thursday 26 March.

This is a decisive measure helped to save millions of South Africans from infection and save the lives of hundreds of thousands of people.

While this measures is having a considerable impact on people's livelihoods, on the life of our society and on our economy, the human cost of delaying this action would be far, far greater.

### **TROPICAL STORM ELOISE AND SUMMER SEASON RAINS**

During the month of February 2021 above-normal rainfall and storm water caused damage to infrastructure in Naledi, Lekwa Teemane Greater, Taung and Kagisano/Molopo Local Municipalities.

As a result, various areas across the province have reported flood related damages of the road infrastructure, housing infrastructure, agricultural infrastructure and communities have been isolated and are unable to attend to work, school or to receive government and other services eg. health service/social grants etc.

Considering the magnitude of the damage caused by the strong winds and floods of the tropical storm Eloise and the summer seasonal rains, and following the classification of these occurrence as a national disaster by the head of the National Disaster Management Centre, and taking into account the need to augment existing measures undertaken by organs of state to deal with the national disaster Dr Nkosazana Dlamini Zuma, the Minister of Cooperative Government and Traditional Affairs Designated under Section 3 of the Disaster Management Act, (Act 57 of 2002) ("The Act"), in term of,

1) Section 27(1) of the Act, declared a national state of disaster having recognised the special circumstances exist to warrant the declaration of a national state of disaster.

## **COMMUNICABLE DISEASE (FOOT AND MOUTH) (PROVINCIAL DISASTER)**

The Department of Agriculture, Land Reform and Rural Development reported on the good progress that has been made in the investigation of the foot-and-mouth disease (FMD) outbreak in KwaZulu-Natal and Limpopo Province.

Following initial trace-back exercises, the outbreak was linked to four auctions, held at two auction premises in September and October 2019. Testing of the primary linked locations is almost completed and a number of secondary locations have been identified for follow-up testing. Precautionary quarantine has already been lifted on 127 of the linked locations that have since tested negative

## Overall Comment

This District Disaster Management Plan expounds the start of the longer-term process to follow with a comprehensive plan containing a clear understanding of the District Municipality's policy statement, the district municipal framework for Disaster Management and the strategy (including methodologies to provide support to local municipalities to operationalize disaster management in Dr. Ruth Segomotsi Mompati District Municipality) embarked upon.

The Disaster Management section lack sufficient personnel to establish and maintain institutional arrangements that will enable the implementation according to the minimum requirements of the applicable legislations.

Local Municipalities generally lack preparedness to deal with incidents of disasters and to facilitate the development, implementation and maintenance of disaster risk reduction strategies that will result in resilient areas, communities, households and individuals. Local Municipalities over-relies on the Dr Ruth S Mompati District Municipality to implemented and develop progressive risk profiles that will inform Local Municipal IDP processes of disaster risk reduction.

There is a need to create public awareness to inculcate a culture of risk avoidance in uninformed and unprepared communities.

### Dr Ruth S Mompati district municipality disaster risk

Management plan for alignment/integration between the IDP and dmp In terms of section 26(g) of the municipal systems act, 200, act 32 of 2000, a municipality's IDP Must contain a disaster management plan. Development projects in the municipality, as contained in The municipality's IDP, is thus interlinked with disaster management planning and activities. Risk Reduction projects identified as part of disaster risk management planning, such as those identified In this plan and the contingency plans developed and risk assessments should be included into the Dr Ruth S Mompati district municipal IDP. There are eight key planning points or requirements that Must be applied by all municipal organs of state and municipalities when planning for disaster risk Reduction initiatives. These must form part of the annual reporting of the municipalities and Municipal organs of state to the dmc.

1. Use disaster risk assessment findings to focus planning efforts.
2. Establish an informed multidisciplinary team with capacity to address the disaster risk and identify

1. A primary entity to facilitate the initiative.
2. Actively involve the communities or groups at risk.
3. Address the multiple vulnerabilities wherever possible
4. Plan for changing risk conditions and uncertainty, including effects of climate variability.
5. Apply the precautionary principle to avoid inadvertently increasing disaster risk.
6. Avoid unintended consequences that undermine risk avoidance behavior and ownership of
7. Disaster risk.
8. Establish clear goals and targets for disaster risk reduction initiatives, and link monitoring and evaluation criteria to initial disaster risk assessment findings.

A number of risk reduction measures can be identified related to the highest rated identified risks. These measures should be decided upon in consultation with the relevant responsible departments. Some of the possible measures are listed in the attachment above.

## COMPONENT H: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and campsites.

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### 3.23 SPORT AND RECREATION

Sport and Recreation is responsible for the maintenance, improvement and promotion of all activities and assist with support to develop infrastructure of sport facilities in the district. The main of sport and recreation is to integrated local sport and recreation activities in the Local Municipalities, to transfer sustainable skills to the local sport people through development programmes. The ultimate is to ensure that all sporting codes are managed effectively and efficiently and running well in the district.

#### SOCCER

Mayoral Cup is an annual event that seeks to touch the rural schools that are sometimes forgotten and neglected. Schools are identified with the help of councillors and Department of Education. Learners are transported to a central venue. Before the Mayoral games start coaching of soccer and netball take place. Teachers are involved to ensure that lessons learnt are not easily forgotten. When the game starts they receive equipment. It is rotating so that all municipalities in the District get a chance to host these type of events

#### CRICKET

Cricket development are starting to gain momentum in the District and a team are playing in a provincial league. Playing fields are hampering progress of the code

## RUGBY

Although the code exist in some of the schools the progress is not well. It is difficult to give better support due to financial constraints. The federation and lotto will be engaged.

## NETBALL

The growth in netball is satisfactory and all areas are active. Good relations exist with the Netball Federation.

Meetings have been held with municipalities to develop Sports fields and federations through the Sports Council has been motivated to come on board to develop scarce codes. The availability of maintain sports fields in our District is a big challenge due to financial constraints. Sports specific person in Municipalities must be appointed for better coordination of sports activities. Provincial federations must ensure that their codes are develop and Sports Councils must play a bigger role in far rural areas. Lists are made of clubs and organization's to include in new budgets, but it must be noted that the budget of district is limited.

The municipality has no capital project budget for Sports and Recreation. The amount is allocated from operational budget of the municipality. The municipality only budgeted for support of sporting codes in the district. This is as a result of municipal powers and functions. Sport is not a core function of the municipality- it is the core function of Department of Sports. The district municipality is just providing a supportive role to communities on certain sporting codes

## COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

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

The main objective is to provide support and auxiliary services to all Departments and the political component of the Municipality. Some of the functions include Fleet control, Office accommodation, Effective security services, Reliable and efficient telecommunication service. Timely and well-collated qualitative documents.

A Municipal Council must, within the municipality's financial and administrative capacity and having regard for practical considerations,

- exercise the municipality's executive and legislative authority and use the resources of the municipality in the best interests of the community;
- provide, without favor or prejudice, democratic and accountable government;
- encourage the involvement of the community;
- strive to ensure that municipal services are provided to the community in a financially and environmentally sustainable manner;
- consult the community about the level, quality, range and impact of municipal services and the available options for service delivery;
- give members of the community equitable access to the municipal services to which they are entitled;
- promote and undertake development in the municipality;
- promote gender equity in the exercise of the municipality's executive and legislative authority;
- promote a safe and healthy environment in the municipality; and
- contribute, together with other organs of state, to the progressive realization of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution.



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### 3.24 EXECUTIVE AND COUNCIL

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

The top political office consists of the Offices of the Executive Mayor, Speaker and the Chief Whip. This political management cluster is led by the Executive Mayor. The Municipal Manager is responsible for the administration wing of the municipality. The Executive and Council functioned properly during the year because all scheduled statutory meetings of council and mayoral committee took place. The Annual Budget was also approved thirty days before the end of the Financial Year.

The main function as the district municipality is to provide basic services such as water, sanitation, safe and healthy environment to the communities. Top 3 service delivery priorities were good governance, proper financial management and basic services.

Audit Action Plan on matters raised by the Auditor General during past financial were developed and submitted to Council for noting and referral to MPAC for monitoring. The Audit Action Plan was coordinated by the Internal Audit and management has been meeting weekly to provide feedback on achievement made on addressing issues raised by the AG. MPAC also held monthly meetings to perform oversight on behalf of council.

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### 3.25 FINANCIAL SERVICES

The financial management of the municipality is coordinated under the Budget and Treasury Office as established in terms of S80 of the MFMA. The responsibilities for the municipal coffers including financial management, financial planning, financial accounting and supply chain management are placed within the Budget and Treasury. The staff complement within the BTO is headed by the Chief Financial officer.

The Budget and Treasury Office is divided into two performance units, namely Income, Budgeting and Expenditure Management Unit and the Supply Chain and Reporting Unit. These units are further divided into four sections (Income and Budgeting section, Supply Chain and Asset Management section, Payroll section and Expenditure Management section). These performance arrangements were agreed upon during a strategic planning session which was held by the Budget and Treasury Office during the financial year. The department has gone through the year ensuring that the reporting requirements of the National and Provincial Treasury are timeously done, and that general compliance with the Municipal Finance Management Act is achieved.

The supply chain management arrangements have been decentralized, however, the municipality is in a process of centralizing the supply chain management activities to ensure effectiveness and maximum turnaround times. Capacitation of the supply chain management function of the municipality is still lagging behind following an effort to centralize the unit, thus affecting the fully effective and fully centralized unit. The Supply Chain Management Committees have been running effectively and the procurement turnaround times have improved hugely. The Budget Steering Committee was also established during the year and has been running effectively.

The Budget and Treasury Office of the Dr Ruth Segomotsi Mompati District Municipality is committed to its mandate to provide a comprehensive financial management service to Council and to other departments of the municipality. The department supports the Integrated Development Plan of Council by striving to provide a stable and sustainable financial environment from which Council can deliver services to all inhabitants of the Municipality. One of the critical focus areas for the year was to ensure that the financial records of the municipality are safeguarded and are kept in a manner which is accessible and can be easily available for reference and for audit purposes.

The Corporate Services Department has developed the Human Resources Strategy which will assist the employees of the District Municipality to perform better by sending them to different trainings and short courses as stated in the Workplace Skills Plan. All senior managers and some level 2 managers were enrolled with Wits University to acquire CPMD (F) Which they all completed successfully.

#### Introduction

This report deals with Dr Ruth S. Mompoti District Municipality Health and Safety performance for the 2022/2023 financial year.

#### Summary:

Report reviews the Health and Safety performance for 2022/2023

#### Report

This report is in line with the best current practice for reporting on Health and Safety performance. Contents of report highlights that the district is managing risk and identifying improvements, but with slow implementation of Health and Safety recommendations

#### Health and Safety Committee

After the first round of elections, five (5) Safety Representatives were nominated and elected at Taung, Tosca, Christiana, Mamusa and Bloemhof.

Next planned nomination and elections will be conducted for representatives of Mayoral, Community Services and Main Building.

After been nominated and elected, team will be officially appointed by Municipal Manager as OHS Committee members.

#### Injury on Duty

Three (3) minor cases reported with no serious injuries.

Department of Employment and Labour (DEL)

Follow-up inspections were conducted by Occupational Health and Safety inspectors from DEL at Bloemhof and Christiana Fire Stations. Prosecution case for Christiana was withdrawn after the district complied with notice issued August 2020.

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

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

#### INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Information Technology (IT) in Dr. Ruth Segomotsi Mompoti District Municipality is regarded as a strategic resource. It is viewed as both a critical and catalyst function for enabling service delivery at the face of the community.

Key to the strategic nature of ICT in the municipality is the enabling of the municipal key objectives of the municipality in order to meet its constitutional obligations. Municipal ICT enable the achievement of these obligations by deploying relevant information technology solutions.

#### THE FOLLOWING IT ACTIVITIES IS BEEN PERFORMED BY THE IT UNIT DURING THE LAST FINANCIAL YEAR 2020 - 2021

##### **IT Unit Administration: -**

- Municipality operate with 4 permanent officials, 1 technician (Chief IT Specialist) is fulltime shop stewards (IMATU). 2 x IT Interns were appointed for period of 1 year which is extended to 6-months ending May 2024.
- COGHTA has also provided municipality with other 2- IT technicians to assist with support services.
- Fire stations are provided with internet and emails access and this allow technicians to render support services as required to all officials with the jurisdiction of the district.
- Officials are provided with temporarily access of smart VPN access to work from home, full system licensed is required for proper security control with all modules activated.
- Maintenance and support of Fiber Optic Cable at the remote sites (Mayoral House and Community Services).
- Implementing findings raised by Auditor General through Post Audit Action Plan (PAAP)
- This unit is responsible to implement Municipal Corporate Governance of ICT Policy Framework (MCGICTPF).

##### **Approved IT Plans and Policies: -**

- IT Policy
- IT Strategic Plan
- Disaster Recovery Plan

##### **IT Governance**

- Functional IT Steering Committee

### **Application and Network System Security: -**

Municipality has managed to renewed annual licensees for the following system applications:

- Anti-Virus - Symantec Anti-Virus Management Console, it expires on the 19 July 2024
- Mail Gateway – Symantec Management System
- Fire-Wall – WatchGuard M270
- 4 x UPS's (Uninterrupted Power Supply)
- Backup and Data Storage - Sophos Network Attached Storage – NAS (Space almost full)
- Establishment of New Server Room – Community Services

### **New project to be implemented: -**

- 100 TB Data Storage – NAS Drive
- Installation of Solar Pane System at the new server room and at all fire stations to protect municipal IT infrastructure and to maintain loadshedding
- Smart VPN Application System
- Additional CCTV cameras at Community Services and Mayoral House
- 2 x New Servers (Financial Server and HR Server)
- Virtual System - Ms. Teams / Zoom Application
- Installation of New Network Infrastructure – Mayoral and Community Services (Cabinets, Routers, Cablings)

### **Challenges: -**

- National loadshedding affect operation of the IT services and damage network equipment's
- Shortage of network infrastructure (Switches, Cabinets and Network Points)
- Most of the IT services and system upgrade cannot be implemented due to budget allocation.
- Shortage of servers, as Financial System and HR Payroll System are currently running from one host server. This affect performance of the system and data storage due to large data scanning and transactions.

### **Overall ICT Performance**

- Municipality has fully fledged IT unit. Some of the IT services are outsourced like internet, emails, printers, financial, payroll systems and telephones. IT unit is responsible to perform IT related support services to the users and Councilor's, and to maintain maintenance to the network infrastructure including fire stations.

### **INTRODUCTION TO PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES**

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

The aim of Legal Services is to provide proper legal services, including legal advice, legal opinion and contract management to Council and to Management of Dr. Ruth Segomotsi Mompati District Municipality.

#### **INTRODUCTION**

The legal services unit aims to keep the municipality's staff abreast of all current news, legislation and policies directly affecting them. This will enable them to be continuously informed, as well as ensuring that we meet the legislative requirement to ensure that the municipality complies with the Constitution of the Republic of South Africa, Municipal Systems Act, the Local Government: Municipal Finance Management Act, Municipal Structures Act, Corporate Governance Prescripts, SALGBC Collective Agreement, internal policies as well as other relevant applicable legislation and information. We further aim to successfully defend the municipality in litigation cases and where there is a need, endeavour to resolve all legal disputes that may arise during the implementation of strategic objectives with optimal utilisation of available limited resources.

#### **CHALLENGES**

It should be highlighted that in the execution of our functions we have identified challenges such as lack of proper contract management, limited resources and in some instance lack of capacity to manage projects successfully. Some of these challenges contribute greatly to unsuccessful defence of litigations.

#### **ACHIEVEMENTS/SUCCESS**

It must however be noted that we do successfully defend most of our Bargaining Council cases. We further try to manage all bargaining council cases internally in order to minimise expenditure as well as build capacity within the legal unit and ultimately within management. All litigation cases are promptly attended to in order to avoid any potential default judgment against the municipality. The Unit is also responsible for the logistics and guidance in disciplinary hearings against the officials.

## **WAYFORWARD**

We plan to organise frequent workshops for management and where possible staff in general so that we build a system that does not mostly resolve issues but rather prevents unpleasant situations to ensure healthy labour relations and most importantly delivery of best services to our communities. Furthermore, we do report good progress and development when it comes to compliance with legislation. Though it is not always easy to achieve 100% of our goals, we must indicate that the unit has been doing an excellent job when it comes to handling all law suits against and for the Council. We are gradually building the unit into one that can achieve at least 99, 9% win on our cases. We have identified that the municipality is losing more budget on matters arising from inappropriate contract management system as well as poor policy implementation. It is important to note that contracts and policies require intensive attention, greater amount of time and sufficient man-power. It becomes challenging to manage policies and contracts if there is no simplified management strategy because, these documents come in great volumes and on the other hand the law develops every day. Therefore having to go through these documents in detail on a daily basis may consume more time that would be required to also attend to new cases coming in on daily basis. To simplify this task, we have developed contracts and policy registers. The contract register clearly indicates the commencements and ending dates, amounts/value and purpose of the contract. In that way, as a unit we are in a better position to monitor and review our contracts and policies on a regular basis without delaying other activities that need our attention and commitment.

## **CONCLUSION**

We endeavour to achieve 100% compliance with the law and 100% win in all legal matters at hand as well as those that may still come. We are and will always work hard to make sure that none of the regulatory laws and processes are compromised. We do this to ensure that our municipality achieves its mission and vision.



## COMPONENT J: MISCELLANEOUS

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

Not a function of the District

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative/Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021 2022	Actual performance 2022 2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
A	Good governance and public participation	Public Participation and Good Governance	To promote a Culture of Participatory and Good Governance	Number of risk registers updated by 30 June 2023	Reporting is quarterly and also monitored quarterly. Quarterly targets are non-cumulative	4 registers	4 risk registers updated by 30 June 2023	4 risk registers updated by 30 June 2023	4	Achieved  Risk register updated	0	N/A	N/A	Signed off risk register/report	None
B	Good governance and public participation	Public Participation and Good Governance	To promote a Culture of Participatory and Good Governance	Number of progress reports on the implementation plan of the Post Audit Action Plan by 30 June 2023	Reporting is quarterly and also monitored quarterly. Quarterly targets are non-cumulative	1	4 progress reports on the implementation of the post audit action plan by 30 June 2023	4 progress reports on the implementation of the post audit action plan by 30 June 2023	4	Achieved  Consolidated report on PAAP Completed	0%	N/A	N/A	Consolidated PAAP report	None
C	Municipal Financial Viability	Municipal Financial Viability and Management	To improve overall financial management in the municipality by developing	% Of approved Municipal Budget Spent by 30 June 2023	Reporting is quarterly and also monitored quarterly. Quarterly targets are cumulative	New	100% of approved Municipal Budget Spent by 30 June 2023	100% of approved Municipal Budget Spent	100	Not Achieved  Report on capital projects completed, however do not add to 100%	0%	Poor planning in terms of this indicator. Target not SMART	Management to relook into this going forth	Financial statements/reports.	None

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative/Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021-2022	Actual performance 2022-2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
			ng and implementing appropriate financial management policies, procedures and systems							overall expenditure					
D	Municipal Financial Viability	Municipal Financial Viability and Management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures	Develop and submit 2023/2024 Draft Budget to Council by 31 March 2023	Reporting is done once off in the third quarter	Draft budget submitted timely	Develop and submit 2023/2024 Draft Budget to Council by 31 March 2023	Draft Budget to Council for noting and input	1	Achieved  Budget submitted timeously	0	N/A	N/A	Draft budget/Council resolution	None

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative/Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021 2022	Actual performance 2022 2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
			res and systems												
E	Municipal Financial Viability	Municipal Financial Viability and Management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of MFMA Section 52 d reports developed and submitted to relevant authorities by 30 June 2023	Reporting is quarterly	New	4 MFMA Section 52 d reports developed and submitted to relevant authorities by 30 June 2023	4 MFMA Section 52 d reports developed and submitted to relevant authorities by 30 June 2023	4	Achieved  Sec 52 d report completed	0	N/A	N/A	Section 52 d reports	None
F	Municipal Financial Viability	Municipal Financial Viability and Management	To improve overall financial management in the municipality by	Develop and submit 2023/2024 budget to Council by 31 May 2023	Reporting is done once off in the fourth quarter	Budget adopted timely	Develop and submit 2023/2024 budget to Council by 31	Submit 2023/2024 budget to Council for adoption	1	Achieved  Budget adopted by Council	0	N/A	N/A	Final budget and Council resolution	None

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative/Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021	Actual performance 2022	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
			developing and implementing appropriate financial management policies, procedures and systems				May 2023								
G	Good governance and public participation	Public Participation and Good Governance	To promote a Culture of Participatory and Good Governance	Number of Mayoral committee meetings held by 30 June 2023	Reporting is quarterly and also monitored quarterly. Quarterly targets are non-cumulative	At least 4 meetings held	4 Mayoral committee meetings held by 30 June 2023	4 Mayoral committee meetings held	4	Not Achieved 1 Mayoral committee	-3	Portfolio committees not sitting as per approved schedule, hence delay or lack of sitting of Mayco	Council to deal with matter via official item	Minutes and attendance registers	None
H	Good governance and public participation	Public Participation and Good Governance	To promote a Culture of Participatory and Good	Number of Council Meetings held by 30 June 2023	Reporting is quarterly and also monitored quarterly. Quarterly targets are	At least 4 meetings held	4 Council Meetings held by 30 June 2023	4 Council meetings held	4	Achieved Council meeting achieved as planned	0	N/A	N/A	Minutes and attendance registers	None

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative/Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021 2022	Actual performance 2022 2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
			Governance		non-cumulative										
I	Good governance and public participation	Public Participation and Good Governance	To promote a Culture of Participatory and Good Governance	Develop and submit Reviewed IDP to council for adoption by 30 June 2023	Reporting is done in Q4 and Q4	Reviewed IDP Submitted by 31 May	5 year IDP submitted to Council for adoption by 31 May 2023	N/A	1	Achieved  IDP submitted and adopted by Council	0	N/A	N/A	IDP and Council resolution	None
J	Municipal transformation and organisational development	Institutional Development and Transformation	Improve organizational cohesion and effectiveness	Workplace Skills Plan Developed and Submitted to LGSETA by 30 June 2023	Reporting is done once off in the fourth quarter	WSP submitted timely	Workplace Skills Plan Developed and Submitted to LGSETA by 30 June 2023	Workplace Skills Plan Developed and Submitted to LGSETA by 30 April 2023	0	Not Achieved  WSP not Submitted to LGSETA	0	WSP not completed on time due to lack of skills and personnel in this area	Employees to be capacitated and position of skills filled	Workplace skills plan and submission evidence/acknowledgement	None
K	Basic Service Delivery and Infrastructure Investment	Community Services and development	All citizens have a right to an environment that is not detrimental	Number of inspections on food premises conducted by 30 June 2023	Reporting is quarterly and also monitored quarterly. Quarterly targets are cumulative	3343 as per APR 18-19	200	200	200	Achieved  200 food inspections completed	0	N/A	N/A	Food premises inspection reports	None

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative /Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021	Actual performance 2022	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
			ntal to human health, and it imposes a duty on the State to promulgate legislation and to implement policies aimed at ensuring that this right is upheld – Environmental health, Fire and Disaster Management and Solid Waste Management												



Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative /Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021 2022	Actual performance 2022 2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
L	Basic Service Delivery and Infrastructure Investment	Community Services and development	All citizens have a right to an environment that is not detrimental to human health, and it imposes a duty on the State to promulgate legislation and to implement policies aimed at ensuring that this right is upheld – Environmental	Number of bacteriological, chemical and sewerage water samples collected for analysis by 30 June 2023	Reporting is quarterly and also monitored quarterly. Quarterly targets are non-cumulative	1311 as per APR 2018-2021	1100 bacteriological, chemical and sewerage water samples collected for analysis by 30 June 2023	1100 bacteriological, chemical and sewerage water samples collected for analysis by 30 June 2023	1100	Achieved 1100 completed	0	N/A	N/A	Bacteriological, chemical and sewerage water samples collected for analysis	None

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative/Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021 2022	Actual performance 2022 2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
			health, Fire and Disaster Management and Solid Waste Management												
M	Basic Service Delivery and Infrastructure Investment	Community Services and development	All citizens have a right to an environment that is not detrimental to human health, and it imposes a duty on the State to promulgate legislation and to	Number of Fire Prevention Inspections at Local Business Conducted by 30 June 2023	Reporting is quarterly and also monitored quarterly. Quarterly targets are non-cumulative	107 as per APR 18-19	100 Fire Prevention Inspections at Local Business Conducted by 30 June 2023	100 Fire Prevention Inspections at Local Business Conducted by 30 June 2023	100	Achieved 100 fire inspections completed	0	N/A	N/A	Fire prevention inspection reports at local business	None

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative/Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021 2022	Actual performance 2022 2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
			implement policies aimed at ensuring that this right is upheld – Environmental health, Fire and Disaster Management and Solid Waste Management												
N	Basic Service Delivery and Infrastructure Investment	Service Delivery and Infrastructure development	Eradicate backlogs in order to improve access to services and ensure that sustaina	Number of jobs created through capital projects and registered with EPWP by 30 June 2023 (These refer to all registered projects in terms of MIG	Reporting is quarterly and also monitored quarterly. Quarterly targets are cumulative	511 as per APR 18-19	500 jobs created through capital projects and registered with EPWP by 30 June 2023	500 jobs created through capital projects and registered with EPWP by 30 June 2023	271	Achieved 593 Jobs created	93	Incentive grant not initially measured	Ensure to clarify all grants in which jobs are created	Signed off report/Job contract/job list against vs job created/Actual numbers	None

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative/Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021 2022	Actual performance 2022 2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
			ble operations and maintenance	RBIG AND WSIG)											
O	Basic Service Delivery and Infrastructure Investment	Service Delivery and Infrastructure development	Eradicate backlogs in order to improve access to services and ensure that sustainable operations and maintenance	% total allocated (gazetted) MIG grant funding spent on capital projects by 30 June 2023 (Rural Sanitation Programme; Stella Bulk Sewer & Internal Reticulation Phase A; Bulk Water Supply to Geluksoord Ext. 2 & 3 – Phase 3 (Replacement of AC Bulk Pipelines); Augmentation of Bulk Sewer Infrastructure in Ipelegeng;	Reporting is quarterly and also monitored as such. Quarterly targets are cumulative	New	100% total allocated (gazetted ) MIG grant funding spent on capital projects by 30 June 2023	100% of MIG Spent on capital projects	98%	Achieved  100% Expenditure achieved	0%	None	None	MIG expenditure reports/ payment certificates/invoices/ spending against DORA and registered projects	Additional evidence available upon request

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative/Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021 2022	Actual performance 2022 2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
				(Phase 1 & 2); Taung Ext. 4,5 & 7 – Rural Water Supply – Phase 2; PMU Operational Budget)											
P	Basic Service Delivery and Infrastructure Investment	Service Delivery and Infrastructure development	Eradicate backlogs in order to improve access to services and ensure that sustainable operations and maintenance	% of the total allocated (gazetted) WSIG grant funding spent on capital projects by 30 June 2023 (Glaudina RWS; Migdol RWS; Highlandspan RWS; Modimong RWS; Lethapong/Gasebusho RWS; Piet Plessis RWS; Dipodi RWS; Bray RWS)	Reporting is quarterly and also monitored as such. Quarterly targets are cumulative	New	100% of the total allocated (gazetted) WSIG grant funding spent on capital projects by 30 June 2023	100% of WSIG funding spent on capital projects	100%	Achieved 100% expenditure	0%	N/A	N/A	WSIG expenditure reports (supporting documentation like invoices etc. is the responsibility of senior especially for audit purposes)	Additional evidence available upon request
Q	Basic Service Delivery and	Service Delivery and Infrastructure	Eradicate backlogs in order	% total allocated (gazetted) RBIG grant	Reporting is quarterly and also monitored	New	60% total allocated (gazetted) RBIG	60% of RBIG Spent on	50%	Achieved 78%	28%	Late approval of projects,	Ensure to expedite approval processes	RBIG expenditure reports documentation	Additional evidence available

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative /Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021 2022	Actual performance 2022 2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
	Infrastructure Investment	Infrastructure development	to improve access to services and ensure that sustainable operations and maintenance	funding spent on capital projects by 30 June 2023 (Taung Bulk Water Supply – Phase 2D; Taung Bulk Water Supply – Phase 2E-1; Taung Bulk Water Supply – Phase 2E-2 West; Taung Bulk Water Supply – Phase 2E-2 North; Taung Bulk Water Supply – Phase 2E-2 Central; Taung Bulk Water Supply – Phase 2F; Bloemhof WTW - Civil Works; Bloemhof WTW - Mechanical Works;	as such. Quarterly targets are cumulative		grant funding spent on capital projects by 30 June 2023	capital projects				however target remains achieved in terms of plan	spend and increase target to 100%	on other like invoices etc. is the responsibility of senior especially for audit purposes)	upon request

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative /Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021 2022	Actual performance 2022 2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
				Gravity Main – Vaalpoort Reservoir to Schweizer Reneke Reservoir - 11 km; Rising Main 1 – Bloemhof WTW to Olievenfontein Pump Station - 25 km; Rising Main 2– Olievenfontein Pump Station (25 km) to Vaalpoort Reservoir; Mamusa Bulk Water Supply: Electrical / Mechanical Works; Cluster 6: Bulk water upgrading to Bona Bona)											
R	Basic Service Delivery	Service Delivery and	Eradicate backlogs	Number of Service level agreements	Reporting is once off at year end	New	Signed Service level	Signed Service level	N/A	Achieved	0	None	None	Signed Service level agreements	None

Index	National KPA	Municipal KPA	IDP Objective	Key Performance Indicator	Reporting period (Monthly/Quarterly), Monitoring period (Monthly/Quarterly) and calculation type (Cumulative /Non-Cumulative)	Baseline	Annual Target	Output indicator	Actual performance 2021 2022	Actual performance 2022 2023	Variance	Reasons for Variance (Under/Over Performance) Q4	Remedial Action/Corrective Measure Q4	Means Of Verification	PMS comments
	and Infrastructure Investment	Infrastructure development	in order to improve access to services and ensure that sustainable operations and maintenance	signed with Water Service Providers by 30 June 2023(Naledi LM; Magalies Water Board)			agreements with Water Service Provider by 30 June 2023	agreements with Magalies water And Naledi Local Municipality		Service level agreement signed as planned					
S.	Local Economic Development (LED)	Local Economic Development	Create an environment that promotes the development of the local economy and facilitate job creation	Number of SMMES supported through Projects and Initiatives by 30 June 2023	Reporting is quarterly and also monitored quarterly. Quarterly targets are cumulative	New	100 SMMES supported through Projects and Initiatives	100 SMMES supported through Projects and Initiatives	44	Achieved 210 SMMES supported	110	Increased partnerships with stakeholders	Increase target going forth	Signed internal Report and register from SMMES acknowledging support	None



## **PERFORMANCE OF EXTERNAL SERVICE PROVIDERS**

### **Annual performance reports**

46. (1) A municipality must prepare for each financial year; performance

(a)) Report reflecting the performance of the municipality and of each external service Provider during that financial year:

(b) ) a comparison of the performances to previous year

(c) Measures taken to improve performance.

(2) An annual performance report must form part of the municipality's Annual report in terms of Chapter 12 of the Municipal Finance Management Act."

Performance of the service providers were not monitored, measured and reported according to the agreed and accepted deliverables in the year under review

Appropriate remedial actions are going to be implemented in cases of poor and/or under performance and continuously monitored by the end-user departments.

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

In the previous two financial years the municipality has reviewed 17 administrative policies which govern the daily operation of the institution and the entire workforce. Such policies are explained and work shopped with the employees in order to promote the spirit of good governance in the workplace. Prior to the approval of the policies by the municipal council the relevant stakeholders are consulted such as Local Labour Forum, employees, management and councilors and labor unions.

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

The district municipality has lost a few officials due to various reasons of which most of them were in connection with greener pastures. That is why the turn-over rate is so minimal. Vacant funded position have been advertised and the process of Recruitment and Selection is under away which will be finalized in due course

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0.00
CFO	1	1	100%
Other S56 Managers (excluding Finance Posts)	6	2	33% 0
Other S56 Managers (Finance posts)	N/A	N/A	N/A
Police officers	N/A	N/A	N/A
Firefighters	74	22	29.7%
Senior management: Levels 13-15 (excluding Finance Posts)	27	3	11.1%
Senior management: Levels 13-15 (Finance posts)	4	1	25%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	216	43	18.2%
Highly skilled supervision: levels 9-12 (Finance posts)	236	55	23.3%

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

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### 4.2 POLICIES

The Municipality's reviewed policies which are explained to the workforce as and when are adopted by Council or reviewed periodically. The workforce through the Local Labour Forum, as an important stakeholder, in the development of such policies is properly consulted on all matters of mutual interest. The departments, units and the organization in general holding continuous staff meeting in order to create a platform for the staff to air their views in matters of mutual interest. The policies were reviewed in December at Haartbeesportdam but not yet approved by Council.

## HR Policies and Plans

HR Policies and Plans				
No.	Name of Policy	Completed	Reviewed	NOTE
		%	%	
1	Allowances Policy	100	100	ALL POLICIES YET TO BE ADOPTED BY COPUNCIL
2	Assets management policy	100	100	
3	Banking and investment	100	100	
4	catering Policy	100	100	
5	Credit control Policy	100	100	
6	Leave and overtime Policy	100	100	
7	Recruitment and Selection Policy	100	100	
8	Expenditure management Policy	100	100	
9	Funeral policy	100	100	
10	Insurance management policy	100	100	
11	Notebook and mobile computing policy	100	100	
12	Petty cash policy	100	100	
13	Recruitment and selection policy	100	100	
14	S&T policy	100	100	
15	SCM policy	100	100	
16	Vehicle allowance policy	100	100	

#### **4.3 INJURIES, SICKNESS AND SUSPENSIONS**

The municipality has not recorded any injuries, in the year under review.

##### Sick leave

<b>Number of days and Cost of Sick Leave (excluding injuries on duty)</b>						
<b>Salary band</b>	<b>Total sick leave</b>	<b>Proportion of sick leave without medical certification</b>	<b>Employees using sick leave</b>	<b>Total employees in post*</b>	<b>*Average sick leave per Employees</b>	<b>Estimated cost</b>
	<b>Days</b>	<b>%</b>	<b>No.</b>	<b>No.</b>	<b>Days</b>	<b>R' 000</b>
Lower skilled (Levels 0-2)/T001 to T003	80	7.5%	05	14	16	R56 240.00
Skilled (Levels 3-5)/ T004 to T005	56	1.78%	06	52	9.3	R52 472.00
Highly skilled production (levels 6-8)/ 7 to 12	465	18.6%	50	171	9.3	R549 273.00
Highly skilled supervision (levels 9-12)	14	71.4%	03	25	4.6	R30 342.76
Senior management (Levels 0-2)	13	23%	5	25	2.6	R39 377.65
MM and S57	0	00	00	03	00	0

An employee is given 80 days in a three year cycle on full pay. An employee is required to submit a medical certificate from a registered medical practitioner if more than two consecutive days are taken. If an employee is absent on two occasions during an eight week period and failed to produce a sick note irrespective of the number of days taken the employer is not obliged to pay. Such as employee. Should an employee develop a behavioral pattern of abusing sick leave, the immediate supervisor may request sick note from such as employee every time she/he takes sick leave

#### **4.4 PERFORMANCE REWARDS**

Performance Management System is currently applicable only on section 56 managers. It has not been cascaded down to employees below section 56 managers. No performance evaluations were done for section 56 managers.

### **COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE (4.5)**

The District Municipality has a Workplace Skills Plan in place to develop and capacitate its staff. In terms of the Plan and many officials were trained in different learning programmes and interventions during the 2022/2023 financial year. In addition, The District Municipality has implemented programmes for the training and empowerment of unemployed graduates and experiential learners

**TRAINING PLANS AND IMPLEMENTATION:**

Training plans are developed in consultation with employees through conducting skills audit and skills need analysis. However, there are some deviations during implementation as some training programmes that are not planned are at times provided by sector departments and other government agencies wholly funded.

**VARIANCE BETWEEN BUDGETED AND ACTUAL EXPENDITURE:**

Variances between budgeted and actual expenditure are as a result of escalating training costs and uncoordinated training wherein employees attend training that is not included in the training plan. Also, the financial constraints in which the municipality found itself also contributed to the variances.

**ADEQUACY OF FUNDING:**

Funding for training is not adequate as it does not cover all or most of the employees. The municipality does not budget 1% of the annual payroll as required by Skills Levies Act No 9 of 1999. MFMA

COMPETENCY REGULATIONS: There is a 90% compliance with the regulations as all senior managers and most of managers as well as financial officials have completed MFMA training and were declared competent

**COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE**

The strict control of the workforce budget enables the municipality to implement and achieve the pre-determined objectives as set out in the IDP because all vacant and budgeted posts will be filled immediately the vacancy arise. The workforce budget is spent with the parameters of the approved budget. Appointment is done in terms of the requirements of the post because the salary package is commensurate to the experience and qualifications of the post.

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#### 4.6 EMPLOYEE EXPENDITURE

Refer to AFS Attached



## CHAPTER 5 – FINANCIAL PERFORMANCE

The Municipality adopted the going concern assumption when preparing the annual financial statements for the year under review. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlements of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Municipality also adopted the accrual basis, to account for its revenue and expenditure, while also adopted the approved Statements of GRAP, to record its financial transactions.

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. (Refer to Volume II – Audited financial statements)

Even though the municipality is financially viable, it is a concern that there are still no new or potential revenue base alternatives as the district remains highly rural. The Dr Ruth Segomotsi Mompati District Municipality was not immune to inflationary pressures which arose during the reporting period, these pressures which continued to affect the cash flow status of the municipality.

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The financial statements presented in this report are presented on the basis that the municipality is a going concern. The principles of GRAP have been taken into consideration when preparing these annual financial statements. The annual financial statements have been prepared by consultants and will be submitted on time as prescribed in the Municipal Finance Management Act to the Auditor General.

The total assets of the municipality are adequate to ensure that the liabilities of the municipality are cared covered should anything happen to the municipality's continuity. The asset base of the municipality which is above the liabilities of the municipality as well as other factors that are presented in the financial position of the municipality, show that the municipality is still solvent and therefore still financially healthy.

The AFS has been included in this report as (Volii) - Audited financial statements on pages 244-323 of this report.

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5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Refer to Volume II – Audited financial statements of this report.

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## 5.2 GRAP COMPLIANCE

### GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

## **CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS**

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

### **COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS**

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#### **6.1 AUDITOR GENERAL REPORTS YEAR 2021-2022**

In the 2021-2022 financial year a Qualified audit opinion was issued by the Auditor General.

### **COMPONENT B: AUDITOR-GENERAL OPINION YEAR 2022-2023 (CURRENT YEAR)**

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#### **6.2 AUDITOR GENERAL REPORT YEAR ENDING 2023 (2022-2023)**

In the 2022-2023 financial year a Qualified audit opinion was issued by the Auditor General. The Audit report is attached hereto on page 183 of this report

## GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty

<b>Inputs</b>	and creating jobs. 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.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to

	Achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>



## **ANNUAL REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE**

We are pleased to submit the report of the Audit and Performance Committee for the year ended 30 June 2023.

### **1. Background**

Dr. Ruth Segomotsi Mompati District Municipality and its local municipalities, namely Naledi Local Municipality, Mamusa Local Municipality, Kagisano-Molopo Local Municipality, and Lekwa-Teemane Local Municipality have opted for the Shared Audit and Performance Audit Committee Services. The Audit and Performance Audit Committee was established in terms of section 166 of the Municipal Finance Management Act (MFMA), Act 56 of 2003. The Audit and Performance Audit Committee (APAC) has adopted its terms of reference.

























#### **Statutory requirements**

Section 166 of the MFMA stipulates that each municipality must establish an audit committee. The audit committee is an independent advisory body that advises the municipal council, the political office bearers, the accounting officer, and the management of the municipality on the following matters:

- Internal financial control and internal audits;
- Risk management;
- Accounting policies;
- The adequacy, reliability and accuracy of financial reporting and information;
- Performance management;
- Effective governance;
- Compliance with the MFMA, the Division of Revenue Act (DORA) and any other applicable legislation;
- Performance evaluation;
- Any other issues referred to it by the municipality;
- Review of the annual financial statements to provide an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall compliance with the MFMA, DORA any other applicable legislation;
- Respond to Council on any matter raised by the Auditor- General (AGSA); and Carry out such investigation into the financial affairs of the municipality.

## 2. Attendance of meetings

This **APAC** was appointed by the Municipal Council with effect from 01 September 2021 to 30 August 2024. It comprised the following independent non-executive members who have the requisite and relevant skills and experience to fulfil audit committee's duties. The following table depicts the current Audit and Performance Audit Committee members and attendance thereof.

Name and Surname	Position in Audit Committee	NUMBER OF MEETINGS ATTENDED			
		25 July 2022 (Statutory Meeting)	19 August 2022 (Special APC meeting)	30 August 2022(Statutory Meeting)	30 May 2023 (Statutory Meeting)
Ms. Jane Masite	Chairperson				
Prof. George Malebe	Member				
Adv. Seitebaleng Dikole	Member				
Ms.Lesego Holele	Member				
Ms M. Ralikonyana	Member				
Mr. E. Van Rensburg	Member				

The following, although not members of the Audit and Performance Audit Committee, have standing invitation to Audit and Performance Committee meetings:

- The Accounting Officer;
- The Chief Financial Officer;
- The Chairperson of the Risk Committee;
- MPAC Chairperson;
- The Section 56 Managers/Departmental Heads;
- Chief Audit Executive;
- Internal Audit Managers;
- Chief Risk Officer;
- The Auditor- General (When necessary); and
- The Provincial Treasury

The members of the Audit and Performance Audit Committee also held in committee meetings with the municipal manager as the accounting officer, the internal audit function, collectively and individually, on matters related to governance, internal control, performance, financial information, risk and other relevant matters concerning the municipality.

### **3. Internal Audit**

The Internal Audit of the Dr Ruth Segomotsi Mompati District Municipality is in-house and has discharged its mandate in terms of its charter and managed to execute 86% of the projects as per the 2022/23 Annual Plan (The remaining percentage was affected by the financial recovery plan activities which were not planned for. The APAC would like to commend the Municipality for strengthening its Internal Controls, Risk Management and Governance Processes.

The Audit and Performance Audit Committee is of the opinion that the Internal Audit unit is operating effectively to meet its mandate and has considered the risk pertinent to the municipality in its audit plans.

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

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

### **4. Effectiveness of Internal Controls**

The system of internal control was not entirely effective during the year under review as compliance with prescribed policies and procedures were lacking in certain instances. The following reports are among others that were presented to the Audit and Performance Committee:

- Audit of quarterly performance information;
- Expenditure management;
- Supply chain management;
- ICT audit;
- Governance;
- Leave management;
- Local economic development; and
- Assets management.
- Recruitment and selection
- Financial reporting

The Committee is concerned that in certain instances the matters reported by the Auditor-General (AG) and the Internal Audit Function in prior years have not been fully and satisfactorily addressed which is reflected on the report of the AG for 2022.

## **5. Risk Management**

The municipality has a risk unit that consists of three staff members and a chairperson of the risk management, anti-fraud, and anti-corruption committee.

The risk management unit facilitated the risk management within the municipality.

The Audit and Performance Committee is concern that:

- ✓ Risk Management has been not been fully embedded at the municipality.

## **6. Performance Management**

Part of the responsibilities of the Audit and Performance Audit Committee includes the review of performance management. Furthermore, the Committee has in terms of the performance of the municipality reviewed the functionality of the performance management system and it appears to be functional, however there is room for improvement in so far as achievement of planned targets and compliance matters are concerned.

The Audit and Performance Audit Committee has also noted the non-compliance with Section 46(a)( i ) of the Municipal Systems and related regulation and circulars, as no report on evaluation of service providers was not submitted to the Audit Committee.

## **7. Year- End Reporting**

The APAC has reviewed the Annual Performance Report before the report was submitted to the Auditor-General and the quarterly reports submitted by management during the year.

## **8. Evaluation of Annual Financial Statements and Annual Performance Report**

The Audit and Performance Audit Committee, has on its meeting held on the 28 August 2023 discussed the Draft Annual Financial Statements and Unaudited Annual Performance Report with the Accounting Officer, before submitting to the Auditor General. The Audit and Performance Audit Committee wishes to indicate that it performed a review on the Financial Statements focusing among others on:

- Significant financial reporting adjustments and estimates contained in the Draft Annual Financial Statements;
- Clarity and completeness of disclosures;
- Quality and acceptability of and any changes in accounting policies and practice;
- Significant adjustments arising from the audit;
- Reasons for major year to year fluctuations; and
- Reinstatement of prior year amounts.

The Audit and Performance Audit Committee reviewed and considered the Draft Annual Financial Statements and the Annual Performance Report for the Financial Year Ended 30 June 2023.

## **9. Final Auditor General's Report**

The Audit and Performance Audit Committee has:

- Further reviewed the Financial Statements to be included in the Annual Report with the Accounting Officer.
- Discussed and adopted the Auditor-General and Management the Management report and management response thereof.

The Audit and Performance Audit Committee concurs and accepts that the conclusions of the Auditor-General on the Annual Financial Statements be accepted and read together with the report of the Auditor-General.

The Audit and Performance Audit Committee recommends that:

- ✓ The Municipality develop PAAP that will reflect root cause analysis.
- ✓ Submission of progress report to council on the implementation of actions to resolve AG findings.
- ✓ Internal Audit Function assess the implementation of the Post Audit Action Plan.
- ✓ Consequence management be implemented where there has been negligence or non-submission of information.

**10. Conclusion**

The Audit and Performance Committee acknowledges the co-operation and assistance by the DR. RSMDM for coordinating the activities of the Committee. The Audit and Performance Audit Committee further acknowledge the commitment into good governance as shown by the Honourable Speaker: Cllr K. Sereko, the Executive Mayor: Cllr. M. Maje and Council and further express gratitude to the Municipal Manager, Senior Management, Chief Audit Executive and her staff for the support and commitment to the work of the Audit and Performance Committee.

Furthermore the APAC would like to congratulate the Municipality for a slight reduction on audit paragraphs as compared to the previous audit outcome. The paragraphs reduced from five to three

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

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



.....  
Ms. S.J. Masite, CIA, CMIIA, CFE, CICP  
Chairperson of the Audit and Performance Audit Committee  
Date:

## Report of the auditor-general to North West Provincial Legislature and the council on Dr Ruth Segomotsi Mompati District Municipality

### Report on the audit of the financial statements

#### Qualified opinion

1. I have audited the financial statements of the Dr Ruth Segomotsi Mompati District Municipality set out on pages 215 to 306, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Dr Ruth Segomotsi Mompati District Municipality as at 30 June 2023, and financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

#### Basis for qualified opinion

##### Contracted services

3. I was unable to obtain sufficient appropriate audit evidence for contracted services due to a lack of proper controls over the delivery of goods received and services rendered. I was unable to confirm these contracted services by alternative means. Consequently, I was unable to determine whether any adjustment relating to contracted services of R309 031 588 (2022: R314 905 225), as disclosed in note 32 to the financial statements was necessary.

##### Principal agent arrangement

4. Service charges revenue and agency fees was not recognised as required by GRAP 109, *Accounting by principals and agents*. The service delivery agreements entered into between the district municipality as water service authority and Naledi Local Municipality as water service provider indicates that a principle agent arrangement exist. I was not able to determine the full extent of the omission in the financial statements, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to revenue and expenditure relating to the provision of retail water services by the local municipality on behalf of the district municipality.

### Irregular expenditure

5. Section 125 of the MFMA requires the disclosure of irregular expenditure incurred. The municipality made payments in contravention of supply chain management (SCM) requirements in the current and previous year, which were not included in irregular expenditure disclosed. As the municipality did not quantify the full extent of the irregular expenditure, it was impracticable to determine the resultant understatement of irregular expenditure of R1 857 207 205 disclosed in note 46 to the financial statements.

### Context for opinion

6. 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.
7. 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.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### Material uncertainty relating to going concern

9. I draw attention to the matter below. My opinion is not modified in respect of these matter.
10. I draw attention to note 43 to the financial statements, which indicates that current liabilities exceed the current assets by R683 449 137 and contingent liabilities, if ordered to settle, will result in R23 013 014 being paid. As stated in note 43, these events or conditions, along with the other matters as set forth in note 43, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

### Emphasis of matters

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

### Unauthorised, and fruitless and wasteful expenditure

12. As disclosed in note 44 to the financial statements, unauthorised expenditure of R143 542 370 was incurred in the current year and the unauthorised expenditure of R920 428 533 in respect of prior years have not yet been dealt with in accordance with section 32 of the MFMA.
13. As disclosed in note 45 to the financial statements, fruitless and wasteful expenditure of R1 473 650 was incurred in the current year and fruitless and wasteful expenditure of R16 167 981 from prior years have not yet been dealt with in accordance with section 32 of the MFMA.



### **Material losses**

14. As disclosed in note 7 to the financial statements, the provision for impairment of other receivables amount to R20 796 914 (2022: R12 617 450) which is 93% (2021: 67%) of the total other receivables from non-exchange revenue due to significant impairment of receivables.

### **Restatement of corresponding figures**

15. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2023.

### **Other matters**

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

### **Unaudited disclosure notes**

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

### **Unaudited supplementary schedules**

18. The supplementary information does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

### **Responsibilities of the accounting officer for the financial statements**

19. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and the Dora; and for such internal control as the party responsible determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
20. 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**

21. 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.

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

**Report on the audit of the annual performance report**

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

24. I selected the following key performance areas presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected programmes that measures the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Key performance area	Page numbers	Purpose.
Basic services delivery and infrastructure development	[151-160]	To improve access to services and ensure that sustainable operations and maintenance of the existing water and sanitation infrastructure is achieved.
Local economic development	[160-160]	To create an environment that promotes the development of the local economy and facilitate job creation with intended outcome being improved municipality economic viability.

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

26. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents

- the reported performance information is presented in the annual performance report in the prescribed manner
  - there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance .
27. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
28. The material findings on the reported performance information for the selected key performance areas are as follows:

#### **Key performance area - Service delivery and infrastructure development**

##### **Number of jobs created through capital projects and registered with EPWP by 30 June 2023**

29. An achievement of 593 was reported against a target of 500. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

#### **Key performance area - Local economic development**

##### **Number of SMMES supported through projects and Initiatives by 30 June 2023**

30. An achievement of 210 was reported against a target of 100. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the achievement against the target was lower than reported.

#### **Other matter**

31. I draw attention to the matters below.

#### **Achievement of planned targets**

32. The annual performance report includes information on reported achievements against planned targets and provides explanations for over-achievements. This information should be considered in the context of the material findings on the reported performance information.

#### **Material misstatements**

33. 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 and local economic development. Management did not correct the misstatement and I reported material findings in this regard.

## Report on compliance with legislation

34. 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.
35. 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.
36. 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.
37. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Expenditure management

38. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
39. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, as required by section 65(2)(b) of the MFMA.
40. Reasonable steps were not taken to prevent irregular expenditure amounting to R165 670 801 as disclosed in note 46 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with the SCM regulations.
41. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 473 650, as disclosed in note 45 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was caused by interest charged on outstanding accounts not paid on time.
42. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R143 542 370, as disclosed in note 44 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by instances of overspending on votes.

### Financial statements

43. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, non-current liabilities, revenue and disclosure items identified by the

auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

44. The council failed to adopt an oversight report containing the council's comments on the 2021-22 annual report, as required by section 129(1) of the MFMA.

#### **Strategic planning and performance management**

45. No KPIs were set in respect of the provision of basic water and sanitation services, as required by section 43(2) of the MSA and municipal planning and performance management regulation 10(a).
46. The performance management system and related controls were inadequate as it did not describe how the performance planning, monitoring and review processes should be conducted and organised and managed, as required by municipal planning and performance management regulation 7(1).

#### **Consequence management**

47. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(a) and (b) of the MFMA.

#### **Procurement and contract management**

48. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year
49. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.
50. Some of the contracts were awarded to bidders based on points given for legislative requirement that were not stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the preferential procurement regulations. Similar non-compliance was also reported in the prior year
51. The preference point system was not applied to some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act (PPPPFA). Similar non-compliance was also reported in the prior year
52. Some of the contracts above R30 million did not include a condition for mandatory subcontracting to advance designated groups, as required by the 2017 preferential procurement regulation 9(1).

53. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5. Similar non-compliance was also reported in the prior year.
54. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year
55. Awards were made to providers who were in the service of other state institutions or whose directors/principal shareholders were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).
56. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e) / the code of conduct for councillors issued in terms of the Municipal Systems Act / the code of conduct for staff members issued in terms of the Municipal Systems Act.

#### Other information in the annual report

57. The accounting officer is responsible for the other information included in the annual report, which is included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.
58. 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.
59. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected key performance areas presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
60. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and reissue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

61. 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.
62. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
63. Leadership did not adequately exercise oversight responsibility regarding financial and performance reporting and compliance with legislation. The municipality did not have sufficient monitoring and reviewing controls to ensure that financial and performance reports submitted for audit were accurate and complete, and that action plans developed were adequately and timeously implemented. Furthermore, effective human resource management processes were not implemented to ensure that adequate and sufficiently skilled resources were in place, especially in the finance department, and that the performance of all employees was monitored
64. Management did not take effective steps and implement measures to ensure that appropriate evidence is obtained to confirm occurrence of expenditure relating to bulk purchase and water tankering expenditure. Furthermore, there is an overreliance on the work of consultants without an adequate transfer of skills to ensure that municipal officials appointed in specific positions perform their functions within those positions.
65. The effectiveness of the audit committee and internal audit as assurance providers was compromised as management did not adequately address internal audit findings and did not always implement recommendations by the audit committee.

## Material irregularities

66. In accordance with the PAA and the material irregularity (MI) regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

### **Status of previously reported material irregularities**

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

67. Reasonable steps were not taken in the 2019-20 financial year to ensure that full and proper records were kept of infrastructure assets, provision of retail water and material uncertainty relating to going concern, as required by section 62(1)(b) of the MFMA. The non-compliance contributed to a disclaimed audit opinion as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements. The lack of full and proper records is likely to result in substantial harm to the municipality as it contributed to the material uncertainty regarding its ability to continue operations. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.

68. The accounting officer was notified of the material irregularity on 7 June 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer provided inadequate actions to resolve the material irregularity. I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 30 April 2022:
69. Based on the reasons and circumstance, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by 62(1)(b) of the MFMA. The plan should include anticipated timeframes and address the following key areas as a minimum:
- Complete asset register of all of the municipality's infrastructure assets, including work-in-progress;
  - Billing information and reconciliations to support revenue from service charges;
  - Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received; and
  - Formalise agreements with local municipalities for the provisioning of basic water services.
70. I further recommended that the accounting officer should take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA, by 31 July 2022. The plan should describe the anticipated timeframe and milestones to be achieved and include as a minimum, strategies to:
- increase the collection of revenue;
  - optimise costs in respect of bulk purchases.
  - efficiently manage the available resources of the municipality;
  - enter into payment arrangements with major suppliers; and
  - repair and maintain infrastructure assets.
71. I considered the written response and substantiating documentation provided on 29 April 2022 as well as the supplementary responses and substantiating documentation received between 14 May 2022 and 29 July 2022, and concluded that the recommendations were not adequately implemented at the stipulated time and appropriate actions were not taken to address the material irregularity.
72. On 7 August 2023, I notified the accounting officer of the following remedial actions to address the MI, which should be implemented by within six months from the date of the notification with a progress report after three months:
73. The non-compliance with section 62(1)(b) of the Municipal Finance Management Act, 56 of 2003 (MFMA) must be investigated further to determine the reasons and circumstances that led to the



non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses.

74. Based on the reasons and circumstances, appropriate action must be taken to continue with the development and implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the auditee are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan must include anticipated timeframes and address the following key areas as a minimum:

- Complete asset register of all of the municipality's infrastructure assets, including work-in-progress;
- Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received; and
- Formalise agreements with local municipalities for the provisioning of basic water services.

75. I further recommend that the accounting officer must continue with the development and implementation of an action plan to address the financial problems of the auditee, as required by section 135(1) and 135(3)(a) of the MFMA. The plan must describe the anticipated timeframe and milestones to be achieved and include as a minimum strategies to:

- increase the collection of revenue;
- optimise costs in respect of bulk purchases;
- efficiently manage the available resources of the municipality;
- enter into payment arrangements with major suppliers; and
- repair and maintain infrastructure assets.

76. A progress report on the implementation of the remedial action was received on 6 November 2023. I am in the process of assessing the progress made with the implementation of the actions to address the remedial action.

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

#### **Functionality incorrectly calculated for VAT recovery services**

78. The municipality awarded a tender for VAT recovery services in July 2020. One bidder was incorrectly evaluated on functionality criteria and was unfairly disqualified and had the bid been correctly evaluated would have been the successful bidder. This was in contravention of regulation 5(7) of the 2017 preferential procurement regulations that requires all tenders which achieved the minimum qualifying score for functionality be regarded as acceptable tenders and evaluated further in terms of the preference points. Furthermore, the Mafikeng High Court on 19 May 2021, ruled that the decision to disqualify the bid was constitutionally invalid, reviewed and set aside. Although the municipality appealed the decision on 21 April 2022 the Supreme Court of Appeal has dismissed the application with costs.

79. The non-compliance is likely to result in a material financial loss for the Dr Ruth Segomotsi Mompoti District Municipality as the commission fee percentage calculated on the total VAT refund paid to the supplier that was awarded the tender was significantly higher than that of the bid that was unfairly disqualified. The difference between the commission fee paid for the period 1 July 2020 to 17 March 2022 when the contract was cancelled and the commission fee by the disqualified bidder was R3 791 715.
80. The accounting officer was notified of the material irregularity on 8 December 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. Despite further engagement, the accounting officer provided inadequate actions to resolve the material irregularity in the updated response received on 15 February 2022 as specific commitments and dates were still not included with respect to the recovery of financial loss and there was no dates of progress on the disciplinary processes.
81. As the accounting officer failed to implement appropriate actions, consequently, I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 2 March 2023:
- The financial loss should be quantified.
  - All entities and/or person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
  - The non-compliance should be further investigated to determine if any other officials might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
  - Disciplinary proceedings should commence without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
  - If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
  - If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service (Saps), as required by section 32(6)(b) of the MFMA.
82. I considered the written response and substantiating documentation provided on 9 March 2023 as well as the supplementary response and substantiating documentation received on 8 June 2023, and concluded that the recommendations were not adequately implemented.

83. On 14 July 2023, I notified the accounting officer of the outcome of the assessment and issued a directive in terms of section 5A(3) of the PAA to determine the amount of the financial loss and recover such loss or make progress with the recovery of the loss from the responsible person within 4 months.
84. In addition, I notified the accounting officer of the following remedial actions to address the material irregularity, which should be implemented by the same date:
- The financial loss must be reliably quantified.
  - All entities and/or person(s) liable for the losses must be identified and appropriate action must commence to recover the financial loss. The recovery process must not be unduly delayed.
  - Disciplinary proceedings should commence without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
  - If a senior manager of the municipality has allegedly committed an act of financial misconduct, the officer must report the allegation to the Municipal Council, the Provincial Treasury and the accounting National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
  - If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission, this must be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.
85. Accounting officer submitted a response on 6 November 2023. I am in the process of assessing the information submitted and determining the most suitable action to take.

#### **Prohibited investment with a mutual bank**

86. During 2018, the municipality invested funds in a 32-day notice account with a mutual bank that was not registered in terms of the Banks Act 94 of 1990, which is contravention of municipal investment regulation 6(c). As the mutual bank was placed under curatorship on 11 March 2018, the non-compliance is likely to result in a material financial loss if the municipality cannot obtain a refund of the deposits made. During the 2017-18 financial year, the municipality impaired the investment of R150 000 000.
87. The accounting officer was notified of the material irregularity on 3 March 2021. The following actions have been taken to resolve the material irregularity:
- The municipality successfully lodged a claim against the estate of the mutual bank on 7 November 2019 in the Polokwane High Court. During February 2022, the municipality received R10 500 000 from the estate of the mutual bank. The DCPI indicated during April 2023 that it would consider referring amounts that are not recovered through the liquidation process to the Asset Forfeiture Unit, for further recovery.

- A disciplinary board investigation into the matter, finalised on 27 August 2018, recommended that disciplinary processes be initiated against officials named in the report. Disciplinary processes were initiated and concluded for one senior official who was confirmed to be involved on the matter, the employee was issued a sanction of dismissal on 29 October 2021.
- The municipality reviewed its cash and investment policy in the June 2023, and no investment with a tenure exceeding twelve months shall be made without the prior approval of the Executive Mayor or an Investment manager.

88. The material irregularity was resolved

*Auditor General*

Rustenburg

30 November 2023



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure to the auditor's report

The annexure includes the following:

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

### Auditor-general's responsibility for the audit

#### Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected key performance areas 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.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

#### **Communication with those charged with governance**

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)  Parent municipality with ME: Sections 93B(a), 93B(b)  Parent municipality with shared control of ME: Sections 93C(a)(iv), 93C(a)(v)
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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	Number	ISS	Heading of finding	Audit Finding: Component	Audit Findings	Root Cause	AGSA Recommendations	Managements proposed solution	Start Date	End Date
1	1	54	COAF 2 - SCM - Policy used by the Municipality was not updated	Compliance	Contrary to the above requirements, it was noted that the SCM policy submitted for audit was only reviewed and approved by the Municipal Manager and the council in June 2023 meaning that the Municipality did not have an approved SCM policy throughout the financial year, the Policy that was used was outdated and only approved in September of 2014. Therefore based on the above it is clear that approved and updated policy was not in use for the financial year 2022/2023.	Management did not update the SCM Policy on time to be applied consistently from the beginning of the financial year	Management should ensure that the Municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control by ensuring that updated and approved policy is in place for each financial year.	Policies should be reviewed annually	1/8/2024	6/30/2024
2	2	53	COAF 2 - Consequence management: No evidence to confirm that the UIFW were investigated during the year under review	Compliance	Contrary to the above, we inspected the Management representation later dated 30 August 2023, approved by the Municipal Manager (I Jonas) and confirmed that no investigations were conducted for unauthorised, irregular, fruitless and wasteful expenditure. Therefore since there were no investigations conducted, there were no persons investigated to determine if any person is liable for the expenditure. The municipality does not have measures already taken to recover the stated expenditure and no cost of the measures already taken to recover such expenditure. This non-compliance was also reported in the prior year.	The Accounting Officer did not prepare and investigate UIF&W in accordance with circular 68	UIF&W registers should be investigated by MPAC	The Accounting Officer did not prepare and investigate UIF&W in accordance with circular 68	1/8/2024	4/30/2024
3	3	49	Limitation of scope - Information not submitted RFI 21	AoPI	Request for information no. 21 of 2023 – AOPO Business Processes The request was issued on the 27 September 2023 and was due on the 29 September 2023, to date the following information is outstanding: - 1. Basic Service Delivery and Infrastructure Investment and Local Economic Development: • Please confirm the business process from Column D to Column L in the attached Business Processes • Where there are blanks (i.e., no process) please fill in the process • Where there are questions, please respond to questions using another colour. • In addition to the process, for each indicator please provide documents mentioned in the process that can be used to confirm the process (for example, if in the process indicates that there is an advert, contract and qualifications, those must be submitted for one transaction).	None submission of information due to poor document management	Management should ensure to submit requested information within the agreed upon timeframe of three working days as agreed on in the engagement letter.	Management should ensure that a digital document management system is implemented to ensure timeous retrieval of information	1/8/2024	4/30/2024
4	4	25	COAF 4 - External quality assessment on internal audit not performed	Compliance	During the audit of the internal audit function, we noted that an external quality assessment of the internal audit methodology has not been performed on the internal audit function in the last five years.	The Audit Committee advised that the external quality assessment should only be performed after a review by the Internal Audit from Provincial Treasury	Chief Audit Executive (CAE) should ensure that the internal assessment process is conducted one year prior to the end of the five-year period. This will provide sufficient time for the Provincial Internal Audit to perform an assessment, enabling the municipal Internal Audit to initiate the external assessment in a timely manner.	The Chief Audit Executive should request allocation of funds and procure an external quality assessment	1/8/2024	3/31/2024
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5		24	COAF 4 - Audit committee – Effectiveness of the audit committee to adequately perform its functionality	Compliance	Contrary to the above, we have noted that the audit committee does not perform the following functions: 1. The audit committee only discussed the 4th quarter performance report on 19 August 2022 in which the year the report relates to was not stated, there is no proof in the minutes of the meetings that the audit committee reviewed the quarterly performance reports prepared by management in the current financial year. 2. The audit committee did not for at least twice during a financial year submit an audit report to the municipal council concerned, they only submitted the report once which was on the 31 January 2023.	Inadequate review of reports and infrequent reporting to Council	The Audit Committee should assess the finance function, this assessment can be done using questionnaires being completed by each Audit Committee member and the significant results of which should be summarised and discussed at the following Audit Committee meeting. Furthermore, the audit committee should review the quarterly reports submitted by internal auditors of performance measurement. The Audit Committee needs to submit the audit report at least twice a year.	Audit Committee should assess quarterly reports timeously and report to council every 6 months.	1/8/2024	1/31/2024
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6		1	COAF 07 - AOPO: No plans and registers/schedule/list to monitor and record achievements	AoPI	The indicators below have reported achievements on the APR however there are no supporting schedules/ registers submitted as a support of the APR: •Number of inspections on food premises conducted by 30 June 2023 •Number of bacteriological, chemical and sewerage water samples collected for analysis by 30 June 2023 •Number of Fire Prevention Inspections at Local Business Conducted by 30 June 2023 •Number of SMMES supported through Projects and Initiatives by 30 June 2023	Management did not diligently prepare registers	Management should ensure to submit requested information within the agreed upon timeframe of three working days as agreed on in the engagement letter.	Management should prepare registers	1/8/2024	1/31/2024
7										
7		83	COAF 8 - No SLA between the municipality and Dept. of Public Works	Compliance	During the planning phase it was noted that the municipality had entered into a rental agreement with the Dept. of Public Works for the lease of Moffat Street. It was also noted that the rental agreement had lapsed during the current year, and no new rental agreement had been entered into.	The Department of Public Works has not yet signed the draft SLA prepared by the district	The municipality should enter into a new contract with the dept. of public works to ensure that the rights and responsibilities of both parties are clearly outlined.	The District should escalate the matter to the HoD	1/8/2024	3/31/2024
8										
8		27	COAF 8 - Control environment: internal control deficiencies identified	Compliance	Contrary to the above requirement, in completing the Understanding Internal Controls working paper, we identified the following internal control deficiencies: •There is no evidence that skills are transferred to the municipality's employees where consultants are utilized. Evidence of any skills transfer was requested in RFI 20, but none has been received. •The municipality also has not developed a consultancy reduction plan to reduce reliance on consultants. •Although the post audit action plan was developed, management did not ensure it was fully implemented. Out of 103 issues identified in which management were supposed to respond to and ensure they are addressed so that the misstatements identified during the audit can be addressed, only 15 are complete, while 39 are still in progress, and 49 have not even been started.	Specification committee did not assess compliance with consultant reduction plan prior to approval of specifications. Audit action plan not monitored for implementation by the accounting officer	Management did not create a consultant reduction plan and audit action plan was not completely implemented	Management must create a consultant reduction plan. Ensure that skills assessment is performed prior to approval of procurement and audit action plan should be monitored and consequences for none implementation	1/8/2024	3/31/2024
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9	12	COAF 10 - Information's Technology Internal Control Deficiencies	Compliance	<p>During the testing of the IT environment of the municipality we identified the following internal control deficiencies: -</p> <p>1. There are no formally documented and approved procedures that are used to manage the process of granting access, modification and termination of users to all systems [Sage &amp; E-Pact]. Even though there are certain controls in place with regard to granting users access to systems, we could not obtain evidence that these controls are functioning effectively, as the Manager IT is not granted access to some of the systems privileges.</p> <p>2. There is also no process in place for the periodic review of access privileges already granted to each user to ensure that they are still in line with the requirements of their job. In addition, the rights of the system administration that grants users access to the system are not independently reviewed.</p> <p>3. The disaster recovery plan of the municipality does not address the following minimum criteria's: -</p> <ul style="list-style-type: none"> <li>•Disaster definitions</li> <li>•Plan for IT disaster recovery (including DRP team roles and responsibilities)</li> <li>•Clear recovery point objective and recovery time objective</li> <li>•Disaster notification and plan activation</li> <li>•Plan maintenance and testing (including frequency of DRP tests)</li> <li>•Recovery procedures are indicated to recover the systems listed above including the network infrastructure (system and business unit recovery procedure)</li> <li>•Disaster site has been identified to host the primary site during the disaster.</li> <li>•Hardware and software arrangements has been made for critical processing.</li> <li>•Re-establishment of normal operations:</li> </ul>	Lack of SOP's for access of applications. No periodic review of rights.	Management should ensure that it develops and monitor the implementation of actions plans to address internal controls identified in the IT environment of the municipality.	The IT unit should prepare SOPs to address identified internal control deficiencies and present the SOPs to the IT steering committee for recommendation to the Municipal Manager	1/8/2024	6/30/2024	
10	9	COAF 11 - Understanding the entity and its internal control - No performance review done for employees	AoPI	<p>During the planning phase of the audit in understanding payroll compensation of employees and employee benefit particularly for performance management we confirmed that performance evaluations had not been conducted during the year under audit for senior manager as well as the other staff within the municipality that are not senior managers. Through inquiry with management, we noted management do not conduct performance evaluations on their staff compliment. Inspected the performance agreement entered into by Karel Vogt (Senior manager: Community Safety) as the employee, and Mr. J Shai (Acting Municipal manager) on behalf of the municipality, and confirmed that there was no evidence that could be provided to proof that employees skills and competencies are regularly evaluated in order to establish whether they are relevant still and adequate to carry out the entity's objectives, or that the employees' performance is regularly monitored and evaluated based on the predetermined criteria. We also inspected the performance agreements of the following employees and the same control deficiency was noted:</p> <p>Mr. Collen Colane (Senior Manager: Planning and development)</p> <p>Mr. Johnny Shai (Municipal Manager)</p> <p>Ms Agnes Moheta (Senior manager: Economic Development, Tourism and Agriculture).</p>	Management did not ensure that performance evaluations are conducted. This could be because of the recent instability with the top positions within the municipality, including CFO and MM, who would be expected to conduct the performance evaluations as required by Municipal Performance Regulations. Further, since the bonuses are paid to employees, even though the performance evaluation is not done, there is no incentive for the employees of the municipality to do them, thus performance is not ever monitored, and plans for development are not conducted. This could also have a negative effect on service delivery as there is no incentive for employees to perform	Management should ensure that performance evaluations are conducted for all municipal employees including non senior and senior manager.	Performance management should be implemented for all employees	1/8/2024	6/20/2024	
11		COAF 15: Limitation of scope - Information not submitted RFI 45	Compliance	<p><b>Request for information no.45 of 2023 – SCM Contract Management</b></p> <p>The request was issued on the 17th of October 2023 and was due on the 20th of October 2023, to date the following information is outstanding –</p> <ul style="list-style-type: none"> <li>- HT Pelatona/Tshenolo Resources JV Completion certificate</li> </ul>	Lack of reliable document management system	Management should ensure to submit requested information within the agreed upon timeframe of three working days as agreed on in the engagement letter.	Management should ensure that a digital document management system is implemented to ensure timeous retrieval of information	1/8/2024	3/31/2024	
12	13	COAF 17: Limitation of scope - Information not submitted	AoPI	<p><b>Request for information no. 62 of 2023 – AOPO: SMME support 2022-2023 FY</b></p> <p>The request was issued on the 25 October 2023 and was due on the 27 October 2023, to date the information is outstanding is indicated on the Rfi 62 reconciliation attached to finding.</p>	Management did not create a listing to tally the incidents of achievements.	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.	Management should create a listing and perform reconciliations of the listing to the report on a monthly basis	1/8/2024	3/31/2024	
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13			COAF19: Limitation of scope - Information not submitted RFI 59	Compliance	<b>Request for information no 59 of 2023 – Commitment disclosure</b> The request was issued on the 25 October 2023 and was due on the 27 October 2023, to date the following information is outstanding for the sample attached (Annexure A of COAF 19) Information required.  1. DWS Construction Unit West - Service level of agreement 2. HT PELATONA PROJECTS (PTY)LTD (Civil work) - Service level of agreement	Lack of reliable document management system	Management should ensure to submit requested information within the agreed upon timeframe of three working days as agreed on in the engagement letter.	Management should ensure that a digital document management system is implemented to ensure timeous retrieval of information	1/8/2024	3/31/2024
14		55	COAF 20: SCM - Reasons provided for the deviation are not reasonable and justifiable	Compliance	we identified that the following award were awarded to the following suppliers through a deviation. However we noted that the reasons provided for the deviation are not reasonable and justifiable as the reason provided states that services are produced or available from a single provider only which is not the case as there are multiply suppliers around North West and countrywide that can repair station rescue pump (like Orange Toyota & Morgan Nissan Stella lander). Further inspected the payment voucher and the letter provided to auditors and confirmed that the Municipality did not perform a need analysis/ assessment to check if there are any potential suppliers who can perform the same service as Huku Auto Engineering logistics Description of Goods/Service : Request for 65 000 km service and repair for HPW 255 NW Molopo fire station rescue Pump Reason for deviation : Services are produced or available from a single provider only Contracted service provider :Huku Auto Engineering logistics  Amount (VAT inclusive): R23 488.84	Management failed to implement adequate monitoring and review controls over supply chain management to ensure that all services are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes.	Management should ensure that all deviations meet the strict requirement of regulation 36 of the MFMA with relevant support prior to approval by Accounting Officer	1/8/2024	1/31/2024
15		52	COAF 11: SCM Employees did not receive training during the year	Compliance	Contrary to the above requirement, confirmed through inspection of Management representation letter dated 30 August 2023, signed by the Municipal Manager (I Jonas) that there was no training for SCM officials in the current year, in the prior year there were material findings raised on compliance and even on the Post audit action plan it is indicated that most of the findings have not been addressed , therefore this indicate that there is a gap for trainings to be held to equip the SCM officials to be able to resolve the number of non-compliances that are identified in the prior years.	Training was not arranged for SCM employees	Management should ensure that SCM trainings are held at least annually and when the needs arises to keep the SCM officials equipped and fit for their tasks.	Training should be availed to all Senior Manager, Managers and SCM officials on an annual basis	1/8/2024	1/31/2024
16		14	COAF 21- Policies only approved at year end, and mayoral committee did not sit in the current year	Compliance	During the planning phase of the audit it was noted that the following policies were only approved at the end of 2022/23 financial year, however they were not reviewed and approved in the prior year:	Policies were not reviewed and approved in 2021/22 for the 2022/23 financial year.	Management should establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities. These policies should be in line with any new regulations that have been issued out by the national and provincial legislatures. Furthermore, they should be reviewed and sent to council for approval in a timely manner to ensure they are approved and can be utilized in the municipality as soon as possible	Management should review all policies prior to the beginning of the new financial year	1/8/2024	6/30/2024
17		23	COAF 24 - Use of consultants - No gap analysis prior to appointment of consultants	Compliance	In the prior year, we raised an issue on the appointment of KMH chartered accountants without performing a gap analysis prior to the appointment, through our follow up in the current year we noted that no corrective measures has been taken to address the issue. Therefore, no gap analysis is performed before appointment of consultants.	No gap analysis was made prior to the appointment of consultants	Accounting officer and chief financial officer should develop gap analysis template and ensure that municipal officials completes the analysis before any future appointment of consultants	A gap analysis template should be formulated and completed prior to appointment of consultants	1/8/2024	2/28/2024
18		31	COAF 25 - Contracted service (Bulk Purchase): No evidence to verify the occurrence of expenditure	Class of Transaction	Contrary to the above mentioned, we obtained information requested in RFI 33 and 34. The municipality submitted the invoices but it was discovered that the invoices submitted were not sufficient, as it was not clear on how the cost for contracted services were determined or calculated.	Invoices captured are not supported by sufficient documentation to support the occurrence of the transaction.	Management should ensure that proper record keeping systems are implemented to ensure that complete, relevant and accurate information is accessible and available to support financial reporting. The supporting documents for the amounts billed by Magalies water should be provided as part of the supporting documents to the invoice billed to the municipality to confirm the occurrence.	Invoices should be reviewed by engineering, and validated and supported by appropriate and sufficient documentation.	1/8/2024	1/31/2024
19										

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19	33	COAF 25 - Contracted Services (Bulk purchase) : Payment not made within 30 days of receipt of the invoice.	Compliance	Contrary to the above, the below payment was made after more than 30 days after receiving the invoices:	Municipality is illiquid	Management should ensure that payments to suppliers are made in 30 days as per the requirements of the MFMA Act.	Management should adopt a funded budget and implement the financial recovery plan.	1/8/2024	31 06 2025	
20	32	COAF 25 - Contracted service (Bulk Purchases) - Overstatement of expenditure	Class of Transaction	Contrary to the above, we noted a difference between the expenditure amount in the financial statements and the auditor's recalculations with regard to the following transactions:	Invoice captured incorrectly in the general ledger	Management should ensure that the amount which is taken to the annual financial statements is the same as the amounts in the invoice.	Expenditure assistant manager should review that invoices are captured correctly by accountants	1/8/2024	1/31/2024	
21	48	COAF 27 - No standard operating procedures/technical indicator descriptions in place	AoPI	Contrary to the above, it was noted that the municipality does not have in place the technical indicator descriptions (TIDs) or standard operating procedures (SOPs) to further elaborate on the key performance indicators for better understanding of the indicator and what it entails to ensure that the key performance indicators are well defined.	The indicator is not well defined.	The accounting officer should exercise adequate oversight responsibility regarding performance reporting and related internal controls by establishing TIDs or SOPs for performance indicators to define the indicators and processes further to ensure that all the indicators are well-defined.	Technical Indicators and SOPs should be developed for all KPIs	1/8/2024	2/28/2024	
22	15	COAF 27 - AOPO: The performance indicators not well defined	AoPI	Contrary to the above, the following indicators were assessed as not well defined and measurable. The details are as follows: Number of Service level agreements signed with Water Service Providers by 30 June 2023 2023(Naledi LM; Magalies Water Board) The target is not specific and measurable as the target on the SDBIP does not indicate the required number for the municipality to achieve on the target but only indicates that the target is Signed Service Level Agreements with water service provider by 30 June 2023. Thus it is not clear how many service providers will be contracted.	The indicator is not well defined.	The municipality should ensure that the performance indicators: • are well defined and the required performance is clearly provided for in the SDBIP in a form of technical indicator description • there is a links between the POE and the achievement of the goal • the standard operating procedures are in place to define the required process and • that it confines to what the users would generally relate to	Technical Indicators and SOPs should be developed for all KPIs	1/8/2024	2/28/2024	
23	56	COAF 29 - SCM: No reasons provided for not obtaining three quotation	Compliance	We identified that three quotations were not obtained and there are no reasons which were recorded and approved by the Accounting Officer for procurement of the following:-  1.One Pangaea Expertise & Solutions - R155 250 SCMRDM22930 : Actuarial valuations for Dr Ruth S Mompoti District Municipality  2.Resapele Business Enterprise (pty) ltd - R195 000 Procurement of 5 laptops for Dr Ruth S Mompoti DM for BTO interns  3.Kalaone Consultancy and Other Projects - R198 540 SCMRDM22169: Supply, Delivery and Installation of Solar Equipment	Misunderstanding that the 7 day advert is an additional requirement to obtaining 3 quotations in accordance with regulations 12(1)(c); 16(a) & 17(a).	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes. We further recommend that the municipality should have reasons that are approved by the CFO or an official designated by the chief financial officer for not obtaining three quotation.	The SCM policy should be amended to provide an automatic deviation on all procurement that has been advertised for 7 days but where 3 quotations were not received in that period.  Obtain retrospective approval via memorandum for all transactions that fit this criteria	1/8/2024	2/28/2024	
24	58	COAF 29 - SCM: The winning bidder did not submit a declaration of interest	Compliance	We identified that the municipality have awarded the bid to the service providers without obtaining the supplier's declaration of interest as the declaration of interest was not attached to the payment voucher:-  1. Marble Technologies - R49 495 Request for 5 officials attending spatial planning, Economic transformation and industrial symposium	No check list created in order to insure that all procurement documents are compiled prior to awarding	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management	Checklist should be developed and procurement transaction should be reviewed for compliance prior to awarding	1/8/2024	2/28/2024	
25										

	A	B	C	D	O	P	Q	R	S	T
25	25	60	COAF 29 - SSCM: Quotations were obtained from suppliers who are not registered on the CSD	Compliance	We could not confirm that all the suppliers from which quotations were obtained from are registered on the CSD as the reports were not submitted for audit for procurement of the following:-  1.Marble Technologies - R49 495 Request for 5 officials attending spatial planning, Economic transformation and industrial symposium	No check list created in order to insure that all procurement documents are compiled prior to awarding	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes. We further recommend that the municipality should attach the CSD reports of the suppliers from which the quotations were obtained from on the payment	Checklist should be developed and procurement transaction should be reviewed for compliance prior to awarding	1/8/2024	2/28/2024
26	26	34	COAF 31 - Contracted service (Water Tankering) - Payment not made within 30 days	Compliance	We have confirmed that the municipality did not make payments to Tasmica within 30 days as required.	Municipality is illiquid	Management should ensure that payments to suppliers are made in 30 days as per the requirements of the MFMA Act.	Management should adopt a funded budget and implement the financial recovery plan.	1/8/2024	31 06 2025
27	27	35	Expenditure - General Expense: Payment not made within 30 days of receipt of the invoice.	Compliance	The payment for the following transactions was not done within 30 days	Municipality is illiquid	Management should ensure that payments to suppliers are made in 30 days as per the requirements of the MFMA Act.	Management should adopt a funded budget and implement the financial recovery plan.	1/8/2024	31 06 2025
28	28	36	COAF 31 - Other contracted Services: Payment not made within 30 days of receipt of the invoice.	Compliance	The payment for the following transactions was not done within 30 days	Municipality is illiquid	Management should ensure that payments to suppliers are made in 30 days as per the requirements of the MFMA Act.	Management should adopt a funded budget and implement the financial recovery plan.	1/8/2024	31 06 2025
29	29	2	COAF 32 - No skills audit where conducted during the period of 5 years	Compliance	During the audit of HR Capacity and capability, we noted that Municipality did not undertake skills audit within 24 months as required by the municipal systems act.	Municipality did not prioritise this activity in prior years	HR management should ensure that the municipality undertakes a skills audit to guarantee that all employees are competent, to prevent non-compliance and a lack of skills in performing their	CoGTA has provided the service to the district	1/8/2024	2/28/2024
30	30	28	COAF 33 - Investment Property: Differences in fair value recalculation	Account Balance	During the testing of investment property, we noted that there were differences between the auditor's recalculated fair values and the fair value of the valuator and the differences are mainly due to how the valuator rounded off the market value for the properties as per COAF	The reports were rounded off to the nearest hundred thousand	Management should ensure that they review the investment property valuation reports to ensure that the valuator correctly rounded off the market value.	The values should be captured at the actual source report amounts and not the rounded off values.	1/8/2024	2/28/2024
31	31	37	COAF 32 - WIP and movable assets: Payment not made within 30 days	Compliance	We noted that the following payments were not paid within 30 days for WIP and movable assets	Municipality is illiquid	Management should ensure that payments to suppliers are made in 30 days as per the requirements of the MFMA Act.	Management should adopt a funded budget and implement the financial recovery plan.	1/8/2024	31 06 2025
32	32	3	COAF 34 - Contracted Services: Accuracy and Occurrence of water tankering and sanitation services	Class of Transaction	we were unable to confirm the accuracy of the infrastructure and planning (water tankering and sanitation services), we have not obtained sufficient evidence to confirm the following: •the billing type (per hour) used on the invoice is per signed service level agreement. •the price on the invoice agrees to approved price on service level agreement. •the accuracy of the hours billed on the invoice match the water or sanitation service delivery sheet completed by the drivers as the service delivery sheets do not indicate the hours or kilometres travelled which can be used determine the worked by the driver. Where the driver indicated the time in and out, the delivery time recorded for per service delivery sheets ranges from 10-20 minutes regardless of the number of loads delivered and there are gaps in between. Furthermore, to obtain the total hours billed on each invoice, on average hours each driver would have to work between 14 – 34 hours per day for the whole month without any day off.	Timesheets were not timeously submitted to the AGSA  Truck Drivers signed for receipt of water instead of the community or municipal official.	Management did not implement controls over daily and monthly processing and reconciling of transactions to ensure validation controls are established that can provide assurance that the water delivered is actually received.	Invoices should include the detailed timesheets prior to recommendation for approval by the Senior Manager.  ETS should ensure that the receipt of the water is signed off by the customer and not the service provider.	1/8/2024	1/31/2024
33	33	82	COAF 35 - Conditional grant: Invoices paid after 30 days	Compliance	During the audit of conditional grants, it was noted that the following invoices/claims/certificates were paid after 30 days had passed, which is contrary to the requirements of MFMA:	Municipality is illiquid	Management should ensure that payments to suppliers are made in 30 days as per the requirements of the MFMA Act.	Management should adopt a funded budget and implement the financial recovery plan.	1/8/2024	31 06 2025
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	A	B	C	D	O	P	Q	R	S	T
34		22	COAF 37 - Transfers and subsidies Invoice not paid within 30 days	Compliance	Inspected the following payment vouchers and confirmed that the invoices were not paid within 30 days of receiving the invoice.	Municipality is illiquid	Management should ensure that payments to suppliers are made in 30 days as per the requirements of the MFMA Act.	Management should adopt a funded budget and implement the financial recovery plan.	1/8/2024	31 06 2025
35		38	COAF 37 - Transfers and subsidies-Amount on General ledger Different from the Invoice amount	Class of Transaction	Inspected the following payment voucher and confirmed that amount on the general ledger differ from the amount on the Invoice due to VAT amount included in the general ledger and the quotation amount recorded in the general ledger not the invoiced amount.	Suppliers paid VAT when they are not VAT vendors	Management should consistently implement proper internal controls to ensure review of reconciliation of the general ledger to the supplier invoices to ensure accurate financial statements.	Verification of VAT vendor prior to expenditure being captured	1/8/2024	1/31/2024
36		84	COAF 37 - Transfers and subsidies-Non vendor levied VAT	Class of Transaction	Inspected the following payment vouchers and confirmed that the non-vendor supplier levied VAT and resulting in overpayment of a supplier.	Suppliers paid VAT when they are not VAT vendors	Management should consistently implement proper internal controls to review the accuracy of the invoices to ensure that the correct amount is paid to the suppliers.	Verification of VAT vendor prior to expenditure being captured	1/8/2024	1/31/2024
37		85	COAF 37 - Transfers and subsidies: Limitation of scope-unable to obtain evidence-Request for procurement- ISS 75	Compliance	Inspected the following payment voucher and was unable to obtain evidence that request for procurement was approved and included in the payment voucher for the transactions below	Purchase Orders were not included with the payment vouchers	Chief financial officer should review and monitor compliance with applicable laws and regulations.	Checklist should be developed and procurement transaction should be reviewed for compliance prior to awarding	1/8/2024	2/28/2024
38		86	COAF 37 - Transfers and subsidies: Limitation of scope-Unable to obtain evidence-Transfers and subsidies: 3 quotations not obtained and memo for deviation not attached: ISS 76	Compliance	Inspected the following payment vouchers and was unable to obtain evidence that three quotations were obtained from three different supplier and/or reasons documented and approved for inability to obtain at least three quotations by the chief financial officer or designated official by the chief financial officer	AGSA did not correctly peruse the audit evidence provided to them in relation to the finding.	Chief Financial officer should review and monitor compliance with applicable laws and regulations	Engagement with the AGSA should be arranged to resolve the misunderstanding. A formal memorandum should be drafted with a POE to resolve the misunderstanding.	1/8/2024	2/28/2024
39			Employee Benefit Obligation - Overstatement	Disclosure	During our audit, we noted that employees who were not eligible to receive long service awards were included on the list, despite not being permanent employees. Specifically, these employees were not included on the list of permanent employees. Refer to the list below for the names of the employees who were included.	The final report was not aligned with the information submitted to the actuary	Management should ensure that they reconcile their excel report before submitting the data required for valuation of post-employment obligations.	The report should be reviewed and aligned with the employee listings and salary scales provided to the actuaries, prior to the report being accepted by the district	1/8/2024	7/30/2024
40			Projects that are still under construction/in progress incorrectly included in the fixed asset register		1. During the physical verifications we performed, we noted that the below projects are not yet complete and are still under construction, however we further noted that the municipality transferred this project from work in progress to the fixed asset register which is not the correct accounting treatment as the project is not yet complete. 2. We further could not confirm that the below assets exists as we could not physically verify them.				1/8/2024	
41			Movable Assets: Overstatement of depreciation [Opening balance]		During the testing of adjusted 2022 movable asset register, we noted differences between our recalculated depreciation and the depreciation that is recorded in the fixed asset register for the following assets				1/8/2024	
42			Investment Property: Fair Value Considerations		Contrary to the above, on the three listed properties below we identified that there are occupants/residents on the land with property or RDP houses built on it and valuation report did not factor in that there are residents that is occupying the land thus contradicting GRAP16.51.  For an investment property to be valued reliability it is important that we establish that there should be a willing buyer and willing seller. These properties can only be sold to the occupants who have RDP houses on the municipality's investment property who happen to be the compelled buyer and not open to all market participants, thus, contradicting GRAP16.55.				1/8/2024	
43			Leave Provision: Forfeited leave taken by employees		We noted that some employees take leave against the forfeited or lost leave.				1/8/2024	
44										

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44	44	39	COAF 47 - Contracted Services: Accuracy and Occurrence of maintenance of facilities (call center services)	Class of Transaction	We were unable to confirm the accuracy and occurrence (i.e. proof of receipt of services) of the contracted services - maintenance of facilities (call centre services), we have not obtained sufficient evidence to confirm the following: •We couldn't determine whether the price charged in the invoice is in accordance with the agreed/ approved price in the contract as the contract state a lump sum of R842 500,00 for operations and maintenance of the call centre per month. •Accuracy of the amount of the invoice as no other supporting evidence submitted. •proof of receipt of services as no other supporting evidence (e.g. timesheets for call centre agents) except the invoice signed to support proof of receipt.	Management did not timeously provide information to the AGSA to verify the assertions of accuracy and occurrence	Management should implement adequate internal controls in the processing of expenditure transactions to ensure that the expenditure recorded is supported by relevant evidence that depicts its accuracy and validity. Management should investigate the expenditure to establish reasons for the findings noted on the delivery notes to the customers and determine if there was value for money.	Management should formulate a POE to clear the finding and ensure that all subsequent invoices contain the required documentation prior to processing	1/8/2024	2/28/2024
45	45	40	COAF 47 - Contracted services: Payment not made within 30 days of receipt of the invoice	Compliance	We have noted that expenditure below was not made within 30 days of receipt	Municipality is illiquid	Management should ensure that payments to suppliers are made in 30 days as per the requirements of the MFMA Act.	Management should adopt a funded budget and implement the financial recovery plan.	1/8/2024	31 06 2025
46	46		CONSTRUCTION OF THE TAUNG BULK WATER SUPPLY PHASE 2E-1: BULK SUPPLY PIPELINE TO NEW RESERVOIR (CONTRACT NUMBER RDM2014-034E)		Sections A and C reached completion during the 2020-21 financial year with expenditure of R46 068 598 and R30 291 427.17 respectively. During the 2021-22 financial year, section B was still not completed and payments were made for this section.  The municipality awarded the contract for the work on section B, the Taung Bulk Water phase 2E-1 (contract number RDM2014-034E): Bulk supply pipeline to the new reservoir to Amawakawaka Tipucab Joint Venture (contractor) on 25 October 2017 at a contract amount of R71 249 834.70. The project commenced on 10 November 2017 and the contractual completion date was 10 July 2019, a contract duration of 80 weeks. The scope of the project includes the construction of approximately 15 km of 355mm O-PVC rising main combined with approximately 7km of 35mm steel rising main from a new pump station to the new concrete reservoir.  At the time of the audit site visit on 5 October 2022, the project was estimated to have reached 87% completion. The last payment made to the contractor was for August 2021 bringing the total amount paid to the contractor to R84 699 668.66. Pictures 1 to 4 below depict the progress of the works on 5 October 2022. Some open chambers awaiting pipework and areas where hard rock excavations were required were observed.				1/8/2024	
47	47		Incorrect classification of Expenses		We noted that the following transactions were incorrectly classified in the financial statements as contracted services even though the awards were awarded as either as a once-off quotation or deviation and there were no contracts for services received. Therefore, the following transactions were not classified correctly:				1/8/2024	
48	48		Immovable assets: Current year depreciation		1. We noted the following differences between the depreciation in the fixed asset register and our recalculated amount for the following immovable assets additions attached to Annexure A COAF 50  2. When performing the recalculation of the depreciation amounts in the 2023 immovable asset register we were limited as we were not able to reliably confirm whether the opening useful lives used by the municipality were accurate/correct as the municipality could not provide us with the conditions assessment for the 2019/20 financial year which informed the change in the useful lives to enable us to assess the considerations that were undertaken and determine which assets were impacted by this reassessment report. Furthermore, the fixed asset register does not indicate what the revised useful is taken into consideration of the reassessment. Refer to attached annexure B				1/8/2024	
49	49		Immovable assets: Opening balance depreciation misstatement		Contrary to the above, when performing the recalculation of the depreciation amounts in the 2022 adjusted immovable asset register we were limited as we were not able to reliably confirm whether the opening useful lives used by the municipality were accurate/correct as the municipality could not provide us with the conditions assessment for the 2019/20 financial year which informed the change in the useful lives to enable us to assess the considerations that were undertaken and determine which assets were impacted by this reassessment report. Furthermore, the fixed asset register does not indicate what the revised useful is taken into consideration of the reassessment. Find attached list on annexure C				1/8/2024	
50	50		VAT return not submitted on time		Inspected the date on the statement of account for date return filed for December 2022 and confirmed the return not filled on or before 25 January 2023. Tax period Date on the Statement of Account from SARS Dec-222023/02/03				1/8/2024	
51	51									



	A	B	C	D	O	P	Q	R	S	T
51			AOPO - The performance indicators not relevant		<p>The following indicators were assessed as not well relevant. The details are as follows:</p> <p>1. Various indicators</p> <p>The indicators refers to the percentage of grant funding spent on capital projects by 30 June 2023, however it is not relevant as it only indicates the projects that the grant is planned to be spent on and the spending doesn't indicate how the municipality will deliver on its mandate and objective which is to Eradicate backlogs in order to improve access to services and ensure that sustainable operations and maintenance.</p> <p>Furthermore, spending of the project does not suggest that the projects on the ground are on track. In addition, the indicators are not outcome based as the municipality achieve on spending and not necessarily on key service delivery performance. The indicator are therefore not specific, measurable and verifiable as it does not indicates the planned capital projects which the municipality will be spending on to ensure that municipality delivers on their mandate as meant for KPA of Basic Service Delivery and Infrastructure Investment.</p> <p>These indicators are listed below:</p> <ul style="list-style-type: none"> <li>•% total allocated (gazetted) MIG grant funding spent on capital projects by 30 June 2023 (Rural Sanitation Programme; Stella Bulk Sewer &amp; Internal Reticulation Phase A; Bulk Water Supply to Geluksoord Ext. 2 &amp; 3 – Phase 3 (Replacement of AC Bulk Pipelines); Augmentation of Bulk Sewer Infrastructure in Ipelegeng;(Phase 1 &amp; 2); Taung Ext. 4,5 &amp; 7 – Rural Water Supply – Phase 2; PMU Operational Budget)</li> <li>•% of the total allocated (gazetted) WSIG grant funding spent on capital projects by 30 June 2023 (Glaudina RWS; Migdol RWS; Highlandsplan RWS; Modimong RWS; Letlhapong/Gasebusho RWS; Piet Plessis RWS; Dipodi RWS; Bray RWS)</li> <li>•% total allocated (gazetted) RBIG grant funding spent on capital projects by 30 June 2023 (Taung Bulk Water Supply – Phase 2D; Taung Bulk Water Supply – Phase 2E-1; Taung Bulk Water Supply – Phase 2E-2 West; Taung Bulk Water Supply – Phase 2E-2 North)</li> </ul>				1/8/2024	
52			AOPO – Recorded achievement (SMME) not accurate		<p>Contrary to the above requirements, we identified that the owners of the SMME's were reported in the listing as SMME's instead of SMME's supported. Thus, based on the above, reported performance information on the annual performance report is not accurate.</p> <p>Performance indicator - Number of SMMES supported through Projects and Initiatives by 30 June 2023</p> <p>1Masego MotsamaiMotsathari Farming Enterprise 2Boingotlo SethibeBoimpho Catering 3Lecholo MothusiemangWildehondepan Farm 4Mr MatsheMatshe Brickmaking</p>				1/8/2024	
53			AOPO – Proof of existence of SMME not sufficient		<p>As the municipality assist both formal (i.e. CIPC registered) and informal (not registered) SMME and cooperatives, for informal SMME's we were using minutes of site pre-visit of the SMME signed by both the SMME representative and municipality representative to confirm its existence. However, for the reported businesses below, only an attendance register signed by many business representatives signed on the same day and same time was submitted as evidence of its existence. Thus, we could not confirm that the reported achievement is indeed an SMME and exist.</p> <p>Performance indicator - Number of SMMES supported through Projects and Initiatives by 30 June 2023</p>				1/8/2024	
54			AOPO – Recorded achievement (SMME) not accurate and valid		<p>We identified that the municipality assisted the Department of Agriculture (host of Cannabis) and AFASA (host of Annual Nampo and Youth Agricultural Dialogue) by providing catering. From supplying the catering services to attendees of the events hosted by Department of Agriculture and AFASA, the municipality reported the attendees of the events as an achievement of providing support to SMME's. The reported achievement is thus not accurate and valid as the municipality was not hosting the events but just providing catering and the hosters of the events were not organised by the municipality.</p> <p>Performance indicator - Number of SMMES supported through Projects and Initiatives by 30 June 2023</p>				1/8/2024	
55										

	A	B	C	D	O	P	Q	R	S	T
55	68	SCM: The reasons for deviations does not appear reasonable/justifiable	Compliance	Contrary to the above, while performing the audit of compliance we confirmed that the reasons for deviation are not reasonable/justified on the basis that it was impossible/ impractical to obtain 3 written quotations. Furthermore we confirmed through inspection of payment vouchers for the following suppliers that the reasons provided for deviation does not meet any of the SCM regulations 36(1) & (2) i) which indicate that deviations must be in a case of an emergency; (ii) if such goods or services are produced or available from a single provider only; (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile; (iv) acquisition of animals for zoos; or (v) in any other exceptional case where it is impractical or impossible to follow the official procurement .processes	Management failed to implement adequate monitoring and review controls over supply chain management to ensure that all services are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes. Furthermore management should follow SCM regulations to ensure that deviations approved by the CFO are well within the required SCM	Management should ensure that all deviations meet the strict requirement of regulation 36 of the MFMA with relevant support prior to approval by Accounting Officer	1/8/2024	1/31/2024	
56	61	COAF 57 - SCM - Deviations not reported in the council meeting	Compliance	Contrary to the above, we identified through inspection of the minutes of all council meetings held that the following deviations have been reported to the next council meeting after approval of the deviation by the accounting officer	BTO Portfolio Committee did not quorate and thus items were not tabled in council	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management	Office of the speaker should ensure that committees quorate in order for the portfolio's to provide oversight on the executive.	1/8/2024	1/31/2024	
57	62	COAF 57 - SCM - There is no tax clearance to confirm the winning provider's tax matters	Compliance	Contrary to the above, we identified that the municipality have awarded the bid to the service providers without obtaining the supplier's CSD reports /being attached to the bid document:	No check list created in order to insure that all procurement documents are compiled prior to awarding	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management	Checklist should be developed and procurement transaction should be reviewed for compliance prior to awarding	1/8/2024	2/28/2024	
58	69	COAF 57 - SCM: The winning bidder did not submit a declaration of interest (MBD4)	Compliance	Contrary to the above, we identified that the municipality have awarded the bid to the service providers without obtaining the supplier's declaration of interest as the declaration of interest was not attached to the payment voucher:-	No check list created in order to insure that all procurement documents are compiled prior to awarding	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management	Checklist should be developed and procurement transaction should be reviewed for compliance prior to awarding	1/8/2024	2/28/2024	
59	57	COAF 57 - SCM: Evaluation and Adjudication Criteria applied in evaluating and adjudicating the bids are not the same as those indicated in the original bid documents	Compliance	Contrary to the above, while performing the audit of compliance, we have determined that the following suppliers were evaluated and adjudicated on criteria that are not the same as those specified/indicated in the original bid documents:	AGSA misunderstood the method utilised to evaluate and adjudicate the tender	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management	Engagement with the AGSA should be arranged to resolve the misunderstanding. A formal memorandum should be drafted with a POE to resolve the misunderstanding.	1/8/2024	2/28/2024	
60	70	COAF 57 - SCM: The winning bidder's account for Municipal rates and taxes and Municipal service charges were not attached on the Bid documents	Compliance	Contrary to the above, we while performing the audit of compliance, we confirmed that the following bidders did not attach/include statements of Municipal rates and taxes and municipal service charges:	AGSA did not correctly peruse the audit evidence provided to them in relation to the finding.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management	Engagement with the AGSA should be arranged to resolve the misunderstanding. A formal memorandum should be drafted with a POE to resolve the misunderstanding.	1/8/2024	2/28/2024	
61			Compliance							

	A	B	C	D	O	P	Q	R	S	T
61	61	67	SCM: The bid was advertised for a minimum period of less than 30 days for a transactions over R10 million	Compliance	Contrary to the above, while performing the audit of compliance, we confirmed that a tender with a winning supplier by the name of Excellence Business Academy for an amount of R19 779 491,79 was advertised/published on the 22nd of February 2023 for a closing date on the 23rd of March 2023 which is 29 days, there this means the tender was advertised for a minimum period less than 30 days Excellence Business Academy, thereby contravening the above stated regulation that requires 30 days for all transactions above R30 million	Incorrect application of the prescripts by the AGSA	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management	Management to include the response in the AAP in preparation of the 2023/24 AFS. The transaction should not be included in the irregular expenditure register.	1/8/2024	31 06 2024
62	62	64	COAF 57 - SCM: Reasons for deviating from advertising for a minimum period of 30 days were not recorded	Compliance	Contrary to the above, while performing the audit of compliance we have determined that a tender with a winning supplier by the name of Excellence Business Academy for an amount of R19 779 491,79 was advertised/published on the 22nd of February 2023 for a closing date on the 23rd of March 2023 which is 29 days, there this means the tender was advertised for a minimum period less than 30 days Excellence Business, however the was no reasons to justify the above stated deviation from SCM regulation which require advertisement of a tender above R30 million to be 30 days	Subcontracting requirement as per the 2017 PPPFE regulation was not included in the specification advertised	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management	Management to include the response in the AAP in preparation of the 2023/24 AFS. The transaction should not be included in the irregular expenditure register.	1/8/2024	31 06 2024
63	63	66	COAF 57 - SCM: Subcontracting was not included as a condition of the Tender	Compliance	Contrary to the above regulation, we confirmed through inspection of tender documents of the following suppliers that the tender documents did not include subcontracting as a condition of the tender despite the fact that contracts are of a value above R30 million :  SupplierDescription Wcyber SolutionsEstablishment, operation, maintenance and support of a centre facility for a period of thirty six months (36) for DRSMMDM	Subcontracting requirement as per the 2017 PPPFE regulation was not included in the specification advertised	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management	Management should seek condonement of the irregularity as it does not have an impact on the award or seek to write-off the irregularity.	1/8/2024	3/31/2024
64	64	80	COAF 69 - SCM: Points for Price were not calculated	Compliance	Contrary to the above regulations, we confirmed through inspection of the evaluation report that for following bidders no points for price we calculated despite obtaining three quotation and including PPPFA as part of the evaluation criteria:	Delegated officials did not implement the revised SCM policy as approved by council in February 2023	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes. Furthermore management should follow PPPFA regulations to ensure that points for price of quotations are	The SCM policy should be implemented and all affected transactions should be reviewed for impact of irregularity and if appropriate a write-off should be recommended to council.	1/8/2024	3/31/2024
65	65	65	COAF 57 - SCM: Specific goals not included in the invitation of quotations as required by the Preferential Procurement Policy Framework Act	Compliance	Contrary to the above requirement, through inspection of the following quotations we confirmed that the invitation to quotations did not include specific goals as required by the Preferential Procurement Policy Framework Act (2) despite of the transactions being occurred after the effective date of the PPPFA 2022:	Delegated officials did not implement the revised SCM policy as approved by council in February 2023	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes. Furthermore management should follow PPPFA regulations are	The SCM policy should be implemented and all affected transactions should be reviewed for impact of irregularity and if appropriate a write-off should be recommended to council.	1/8/2024	3/31/2024
66				Compliance			Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management			

	A	B	C	D	O	P	Q	R	S	T
66			AOPO – Completeness of the performance indicators of the municipality		<p>Contrary to the above, the municipality did not include the following standardised indicators in their SDBIP:</p> <ul style="list-style-type: none"> <li>•The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;</li> <li>•the percentage of households earning less than R1100 per month with access to free basic services;</li> <li>•the number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;</li> <li>•the percentage of a municipality's budget actually spent on implementing its workplace skills plan;</li> </ul> <p>Furthermore, the municipality's objective is to Eradicate backlogs in order to improve access to services and ensure that sustainable operations and maintenance, however there are no output performance indicators indicating the achievement of this objective. Thus, the performance indicators are incomplete as the municipality does not have output indicators to monitor and report progress towards the objective as follows:</p> <ul style="list-style-type: none"> <li>•The municipality does not have any indicators tracking progress and completion of capital projects funded through MIG, WSIG and RBIG (e.g., Number of completed capital projects funded by MIG grant by 30 June 2023)</li> </ul>				1/8/2024	
67			Commitments: Calculated invoices per the payment voucher different from invoices raised in the Commitment register and the contract value per the commitment different from SLA/Appointment letter		Calculated invoices amounts per the payment vouchers and confirmed total amounts are different from invoices raised in the Commitment register and the contract value per the commitment register different from SLA/Appointment letter.(Refer to Annexure A attached):				1/8/2024	
68			General Expense: Fuel and Oil: No evidence to verify the occurrence of expenditure incurred by the municipality		Contrary to the above mentioned, we could not confirm the occurrence of the following transactions relating to fuel and oil because no evidence was provided in the form of slips to prove payment.				1/8/2024	
69			General Expenses : Limitation of scope - Information not submitted (RFI 85)		Contrary to the above mentioned, we could not confirm the occurrence of the following transactions relating to fuel and oil because no evidence was provided in the form of slips to prove payment.				1/8/2024	
70			Overtime not pre-approved		Contrary to the above, we noted that the Municipality has not complied with Dr Ruth S Mompoti Overtime policy (7.3.4) which requires that all the overtime must be pre-approved by employee's supervisor or head of Department before the overtime is worked. During our audit of employee-related costs, we noted that there was no pre-approval for overtime paid to the following employee:				1/8/2024	
71			Limitation of scope - Information not submitted		External Legal Confirmation for 2022-2023 FY The request for confirmation was issued on the 24 October 2023 and was due on the 26 October 2023, to date the following attorneys have not submitted the confirmation even after follow-up via phone calls:- 1. Morwaagae Attorneys 2. Katake Attorneys 3. TMK Attorneys 4. Mpoyana Ledwaba Attorneys 5. Seabela Attorneys 6. De Swardt Myambo Hlahla Attorneys 7. Kgomo Attorneys 8. Maubane Attorneys				1/8/2024	
72			Limitation of scope - Information not submitted (RFI 92)		Request for information no 92 of 2023 – Employee related costs- Travel and subsistence The request was issued on the 15 November 2023 and was due on the 17 November 2023, to date the following information is outstanding for the sample attached (Annexure A) Employee related costs- Travel and Subsistence 1.Approved memo and Itinerary. 2.Travel and subsistence form. 3.Other supporting documents.				1/8/2024	
73		72	COAF 67 - SCM Contract management: Limitation of scope on RFI 45, 82 and 90		During the audit of Dr. Ruth District municipality, the following contracts /SLA's that the municipality had entered into agreements with were requested in terms of RFI's 45, 82 and 90. For some of the suppliers, BID documents were submitted, which are not the same as contract/SLA's. The following contracts were not submitted:	AGSA incorrectly states that GCC are not sufficient to manage a contract	Management should ensure to submit requested information within the agreed upon time frame of three working days as agreed on in the engagement letter.	Engagement with the AGSA should be arranged to resolve the misunderstanding.  A formal memorandum should be drafted with a POE to resolve the misunderstanding.	1/8/2024	3/31/2024
74			COAF 67 - SCM Contract management: Reasons for contract modification not tabled to the council	Compliance	During the audit of contract management within SCM it was noted that the following contracts that had modifications were not tabled to council as to the reason why the contract needed to be modified. We inspected the minutes of the council meetings and noted that there was no mention of the modification related to the following contracts	Contracts were amended outside the requirements of regulation 116	Management should ensure that the requirement of the municipal finance management act are adhered to in terms of contract modification.	Condonement of the procurement should be sought from council	1/8/2024	3/31/2024
75				Compliance						

	A	B	C	D	O	P	Q	R	S	T
75	73	COAF 67 - SCM Contract management: No project monitoring			During the audit of contract management within SCM, it was noted that the following contracts do not have any provisions for the measuring and monitoring contract performance and delivery have been defined and implemented, and that the performance of the contractor/ provider is monitored on a monthly basis, as well as the contract performance measures are in place to ensure effective contract management. The following contracts were assessed to not complying	Contract Management Committee not appointed and effective	Management should ensure that effective monitoring of the performance of the service providers in terms of the contracts that they entered into is done.	Contract Management Committee should oversee contracts on at least a quarterly basis	1/8/2024	2/28/2024
76			Compliance							
76	75	COAF 67 - SCM Contract management: Contract price higher than bid price			During the audit of contract management within SCM, it was noted that the following contract prices as per the contract were higher than those on the contract register	The contract register was not correctly captured	Management should ensure firstly that the contract price is that which they add to the contract register.	Management should update the contract register on a monthly basis	1/8/2024	2/28/2024
77			Compliance							
77	76	COAF 67 - SCM Contract management: No Termination Clause			During the audit of contract management in terms of SCM, it was noted that following contract did not have a termination clause. This is especially problematic as it has been noted that the service provider has been under performing in terms of the contract, and now the municipality cannot exit the MOI as there is no provision within the contract to allow the municipality to terminate the contract: Service providerContract numberAmount as per contract register DWSCU WestRDM2011-051B R204 344 724,92	The memorandum of understanding between DWS-CU and the District is not governed by an SLA or the GCC	Management should ensure that all contracts that they enter into going forward provide for termination of the contract for under performance. Further, there should enter into an revised contract with the service providers that will allow them to terminate due to under performance	An SLA should be crafted to govern the procurement between DWS-CU and the District	1/8/2024	2/28/2024
78			Compliance							
78		Conditional grant - Limitation of scope on RFI 93			During the audit of conditional grants, RFI 93 was issued to management on the 15-Nov-23 and was due on the 20-Nov-23. The information requested has not yet been received. The following information was requested: Requested 1) Projects that the municipality had planned to construct using the RBIG in the 2021/22 and 2022/23 financial years. This should include the business plans for all the projects, as well as the amounts that the municipality had planned to spend on projects. 2) Management representation letter in the manner prescribed in the attached document.				1/8/2024	
79										
79	59	COAF 29 - SCM: Three quotations were not obtained for the procurement of goods or services			Contrary to the above, we identified that three quotations were not obtained and there are no reasons which were recorded and approved by the Accounting Officer for procurement of the following:-	Misunderstanding that the 7 day advert is an additional requirement to obtaining 3 quotations in accordance with regulations 12(1)(c); 16(a) & 17(a).	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost-effective supply chain management processes.	The SCM policy should be amended to provide an automatic deviation on all procurement that has been advertised for 7 days but where 3 quotations were not received in that period.  Obtain retrospective approval via memorandum for all transactions that fit	1/8/2024	2/28/2024
80			Compliance							
80	78	COAF 67 - SCM: No reasons provided for not obtaining three quotation			Contrary to the above, while performing the audit of compliance, we identified that no reasons that were recorded and approved by the CFO or an official designated by the chief financial officer for not obtaining at least three quotation as required by the SCM regulations 12(1)(c); 16(a) & 17(a). Furthermore we inspected the following payment vouchers and confirmed that the required service or goods procured are not an emergency, the supplier is not a sole provider and the procurement was not impractical for the municipality to obtain at least three quotations.	Misunderstanding that the 7 day advert is an additional requirement to obtaining 3 quotations in accordance with regulations 12(1)(c); 16(a) & 17(a).	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management processes. We further recommend that the municipality should have reasons that are approved by the CFO or an official designated by the chief financial officer for not obtaining three quotation.	The SCM policy should be amended to provide an automatic deviation on all procurement that has been advertised for 7 days but where 3 quotations were not received in that period.  Obtain retrospective approval via memorandum for all transactions that fit this criteria	1/8/2024	2/28/2024
81			Compliance							
81		No journal provided			Contrary to the above, management did not process journals for the prior period error below but captured them as transactions in the prior period general ledger 2021/22 financial year end. Thus we cannot confirm validity of the adjustment as there is no journal approved to confirm the details recorded in notes 40 (AFS).				1/8/2024	
82										
82		General expense: No evidence obtained to confirm the occurrence of expenditure			Contrary to the above, we were unable to confirm that the following transaction relates to the services or goods of the municipality				1/8/2024	
83										
83		General Expense: Fuel and Oil: No evidence to verify the occurrence of expenditure incurred by the municipality			Contrary to the above mentioned, we could not confirm the occurrence of the following transactions relating to fuel and oil because no evidence was provided in the form of slips to prove payment.				1/8/2024	
84										

	A	B	C	D	O	P	Q	R	S	T
84			Limitation of Scope RFI 96		The following information was requested and was not submitted to the auditors regarding RFI 96: Service level agreement between the Municipality and Nedbank with regards to NedFleet.				1/8/2024	
85			General expense (Journals): No evidence to verify the occurrence of expenditure incurred by the municipality		Contrary to the above, there was no evidence to prove occurrence of this expenditure:				1/8/2024	
86		35	COAF 31 - General Expense: Payment not made within 30 days of receipt of the invoice	Compliance	Contrary to the above, the payment for the following transactions was not done within 30 days:	Municipality is illiquid	Management should ensure that payments to suppliers are made in 30 days as per the requirements of the MFMA Act.	Management should adopt a funded budget and implement the financial recovery plan.	1/8/2024	31 06 2025
87			Contracted Services – Service level agreement have no indicated start date		Contrary to the above, we note that that the following service level agreements do not indicate the commencement date of the agreement.	AGSA did not correctly peruse the audit evidence provided to them in relation to the finding.	Management should review the agreements signed to ensure that the term and conditions are clearly stipulated in the contracts.	Engagement with the AGSA should be arranged to resolve the misunderstanding.  A formal memorandum should be drafted with a POE to resolve the misunderstanding.	1/8/2024	2/28/2024
88		81	COAF 72 - SCM - Award made to the supplier in service of state	Compliance	We noted that the following supplier has an interest in state however, the connection was not declared:-  Name Of PersonState Institution Where EmployedSupplier Name  2.Lp KhathiKzn: HealthPls Construction 3.Tp DlaminiNat: Correctional ServicesPls Construction 4.N FourieNw: Education & TrainingSag Initiatives 5.Bj MereNw: Education & TrainingBj And Gg Construction Trading 7.O MankuroaneNw: HealthArefa Bokao Pty Ltd	CSD reports used by the District Municipality to verify whether a person is in the employ of the state is not relied upon by the auditor general	Management must ensure that proper compliance monitoring controls are implemented and monitored to ensure compliance with the requirements of the MSCMR and municipality's SCM policy when procuring goods and	A letter to National Treasury should be written to request national treasury to assist with an appropriate platform except for CSD to identify suppliers in the service of the state	1/8/2024	2/28/2024
89		7	COAF 72 - SCM - The following suppliers have interest with employees of the municipality	Compliance	We identified through use of CAAT's that the municipality have made an award to the following suppliers who either their spouse or business partners are in service of the Dr Ruth Segomotsi District Municipality or that the following suppliers did not declare such interest:  Name of personPosition  1.Bakang Marvin MosiapoJunior IT Technician 2.Mokgobo Joseph MoabiCommunity Liaison Officer  4. Bakang Marvin MosiapoJunior IT Technician 5. Omphile MatonvaneAccountant Salaries	The AGSA utilises CAATs which the district has no access to and formulates findings. The AGSA does not provide proof to validate its claims, but requests the municipality to rebuff unsubstantiated claims.	Management should design and implement adequate monitoring and review controls over supply chain management to ensure that all services required by the municipality are procured through fair, equitable, transparent, competitive and cost effective supply chain management	Engagement with the AGSA should be arranged to resolve the misunderstanding.  A formal memorandum should be drafted with a POE to resolve the misunderstanding.	1/8/2024	2/28/2024
90		87	Principal-agent arrangement		The contract signed between Naledi and Dr Ruth has been renewed year on year, by the two municipalities without making changes to the terms and conditions of the contract. We have not identified anything done contrary to the terms and conditions of the signed agreement between the parties and/or the Act. However, as a principal-agent arrangement is defined with reference to the existence of a binding arrangement (agreement and/or legislation), the assessment of whether a principal-agent arrangement exists and which entity acts as the principal and which as the agent, can only be based on the applicable Agreement and Act, and not on possible informal practices.  The auditor obtained the Water Service provider contract between Dr. Ruth Segomotsi Mompoti District Municipality and Naledi Local Municipality for 2022/23 FY		Management should consider the above matters and analyse all the service level agreements entered into between the municipality and all the water service providers to ensure correct application of GRAP 109. All the disclosures should be considered and made as required. In addition, management needs to develop the monthly monitoring and verification controls to ensure the revenue raised by all the water service providers is valid, accurate, quota and classified correctly, these is to allow the service charges and agency fees required to be disclosed to be correct.		1/8/2024	
91				Disclosure		Municipality did not apply the requirements of GRAP 109		Prepare a process plan to implement GRAP 109.  Engage local Municipalities  Prepare 6 months AFS which incorporate GRAP 109		3/31/2024



**Dr Ruth S Mompoti District Municipality (DC39)  
Annual Financial Statements  
for the year ended 30 June 2023**

## General Information

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<b>Legal form of entity</b>	District Municipality
<b>Nature of business and principal activities</b>	Municipal Services
<b>Mayoral committee</b>	
Executive Mayor	Cllr Mr MA Maje : Directly elected
Speaker	Cllr Mrs K Sereko : Directly elected
MMC: Economic Development, Tourism & Agriculture	Cllr S T Matobo
MMC: Planning and development	Cllr KL Duiker
MMC: Engineering and Technical Services	Cllr S Seepamere
MMC: Corporate services	Cllr LC Jacobs
MMC: Budget and Treasury	Cllr NG Masilo
MMC: Community services	Cllr B Setlhabetsi
Councillors	Cllr BM Nkewu: Greater Taung Local Municipality Cllr MM Ntjilo: Directly elected Cllr ME Arabang: Kagisano Local Municipality Cllr PL Babuseng: Greater Taung Local Municipality Cllr JW Dibakwe: Contract Cllr CP Herbst: Directly elected Cllr KM Lekgotla Cllr RL Modise: Greater Taung Local Municipality Cllr JK Masilo: Mamusa Local Municipality Cllr R Molehe: Naledi Local Municipality Cllr MS Morapedi-Letele: Greater Taung Local Municipality Cllr LJ Mothibi Directly Elected Cllr GK Nthebotsenyane: Kagisano Local Municipality Cllr B Pusho: Greater Taung Local Municipality Cllr KC Rooibaatjie: Greater Taung Local Municipality Cllr TA Babuile Cllr Tj Thetswe: Kagisano Local Municipality Cllr CE Tladinyane: Directly elected Cllr NP Tunyiswa: Naledi Local Municipality Cllr EG Letebele Cllr VM Matimba Cllr TS Phokoje
<b>Grading of local authority</b>	3
<b>Accounting Officer</b>	Mr Itumeleng Jonas Municipal Manager Itumelengj@bophirima.co.za 053 928 8297
<b>Chief Finance Officer (CFO)</b>	Mr M Mofokeng Acting Chief Financial Officer 053 928 8297
<b>Registered office</b>	34 Church Street Vryburg 8601



## General Information

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<b>Postal address</b>	PO Box 21 Vryburg 8601
<b>Bankers</b>	Nedbank First National Bank
<b>Auditors</b>	The Auditor General of South Africa Registered Auditors
<b>Attorneys</b>	The Municipality has an internal legal unit. It also uses a panel of attorneys to ensure competitiveness
<b>Contact Details</b>	Telephone: (+27) 053 928 6400 Email: <a href="mailto:info@bophirima.co.za">info@bophirima.co.za</a> Web address: <a href="http://drrsmdm.gov.za">drrsmdm.gov.za</a>
<b>Provincial Treasury</b>	Telephone: (018) 388 2124 Web: <a href="http://treasury.nwpg.gov.za">treasury.nwpg.gov.za</a>
<b>National Treasury</b>	Telephone: (012) 315 5111 Web: <a href="http://treasury.gov.za">treasury.gov.za</a>

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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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Statement of Financial Performance for the year ended 30 June 2023	10
Statement of Changes in Net Assets as at 30 June 2023	11
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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EQS	Equitable Share
PIG_MRG	Public Infrastructure Grant_Municipal Rehabilitation Grant
RBIG	Regional Bulk Infrastructure Grant
LGSETA	Local Government Sector Education and Training Authority
MMC	Member of Mayoral Committee
MPRA	Municipal Property rates Act
MSCOA	Municipal Standard Chart of Accounts
PPE	Property Plant and Equipment
RUL	Remaining useful life
SALGA	South African Local Government Association
UIF	Unemployment Insurance Fund
UIFW	Unauthorised Irregular Fruitless and Wasteful Expenditure
VAT	Value Added Tax
RRAMS	Rural Road Asset Management System
WSIG	Water Service Infrastructure Grant
MDG	Municipal Disaster Recovery Grant
PAYE	Pay as you earn

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UIF

Unemployment Insurance Fund

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

The municipality is wholly dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

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**Accounting Officer**  
**Mr Itumeleng Jonas**

# Accounting Officer's Report

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

## 1. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R2,936,039,699 and that the municipality's total assets exceed its liabilities by R2,936,039,699.

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. There are however, indicators or factors casting doubt on the going concern.

The detailed analysis on going concern is included on note 43 to the annual financial statements.

## 2. Subsequent events

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

## 3. Accounting Officers' interest in contracts

The accounting officer has no interest in any contracts.

## 4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

## 5. Non-current assets

There were no major changes in the nature of the non-current assets of the municipality during the year:

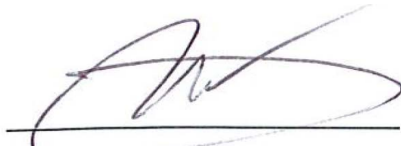
There were no changes in the policy relating to the use of non-current assets.

## 6. Corporate governance

### General

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

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:



MR IR JONAS

MUNICIPAL MANAGER (ACCOUNTING OFFICER)

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from non-exchange transactions	7	1,888,112	6,552,389
VAT receivable	8	156,691,092	155,477,250
Cash and cash equivalents	9	199,122,396	297,405,343
		<b>357,701,600</b>	<b>459,434,982</b>
<b>Non-Current Assets</b>			
Investment property	3	9,667,200	9,121,000
Property, plant and equipment	4	3,648,935,413	3,592,568,676
Intangible assets	5	6,043,865	6,321,754
		<b>3,664,646,478</b>	<b>3,608,011,430</b>
<b>Total Assets</b>		<b>4,022,348,078</b>	<b>4,067,446,412</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	12	-	10,800,000
Payables from exchange transactions	14	970,003,282	860,124,370
Payables from non-exchange transactions	15	432,857	432,857
Employee benefit obligation	6	2,332,229	2,612,329
Unspent conditional grants and receipts	11	61,282,745	225,614,300
Provisions	13	7,099,624	7,454,067
		<b>1,041,150,737</b>	<b>1,107,037,923</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	12	-	834,315
Employee benefit obligation	6	45,157,644	48,815,244
		<b>45,157,644</b>	<b>49,649,559</b>
<b>Total Liabilities</b>		<b>1,086,308,381</b>	<b>1,156,687,482</b>
<b>Net Assets</b>		<b>2,936,039,697</b>	<b>2,910,758,930</b>
Accumulated surplus	10	2,936,039,699	2,910,758,931
<b>Total Net Assets</b>		<b>2,936,039,699</b>	<b>2,910,758,931</b>

\* See Note 41 & 40

## Statement of Financial Performance for the year ended 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental of facilities and equipment	17	1,374,272	1,249,338
Other income	19	685,811	305,148
Investment revenue	20	18,982,811	9,506,278
<b>Total revenue from exchange transactions</b>		<b>21,042,894</b>	<b>11,060,764</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	23	899,905,255	841,864,471
Other income	24	-	10,500,000
<b>Total revenue from non-exchange transactions</b>		<b>899,905,255</b>	<b>852,364,471</b>
<b>Total revenue</b>	16	<b>920,948,149</b>	<b>863,425,235</b>
<b>Expenditure</b>			
Employee related costs	25	(175,431,097)	(171,927,868)
Remuneration of councillors	26	(11,523,287)	(10,095,080)
Depreciation and amortisation	27	(96,169,362)	(97,847,155)
Finance costs	29	(7,606,374)	(4,967,217)
Lease rentals on operating lease	18	(5,413,154)	(5,926,541)
Debt Impairment	30	(8,179,464)	(209,939)
Bulk purchases	31	(6,757,648)	(14,225,555)
Contracted services	32	(309,031,588)	(314,905,225)
Transfers and Subsidies	22	(248,449,233)	(3,056,437)
General Expenses	33	(37,430,461)	(44,523,879)
<b>Total expenditure</b>		<b>(905,991,668)</b>	<b>(667,684,896)</b>
<b>Operating surplus</b>	51	<b>14,956,481</b>	<b>195,740,339</b>
Fair value adjustments	21	546,200	(22,500)
Actuarial gains/(losses)	6	10,373,561	(1,733,198)
Impairment loss	28	(595,477)	(54,987)
		<b>10,324,284</b>	<b>(1,810,685)</b>
<b>Surplus for the year</b>		<b>25,280,765</b>	<b>193,929,654</b>

\* See Note 41 & 40



## Statement of Changes in Net Assets as at 30 June 2023

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2,776,408,549	2,776,408,549
Adjustments		
Correction of errors	(81,969,564)	(81,969,564)
<b>Balance at 01 July 2021 as restated*</b>	<b>2,716,829,277</b>	<b>2,716,829,277</b>
Changes in net assets		
Surplus for the year	193,929,654	193,929,654
Total changes	193,929,654	193,929,654
<b>Restated* Balance at 01 July 2022</b>	<b>2,910,758,934</b>	<b>2,910,758,934</b>
Changes in net assets		
Surplus for the year	25,280,765	25,280,765
Total changes	25,280,765	25,280,765
<b>Balance at 30 June 2023</b>	<b>2,936,039,699</b>	<b>2,936,039,699</b>
Note(s)		

\* See Note 41 & 40

## Cash Flow Statement as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants and subsidies		735,323,000	1,018,197,000
Interest received		18,982,811	9,506,278
Other receipts		2,060,083	12,054,486
		<u>756,365,894</u>	<u>1,039,757,764</u>
<b>Payments</b>			
Employee costs		(186,314,123)	(181,097,380)
Suppliers		(259,748,829)	(305,862,574)
Finance costs		(1,236,233)	(15,203)
		<u>(447,299,185)</u>	<u>(486,975,157)</u>
<b>Net cash flows from operating activities</b>	35	<b><u>309,066,709</u></b>	<b><u>552,782,607</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(393,819,290)	(376,144,335)
Movement of other intangible assets	5	(1,896,061)	-
<b>Net cash flows from investing activities</b>		<b><u>(395,715,351)</u></b>	<b><u>(376,144,335)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(11,634,315)	(11,700,000)
<b>Net cash flows from financing activities</b>		<b><u>(11,634,315)</u></b>	<b><u>(11,700,000)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(98,282,957)</b>	<b>187,328,561</b>
Cash and cash equivalents at the beginning of the year		297,405,343	110,076,782
<b>Cash and cash equivalents at the end of the year</b>	9	<b><u>199,122,386</u></b>	<b><u>297,405,343</u></b>

\* See Note 41 & 40

## Statement of Comparison of Budget and Actual Amounts at 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rental of facilities and equipment	1,341,000	-	<b>1,341,000</b>	1,374,272	<b>33,272</b>	
Other income	645,000	734,000	<b>1,379,000</b>	685,811	<b>(693,189)</b>	A1
Interest received	10,000,000	7,221,000	<b>17,221,000</b>	18,982,811	<b>1,761,811</b>	A2
<b>Total revenue from exchange transactions</b>	<b>11,986,000</b>	<b>7,955,000</b>	<b>19,941,000</b>	<b>21,042,894</b>	<b>1,101,894</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	1,102,780,000	(119,453,000)	<b>983,327,000</b>	899,905,255	<b>(83,421,745)</b>	A3
<b>Total revenue</b>	<b>1,114,766,000</b>	<b>(111,498,000)</b>	<b>1,003,268,000</b>	<b>920,948,149</b>	<b>(82,319,851)</b>	
<b>Expenditure</b>						
Employee related costs	(152,488,000)	-	<b>(152,488,000)</b>	(175,431,097)	<b>(22,943,097)</b>	A4
Remuneration of councillors	(10,187,000)	-	<b>(10,187,000)</b>	(11,523,287)	<b>(1,336,287)</b>	A5
Depreciation and amortisation	(91,077,000)	118,000	<b>(90,959,000)</b>	(96,169,362)	<b>(5,210,362)</b>	A6
Impairment loss	-	-	-	(595,477)	<b>(595,477)</b>	A7
Finance costs	(7,905,000)	2,000	<b>(7,903,000)</b>	(7,606,374)	<b>296,626</b>	
Lease rentals on operating lease	-	-	-	(5,413,154)	<b>(5,413,154)</b>	A8
Debt Impairment	-	-	-	(8,179,464)	<b>(8,179,464)</b>	A9
Bulk purchases	-	-	-	(6,757,648)	<b>(6,757,648)</b>	A10
Contracted Services	(141,709,000)	(74,872,000)	<b>(216,581,000)</b>	(309,031,588)	<b>(92,450,588)</b>	A11
Transfers and Subsidies	(10,569,000)	(1,081,000)	<b>(11,650,000)</b>	(248,449,233)	<b>(236,799,233)</b>	A12
General Expenses	(50,025,000)	(155,000)	<b>(50,180,000)</b>	(37,430,461)	<b>12,749,539</b>	A13
<b>Total expenditure</b>	<b>(463,960,000)</b>	<b>(75,988,000)</b>	<b>(539,948,000)</b>	<b>(906,587,145)</b>	<b>(366,639,145)</b>	
<b>Operating surplus</b>	<b>650,806,000</b>	<b>(187,486,000)</b>	<b>463,320,000</b>	<b>14,361,004</b>	<b>(448,958,996)</b>	
Fair value adjustments	-	-	-	546,200	<b>546,200</b>	A14
Actuarial gains/losses	-	-	-	10,373,561	<b>10,373,561</b>	A15
	-	-	-	<b>10,919,761</b>	<b>10,919,761</b>	
<b>Surplus before taxation</b>	<b>650,806,000</b>	<b>(187,486,000)</b>	<b>463,320,000</b>	<b>25,280,765</b>	<b>(438,039,235)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>650,806,000</b>	<b>(187,486,000)</b>	<b>463,320,000</b>	<b>25,280,765</b>	<b>(438,039,235)</b>	

## Statement of Comparison of Budget and Actual Amounts at 30 June 2023

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Receivables from non-exchange transactions	-	-	-	1,888,112	1,888,112	A16
VAT receivable	117,290,000	-	117,290,000	156,691,092	39,401,092	A17
Cash and cash equivalents	116,995,000	119,453,000	236,448,000	199,122,396	(37,325,604)	A18
	<b>234,285,000</b>	<b>119,453,000</b>	<b>353,738,000</b>	<b>357,701,600</b>	<b>3,963,600</b>	
<b>Non-Current Assets</b>						
Investment property	9,144,000	-	9,144,000	9,667,200	523,200	
Property, plant and equipment	3,827,886,000	17,389,000	3,845,275,000	3,648,935,413	(196,339,587)	
Intangible assets	8,593,000	-	8,593,000	6,043,865	(2,549,135)	A19
	<b>3,845,623,000</b>	<b>17,389,000</b>	<b>3,863,012,000</b>	<b>3,664,646,478</b>	<b>(198,365,522)</b>	
<b>Total Assets</b>	<b>4,079,908,000</b>	<b>136,842,000</b>	<b>4,216,750,000</b>	<b>4,022,348,078</b>	<b>(194,401,922)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	891,630,000	-	891,630,000	970,003,282	78,373,282	A20
Payables from non-exchange transactions	-	-	-	432,857	432,857	A21
Employee benefit obligation	-	-	-	2,332,229	2,332,229	A22
Unspent conditional grants and receipts	-	-	-	61,282,745	61,282,745	A23
Provisions	6,538,000	-	6,538,000	7,099,624	561,624	A24
	<b>898,168,000</b>	<b>-</b>	<b>898,168,000</b>	<b>1,041,150,737</b>	<b>142,982,737</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	12,534,000	-	12,534,000	-	(12,534,000)	A25
Employee benefit obligation	44,770,000	-	44,770,000	45,157,644	387,644	
	<b>57,304,000</b>	<b>-</b>	<b>57,304,000</b>	<b>45,157,644</b>	<b>(12,146,356)</b>	
<b>Total Liabilities</b>	<b>955,472,000</b>	<b>-</b>	<b>955,472,000</b>	<b>1,086,308,381</b>	<b>130,836,381</b>	
<b>Net Assets</b>	<b>3,124,436,000</b>	<b>136,842,000</b>	<b>3,261,278,000</b>	<b>2,936,039,697</b>	<b>(325,238,303)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	3,124,436,000	136,842,000	3,261,278,000	2,936,039,697	(325,238,303)	

# Accounting Policies

Figures in Rand	Note(s)	2023	2022
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## 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.

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

### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

### 1.3 Significant judgements and sources of estimation uncertainty

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

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

### Trade receivables

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

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

### Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

### 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 13 - Provisions.

## Accounting Policies

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

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

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

#### Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

#### Effective interest rate

The municipality uses the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

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

#### VAT

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate to 15% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

### 1.4 Investment property

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

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

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

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

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

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

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

# Accounting Policies

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## 1.4 Investment property (continued)

Investment property is 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.

### Fair value

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

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

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

## 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

## Accounting Policies

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
<b>Buildings</b>		.
Wall	Straight-line	60 years
Carpots	Straight-line	7 years
Electrical installation	Straight-line	30 years
Electrical connection	Straight-line	45 years
Floor	Straight-line	50 years
FF&E	Straight-line	15 Years
Fire Protection	Straight-line	20 Years
Foundation or Formation	Straight-line	100 years
Heating and air conditioning	Straight-line	5 years
Lift	Straight-line	30 years
Paving	Straight-line	50 years
Parameter protection	Straight-line	30 years
Pipe Sewer	Straight-line	40 years
Pipe water	Straight-line	80 years
Plumping	Straight-line	20 years
Security System	Straight-line	7 years
Septik tank	Straight-line	40 years
Small building or enclosure	Straight-line	20 years
Swimming pool	Straight-line	20 years
<b>Office equipment</b>	Straight-line	5 years
<b>IT equipment</b>	Straight-line	5 years
<b>Furniture</b>	Straight-line	7 years
<b>Vehicles</b>	Straight-line	7 years
<b>Infrastructure - Sanitation</b>		.
Building	Straight-line	60 years
Civil structure	Straight-line	30 years
Communal water	Straight-line	10 years
Drainage structure	Straight-line	5 years
Earthworks	Straight-line	20 years
Electrical equipment	Straight-line	50 years
External facility	Straight-line	15 years
HV Substation	Straight-line	50 years
LV Conductors	Straight-line	60 years
Mechanical equipment	Straight-line	30 years
Metal Work	Straight-line	20 years
Municipal service connection	Straight-line	45 years



## Accounting Policies

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

Parking area	Straight-line	20 years
Paved roads	Straight-line	80 years
Pipe work	Straight-line	80 years
Unpaved road	Straight-line	5 years
Electricity		
MV Substation	Straight-line	45 years
MV Transformer	Straight-line	45 years
LV Conductor	Straight-line	45 years
Water		
Boreholes	Straight-line	100 years
Bulkman	Straight-line	80 years
Damn and Weirs	Straight-line	15 years
Distribution	Straight-line	20 years
PRV stations	Straight-line	80 years
Pump stations	Straight-line	20 years
Reservoirs and Towers	Straight-line	20 years
Water treatment works	Straight-line	30 years
Perimeter protection- Iron palisade	Straight-line	43 years
Wave protection	Straight-line	95 years
Switchgear	Straight-line	18 years
Perimeter protection	Straight-line	28 years
Bridge	Straight-line	100 years
Taxidermy mounts	Straight-line	11 years

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

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

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

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

# Accounting Policies

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## 1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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Item	Depreciation method	Average useful life
Patents, trademarks and other rights	Straight-line	Indefinite
Computer software	Straight-line	3 to 5

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Intangible assets are derecognised:

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

## Accounting Policies

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### 1.6 Intangible assets (continued)

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

### 1.7 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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## 1.7 Financial instruments (continued)

### Classification

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

Class	Category
Receivables from exchange and non exchange	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
DBSA loan	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Lease Obligations	Financial liability measured at amortised cost

## 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### Operating leases - lessor

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

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

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

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

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

### Operating leases - lessee

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

## 1.9 Impairment of cash-generating assets

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

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

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

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

## Accounting Policies

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

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

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

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

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

Useful life is either:

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

### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# Accounting Policies

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

### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

## 1.10 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

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

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

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

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

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

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

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

## Accounting Policies

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

Useful life is either:

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

#### Reversal of an impairment loss

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

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

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

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

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

### 1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.



# Accounting Policies

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## 1.11 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

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

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

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

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

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

### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

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

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

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

# Accounting Policies

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## 1.11 Employee benefits (continued)

### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

## Accounting Policies

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### 1.11 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-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 not presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# Accounting Policies

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## 1.11 Employee benefits (continued)

### 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.

## 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 surplus (deficit).

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

## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

# Accounting Policies

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## 1.13 Commitments (continued)

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

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

## 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

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

### Sale of goods

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

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

### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

# Accounting Policies

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## 1.14 Revenue from exchange transactions (continued)

### Interest, royalties and dividends

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

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

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

## 1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

### Recognition

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

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



# Accounting Policies

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

### Measurement

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

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

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

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

### Transfers

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

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

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

## 1.16 Borrowing costs

## 1.17 Comparative figures

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

## 1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

## 1.19 Fruitless and wasteful expenditure

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

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

## Accounting Policies

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### 1.20 Irregular expenditure

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

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Guidelines etc (as applicable).

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is disclosed inclusive of VAT.

### 1.21 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.

### 1.22 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

## Accounting Policies

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### 1.22 Related parties (continued)

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 those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

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

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

### 1.23 Events after reporting date

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

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

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

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

# Notes to the Annual Financial Statements

Figures in Rand

2023

2022

## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

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

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

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

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
GRAP 1 Presentation of Financial statements	Effective date: 1 April 2023	Unlikely to have a material impact
GRAP 103 Heritage Assets	1 April 2023	Unlikely to have a material impact
GRAP 104 Financial instruments	1 April 2025	Unlikely to have a material impact

# Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	9,667,200	-	9,667,200	9,121,000	-	9,121,000

#### Reconciliation of investment property - 30 June 2023

	Opening balance	Fair value adjustments	Total
Investment property	9,121,000	546,200	9,667,200

#### Reconciliation of investment property - 30 June 2022

	Opening balance	Fair value adjustments	Total
Investment property	9,143,500	(22,500)	9,121,000

#### Pledged as security

None of the Investment properties were pledged as security.

#### Investment property in the process of being constructed or developed

There is no investment property under construction not being acquired.

No investment property that is taking a significantly longer period of time to complete than expected.

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.

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>3. Investment property (continued)</b>		
The effective date of the revaluation was 30 June 2023. Revaluation (Fair value adjustments) were performed by independent valuers, Segopane and Associates (Pty) Ltd.		
Professional Registration with the South African Council for the Property Valuers Profession: 7718. Sam Segopane is not connected to the Municipality and has recent experience in location and category of the investment property being valued.		
The valuation was based on the comparable sales method which consists of comparing the properties with other properties Which have recently been sold in the market and then making the necessary adjustments in order to determine the present market value of the properties		
The valuation was based on open market value for existing use. These assumptions are based on current market conditions.		
The investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality. Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP 16.		
The following criteria was used to determine whether a property should be classified as an investment property:		
A building owned by the municipality and leased out to third parties under one or more operating leases Land held for a current undeterminable future use.		
Property being constructed or developed for future use as investment property.		
<b>Maintenance of investment property</b>		
There were no repairs and maintenance for investment property during the period ended 30 June 2023.		
No investment property that is taking significantly longer period of time to complete than expected.		
<b>Income generated from Investment property</b>		
<b>From Investment property that generated rental revenue</b>		
Revenue from investment property	1,374,272	1,249,338

## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,458,580	-	3,458,580	3,458,580	-	3,458,580
Buildings	130,975,380	(94,880,638)	36,094,742	129,524,332	(91,868,660)	37,655,672
Plant and equipment	3,058,309	(2,942,517)	115,792	3,058,309	(2,852,491)	205,818
Furniture and office equipment	2,333,684	(1,972,968)	360,716	2,255,946	(1,862,128)	393,818
Motor vehicles	25,773,711	(21,456,863)	4,316,848	25,773,711	(20,373,100)	5,400,611
IT equipment	15,147,702	(7,694,441)	7,453,261	12,136,762	(5,608,176)	6,528,586
Infrastructure	2,990,028,435	(781,921,389)	2,208,107,046	2,822,904,566	(693,713,392)	2,129,191,174
Work In progress	1,389,028,428	-	1,389,028,428	1,409,734,417	-	1,409,734,417
<b>Total</b>	<b>4,559,804,229</b>	<b>(910,868,816)</b>	<b>3,648,935,413</b>	<b>4,408,846,623</b>	<b>(816,277,947)</b>	<b>3,592,568,676</b>

## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - 30 June 2023

	Opening balance	Additions	Transfers to Income statement	Transfers to infrastructure	Depreciation	Impairment loss	Total
Land	3,458,580	-	-	-	-	-	3,458,580
Buildings	37,655,672	1,451,048	-	-	(3,011,978)	-	36,094,742
Plant and equipment	205,818	-	-	-	(89,514)	(512)	115,792
Furniture and office equipment	393,818	77,760	-	-	(109,579)	(1,283)	360,716
Motor vehicles	5,400,611	-	-	-	(1,083,763)	-	4,316,848
IT equipment	6,528,586	3,010,940	-	-	(2,083,920)	(2,345)	7,453,261
Infrastructure	2,129,191,174	4,655,388	-	162,468,480	(87,616,659)	(591,337)	2,208,107,046
Work In Progress	1,409,734,417	384,624,154	(242,861,663)	(162,468,480)	-	-	1,389,028,428
	<b>3,592,568,676</b>	<b>393,819,290</b>	<b>(242,861,663)</b>	<b>-</b>	<b>(93,995,413)</b>	<b>(595,477)</b>	<b>3,648,935,413</b>



# Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 30 June 2022

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	3,458,580	-	-	-	-	3,458,580
Buildings	41,619,455	29,600	-	(3,993,383)	-	37,655,672
Plant and equipment	265,846	55,322	-	(113,735)	(1,615)	205,818
Furniture and office equipment	272,084	236,579	-	(114,125)	(720)	393,818
Motor vehicles	5,050,856	1,494,000	-	(1,144,245)	-	5,400,611
IT equipment	3,054,144	4,726,925	-	(1,199,831)	(52,652)	6,528,586
Infrastructure	2,159,126,618	21,900	59,053,014	(89,010,358)	-	2,129,191,174
Work in progress	1,099,207,422	369,580,009	(59,053,014)	-	-	1,409,734,417
	<b>3,312,055,005</b>	<b>376,144,335</b>	<b>-</b>	<b>(95,575,677)</b>	<b>(54,987)</b>	<b>3,592,568,676</b>

#### Pledged as security

No property, plant and equipment has been pledged as security.

# Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Projects which are taking significantly longer periods to complete

Project name	Amount	Reasons for delay
RDM2014-034 Construction of the Taung bulk water supply pipeline to new Reservoir	180,744,638	The municipality is waiting for funding on the project to appoint new contractors. the contractor who was appointed had procurement processes that were taking too long.
RDM2011-021 - Upgrading of Oxidation Ponds in the Molopo Local Municipality Area	11,339,248	The contract was terminated due to poor performance of the consultant. Contractor moved off site.
BDM2007-027 Upgrading of Bloemhof Water Purification Works(civil work,mechanical,electrical work)	192,062,030	The contractor which is DWS has procurement processes that take too long hence the delays. The municipality has already appointed a new contractor to expedite the construction.
RDM2011-019 Establishment of Oxidation Ponds in the Kagisano LM Area	21,571,421	The contract was terminated due to poor performance of the consultant. Contractor moved off site.
RDM2014-020 Christiana-Upgrading of Sewer works and one main outfall sewer (phase 1)	10,929,644	The municipality is waiting for funding on the project and appoint new contractors.
BDM2007-042 Vryburg New Waste Water Treatment Works	268,941,023	The municipality is waiting for funding on the project and appoint new contractors.
RDM2011-024 Establishment of Landfill Sites in Kagisano Local Municipality Area	2,625,532	Dr Ruth Segomotsi Mompoti District Municipality experienced MIG funding problems and the projects had to be suspended.
RDM2011-026 Establishment of Landfill Sites in Mamusa LM Area	2,101,584	Dr Ruth Segomotsi Mompoti District Municipality experienced MIG funding problems and the projects had to be suspended.
RDM2011-027 Establishment of Landfill Sites in Molopo LM Area	2,370,587	Dr Ruth Segomotsi Mompoti District Municipality experienced MIG funding problems and the projects had to be suspended.
RDM2011-023 Establishment of Landfill Sites in Greater Taung Local Municipality Area	1,031,120	Dr Ruth Segomotsi Mompoti District Municipality experienced MIG funding problems and the projects had to be suspended.
RDM2011-025 Consultants to Establish Landfill Sites in Lekwa Teemane Local Municipality Area	2,902,177	Dr Ruth Segomotsi Mompoti District Municipality experienced MIG funding problems and the projects had to be suspended.
RDM2014-015 Stella bulk sewer and internal reticulation	73,362,786	The project was on plan. However, there was delays on the approval of funding. The project only commenced construction in 2021 September.
	<b>769,981,790</b>	-

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Property, plant and equipment (continued)</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Buildings	173,152	596,931
Motor vehicles	1,478,429	720,755
Machinery and equipment	218,979	93,003
Water and sewerage Infrastructure	12,509,671	10,967,107
IT Equipment	2,950	-
Furniture and office equipment	205	-
	<b>14,383,386</b>	<b>12,377,796</b>

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

# Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Patents, trademarks and other rights	700,000	-	700,000	700,000	-	700,000
Computer software	14,056,216	(8,712,351)	5,343,865	12,160,155	(6,538,401)	5,621,754
<b>Total</b>	<b>14,756,216</b>	<b>(8,712,351)</b>	<b>6,043,865</b>	<b>12,860,155</b>	<b>(6,538,401)</b>	<b>6,321,754</b>

#### Reconciliation of intangible assets - 30 June 2023

	Opening balance	Additions	Amortisation	Total
Patents, trademarks and other rights	700,000	-	-	700,000
Computer software	5,621,754	1,896,061	(2,173,950)	5,343,865
	<b>6,321,754</b>	<b>1,896,061</b>	<b>(2,173,950)</b>	<b>6,043,865</b>

#### Reconciliation of intangible assets - 30 June 2022

	Opening balance	Amortisation	Total
Patents, trademarks and other rights	700,000	-	700,000
Computer Software	7,893,232	(2,271,478)	5,621,754
	<b>8,593,232</b>	<b>(2,271,478)</b>	<b>6,321,754</b>

#### Pledged as security

None of the intangible assets were pledged as security.

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 5. Intangible assets (continued)

#### Intangible assets with indefinite useful life

Patents, trademarks and other rights - 700,000

Dr Ruth Segomotsi Mompoti District Municipality as a Water Services Authority (WSA) acquired rights to Wentzel Dam located in Mamusa LM area where they have sole rights to extract water from the dam in order to satisfy their business mandate of supplying water to the communities. This right will only cease to exist when one of the following becomes enforces; (1) the Municipality ceases to exist or merges; (2) the District enters into a contract with one of the locals where they will delegate their service. For this reason, management had concluded that the right will exist into the unforeseen or undeterminable future.

### 6. Employee benefit obligations

#### Defined benefit plan

The municipality provides retirement benefits to its employees by contributing to medical aid and also offers Long service awards to employees who have been in service with the municipality for a certain number of years starting from 5 years of service to 45 years of service. Membership to medical aid is compulsory for all permanent employees. The members contribute to the Keyhealth, SAMWU, BONITAS and LAHEALTH. Dr Ruth Segomotsi Mompoti District Municipality, ('Dr Ruth'), has requested a specialist in GRAP 25 reporting, 1 Pangaea Expertise & Solutions (Pty) Ltd ('OPES'), to compile an actuarial valuation report on its post-employment health care liability as at 30 June 2023

#### Post retirement medical aid plan

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(51,427,573)	(44,770,168)
Present value of the defined benefit obligation-partly or wholly funded	3,937,700	(6,657,405)
	<b>(47,489,873)</b>	<b>(51,427,573)</b>
Non-current liabilities	(45,157,644)	(48,815,244)
Current liabilities	(2,332,229)	(2,612,329)
	<b>(47,489,873)</b>	<b>(51,427,573)</b>

The fair value of plan assets includes:

#### Entity's own financial instruments

##### Assets used by the entity

Active employees PEMA	(20,332,377)	(23,732,330)
Continuation pensioners - PEMA	(18,131,520)	(18,706,112)
Employers accrued Liability - LSA	9,025,976	(8,989,131)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	51,427,573	44,770,168
Net expense recognised in the statement of financial performance	(3,937,700)	6,657,405
	<b>47,489,873</b>	<b>51,427,573</b>

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>6. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost - LSA	727,834	718,627
Current service cost - PEMA	1,950,214	1,634,010
Interest cost - LSA	957,941	716,380
Interest cost - PEMA	5,412,201	4,235,633
Actuarial (gains) losses - PEMA	(9,596,810)	1,768,306
Actuarial (gains)/losses - LSA	(776,751)	(35,108)
Benefits paid - LSA	(872,179)	(794,334)
Benefits paid - PEMA	(1,740,150)	(1,586,109)
	<b>(3,937,700)</b>	<b>6,657,405</b>

### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(10,373,561)	1,733,198
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### Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
Defined benefit obligation	47,489,873	51,427,573	44,770,168	40,819,624	42,330,652
Surplus/(Deficit)	(47,489,873)	(51,427,573)	(44,770,168)	(40,819,624)	(42,330,652)
Experience adjustments on plan liabilities	(6,234,596)	3,510,324	4,552,769	(5,388,903)	(187,971)
	<b>(6,234,596)</b>	<b>3,510,324</b>	<b>4,552,769</b>	<b>(5,388,903)</b>	<b>(187,971)</b>

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 6. Employee benefit obligations (continued)

#### Key assumptions used-PEMA

Assumptions used at the reporting date:

Discount rates used	14.04 %	13.02 %
Consumer price Inflation	8.50 %	8.52 %
Healthcare cost Inflation	10.00 %	10.02 %
<b>Net discount rate</b>	<b>3.67 %</b>	<b>2.73 %</b>
Normal retirement age	65.00	65.00
Fully accrued age (to take account for ill health and early retirement decrements)	63.00	63.00
Continuation percentage (to take account for ill health and early retirement)	90.00 %	90.00 %
Mortality-active employees	SA85-90	SA85-90
Mortality-pensioners		PA (90)-2

Full actuarial valuations were performed by independent actuaries, One Pangaea Financial, for the present value of Employment Medical Subsidy liability at 30 June 2023 using the Projected Unit Credit method.

The basis used to determine the overall expected rate of return on assets is as follows:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2022 the duration of liabilities was 14.44 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 14.04% per annum, and the yield on the inflationlinked bonds of a similar term was about 5.11% per annum, implying an underlying expectation of inflation of 8.50% per annum ( $([1 + 14.04\%] / [1 + 5.11\%] - 1)$ ).

A healthcare cost inflation rate of 10.00% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.67% per annum ( $([1 + 14.04\%] / [1 + 10.00\%] - 1)$ ). This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 6. Employee benefit obligations (continued)

#### Key assumptions used - LSA

Discount rate	10.99 %	11.20 %
CPI	6.02 %	7.28 %
Salary increase rate	7.02 %	8.28 %
Net discount rate	3.71 %	2.70 %
Net retirement age (years)	63	63
Mortality	SA85-90	SA85-90
Number of employees	213	191

Full actuarial valuations were performed by independent actuaries, One Pangaea Financial, for the present value of Long Service Bonus Awards liability at 30 June 2023 using the Projected Unit Credit method.

The basis on which the net discount rate has been determined is as follow:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation..

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 6.56 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 10.99% per annum, and the yield on inflation-linked bonds of a similar term was about 4.69% per annum. This implies an underlying expectation of inflation of 6.02% per annum  $([1 + 10.99\%] / [1 + 4.69\%] - 1)$ .

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 7.02% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.71% per annum  $([1 + 10.99\%] / [1 + 7.09\%] - 1)$ .

### 7. Receivables from non-exchange transactions

Provision for impairment on receivables	(20,796,914)	(12,617,450)
Other receivables from non-exchange revenue	22,306,452	18,791,265
Employee debtor	378,574	378,574
	<b>1,888,112</b>	<b>6,552,389</b>

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

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R1,177,641 (30 June 2022: R1,114,282) were past due but not impaired.

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

1 month past due	103,558	-
2 months past due	145,495	151,595
3 months past due	928,588	962,687

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(12,617,449)	(12,407,511)
Provision for impairment	(8,179,464)	(209,938)
	<b>(20,796,913)</b>	<b>(12,617,449)</b>



## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>8. VAT receivable</b>		
VAT	156,691,092	155,477,250

The Municipality is registered for VAT on payment basis.

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	210	210
Bank balances	117,701,745	21,064,166
Short-term deposits	81,420,441	276,340,967
	<b>199,122,396</b>	<b>297,405,343</b>

No cash and cash equivalents have been pledged as security.

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB - Primary bank account. Cheque Account number 62419781374	112,700,890	12,433,781	8,215,584	112,700,890	12,433,781	1,316,096
Nedbank - Primary Bank account# 1207201049	5,000,847	8,630,375	5,995,565	5,000,847	8,630,375	5,995,565
Nedbank - MAMUSA MIG # 37881163836	128,820	128,814	1,507,546	128,820	128,814	1,507,546
Nedbank - WSIG Retention#37881163917	6,661,747	3,888,392	1,347,527	6,661,747	3,888,392	1,347,527
Nedbank - MIG# 37881163852	2,492,141	13,769	4,199,914	2,492,141	13,769	4,199,914
Nedbank MIG Retention# 37881163925	6,787,247	3,683,029	536,928	6,787,247	3,683,029	536,928
Nedbank RBIG Retention# 37881163933	21,414,580	14,036,974	2,314,778	21,414,580	14,036,974	2,314,778
Nedbank DWAF_RBIG# 37881163860	36,654,322	240,053,281	80,795,542	36,654,322	240,053,281	80,795,542
Nedbank Equitable Share# 37881163895	5,366,302	11,703,636	482,553	5,366,302	11,703,636	482,553
Nedbank WSIG# 37881163909	1,748,415	1,200,092	2,996,986	1,748,415	1,200,092	2,996,986
Nedbank EPWP# 37881163887	22,754	75,087	652,032	22,754	75,087	652,032
Nedbank RAMS# 37881163879	133,947	1,556,894	1,004,298	133,947	1,556,894	1,004,298
Nedbank FMG# 37881163844	10,170	1,000	27,322	10,170	1,000	27,322
Petty Cash	210	210	210	210	210	210
	-	-	-	-	-	-
<b>Total</b>	<b>199,122,392</b>	<b>297,405,334</b>	<b>110,076,785</b>	<b>199,122,392</b>	<b>297,405,334</b>	<b>103,177,297</b>

### VBS MUTUAL BANK-6 Months Smart Fixed Deposit 10087600002

Amortised Balance before write off	150,000,000	150,000,000
Amount impaired by council	(150,000,000)	(150,000,000)
Write off reversed	10,500,000	10,500,000
Write off recovered	(10,500,000)	(10,500,000)
	-	-

The Municipality had an investment with VBS Bank to the amount of R150 000 000. The bank went into liquidation and the investment was fully impaired by the Council in 2018 financial year. In 2022 financial year an amount of R10 500 000 was recovered from VBS.

### 10. Accumulated surplus

#### Accumulated surplus reconciliation 30 June 2023

	Accumulated surplus	Total
Opening balance	(2,910,758,929)	(2,910,758,929)
Net Surplus for the year	(25,280,765)	(25,280,765)
	<b>(2,936,039,694)</b>	<b>(2,936,039,694)</b>

## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 10. Accumulated surplus (continued)

#### Accumulated surplus reconciliation 30 June 2022

	Accumulated surplus	Total
Opening balance	(2,776,408,549)	(2,776,408,549)
Adjustments to opening balance as at 1 July 2021	59,579,274	59,579,274
Net Surplus for the year as previously reported	(206,695,922)	(206,695,922)
Prior period adjustments (Net Surplus for the year)	12,766,268	12,766,268
	<b>(2,910,758,929)</b>	<b>(2,910,758,929)</b>

### 11. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
Regional Bulk Infrastructure Grant (RBIG)	60,957,772	225,438,188
Rural Road Asset Management Grant (RAMS)	315,803	176,112
Financial Management Grant (FMG)	9,170	-
	<b>61,282,745</b>	<b>225,614,300</b>

### 12. Other financial liabilities

#### At amortised cost

DBSA loan	-	11,634,315
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Loan redemption date is 31 July 2023. Interest is only incurred on arrear amounts at an interest rate of 12,75% per annum.

This is a loan that was inherited by the District Municipality during the 2005 redemarcation process for the 2 local municipalities, namely Mamusa Local Municipality and Lekwa - Teema Local Municipality for water and sanitation infrastructure projects.

The loan was fully paid in the current year.

#### Non-current liabilities

At amortised cost	-	834,315
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#### Current liabilities

At amortised cost	-	10,800,000
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#### Defaults and breaches

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been renegotiated by the Municipality.

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022		
<b>13. Provisions</b>				
<b>Reconciliation of provisions - 30 June 2023</b>				
	Opening Balance	Additions	Utilised during the year	Total
Leave provision	7,454,067	3,553,270	(3,907,713)	7,099,624
<b>Reconciliation of provisions - 30 June 2022</b>				
	Opening Balance	Additions	Utilised during the year	Total
Leave provision	6,538,131	5,459,026	(4,543,090)	7,454,067
<b>14. Payables from exchange transactions</b>				
Trade payables			902,142,946	793,599,218
Accrued bonus			3,889,867	3,644,994
Retentions			63,970,469	62,880,158
			<b>970,003,282</b>	<b>860,124,370</b>
<b>15. Payables from non-exchange transactions</b>				
Provincial Infrastructure Grant (Mamusa MIG)			432,857	432,857
<b>16. Revenue</b>				
Rental of facilities and equipment			1,374,272	1,249,338
Other income			685,811	305,148
Interest received			18,982,811	9,506,278
Government grants & subsidies			899,905,255	841,864,471
VBS bank receipt			-	10,500,000
			<b>920,948,149</b>	<b>863,425,235</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>				
Rental of facilities and equipment			1,374,272	1,249,338
Other income			685,811	305,148
Interest received - investment			18,982,811	9,506,278
			<b>21,042,894</b>	<b>11,060,764</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>				
<b>Taxation revenue</b>				
<b>Transfer revenue</b>				
Government grants & subsidies			899,905,255	841,864,471
VBS bank receipt			-	10,500,000
			<b>899,905,255</b>	<b>852,364,471</b>
<b>17. Rental of facilities and equipment</b>				
<b>Premises</b>				
Premises			1,374,272	1,249,338

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 17. Rental of facilities and equipment (continued)

The operating lease revenue relates to investment property, ERF 1853, portion of ERF 506 Vryburg, that is being leased to the Department of Transport and Public Work on a month to month pending signing of the new agreement since the initial contract lapsed.

The property is leased at market related prices.

### 18. Lease rentals on operating lease

#### Premises

Contractual amounts	3,840,000	3,840,000
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#### Plant and equipment

Contractual amounts	1,573,154	2,086,541
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	<b>5,413,154</b>	<b>5,926,541</b>
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The rentals above are lease rentals for:

The Municipal office, situated at 34 Church Street, from Markork Investment Limited. The lease contract commenced on 1 March 2021 and will end on 28 February 2024. The Municipality entered into a lease agreement for the rental of office space with Ganis Imports for a period of three years starting from March 2021.

The storage space in Market Street is leased on a yearly basis.

The Municipality is also renting printers from suppliers on a month to month basis.

The Municipality went into a lease agreement with Renashua to rent 6 printers for a period of 3 months beginning June 2023 to August 2023

### 19. Other income

Tender Fees	426,979	26,259
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Insurance refund and other receipts	258,832	278,889
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	<b>685,811</b>	<b>305,148</b>
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### 20. Investment revenue

#### Interest received

Bank	2,335,488	1,088,792
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Interest received - Call accounts	16,647,323	8,417,486
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	<b>18,982,811</b>	<b>9,506,278</b>
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### 21. Fair value adjustments

Investment property	546,200	(22,500)
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Fair value adjustments relates to investment property adjustments, the effective date of the revaluation was 30 June 2022. The revaluation were performed by independent valuers, Segopane Associates (Pty) Ltd.

### 22. Grants and subsidies paid

#### Other subsidies

Grants paid	248,449,233	3,056,437
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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	448,060,589	404,182,000
Expanded Public Works Programme (EPWP)	1,396,000	1,835,000
Financial Management Grant (FMG)	2,190,830	2,103,362
LG SETA Grant	250,700	858,400
	<b>451,898,119</b>	<b>408,978,762</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	158,928,000	146,578,998
Regional Bulk Infrastructure Grant (RBIG)	196,779,940	227,116,822
Road Asset Management Systems Grant (RAMS)	2,299,196	2,321,889
Water Services Infrastructure Grant (WSIG)	90,000,000	56,868,000
	<b>448,007,136</b>	<b>432,885,709</b>
	<b>899,905,255</b>	<b>841,864,471</b>
<b>Regional Bulk Infrastructure Grant (RBIG)</b>		
Balance unspent at beginning of year	225,438,186	48,420,009
Current-year receipts	280,128,000	404,135,000
Conditions met - transferred to revenue	(196,779,940)	(227,116,823)
Rejected rollover application	(247,828,474)	-
	<b>60,957,772</b>	<b>225,438,186</b>
Conditions still to be met - remain liabilities (see note 11).		
The purpose of the grant is to fund bulk connector and internal infrastructure for water services at a basic level of service.		
<b>Municipal Infrastructure Grant (MIG)</b>		
Current-year receipts	158,928,000	146,579,000
Conditions met - transferred to revenue	(158,928,000)	(146,579,000)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
<b>Expanded Public Works Incentive (EPWP)</b>		
Balance unspent at beginning of year	-	(1)
Current-year receipts	1,396,000	1,835,000
Conditions met - transferred to revenue	(1,396,000)	(1,834,999)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP Guidelines.		
<b>Road Asset Management Systems (RAMS)</b>		
Balance unspent at beginning of year	176,112	-
Current-year receipts	2,615,000	2,498,000
Conditions met - transferred to revenue	(2,299,196)	(2,321,888)
Rejected rollover application	(176,113)	-

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>23. Government grants and subsidies (continued)</b>	<b>315,803</b>	<b>176,112</b>
Conditions still to be met - remain liabilities (see note 11).		
<b>Water Service Infrastructure Grant (WSIG)</b>		
Current-year receipts	90,000,000	56,868,000
Conditions met - transferred to revenue	(90,000,000)	(56,868,000)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
<b>Municipal Financial Management Grant (FMG)</b>		
Balance unspent at beginning of year	-	3,362
Current-year receipts	2,200,000	2,100,000
Conditions met - transferred to revenue	(2,190,830)	(2,103,362)
	<b>9,170</b>	-
Conditions still to be met - remain liabilities (see note 11).		
<b>LGSETA</b>		
Balance unspent at beginning of year	-	858,400
Current-year receipts	250,700	-
Conditions met - transferred to revenue	(250,700)	(858,400)
	-	-
Conditions still to be met - remain liabilities (see note 11).		
<b>24. Other income</b>		
VBS bank receipt	-	10,500,000

Other revenue in 2022 comprise of a repayment from VBS, part of the R150 000 000 that was invested and lost when the bank went into liquidation in 2018. This was fully written off by the Council in 2018.

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Employee related costs</b>		
Basic Salaries	97,417,317	98,415,179
Bonus	7,122,825	6,997,278
Medical aid - company contributions	7,859,885	7,133,908
Workmen's compensation contribution	596,411	672,479
Pension fund contributions	13,965,329	13,619,918
UIF and SDL contributions	2,448,043	2,021,574
Leave pay provision charge	1,792,030	3,024,401
Travel, motor car, accommodation, subsistence and other allowances	32,972,542	27,725,486
Overtime payments	7,230,091	6,373,435
Long-service awards	733,497	716,832
Housing benefits and allowances	982,349	1,812,633
Sitting allowance	1,039,035	1,709,253
Telephone officials	957,762	920,917
Other allowances and subsidies	313,981	784,575
	<b>175,431,097</b>	<b>171,927,868</b>

### Remuneration of Municipal Manager

Annual Remuneration	887,559	485,323
Travel allowance	122,505	98,880
Housing allowance	61,879	192,941
Contributions to UIF, Medical and Pension Funds	25,930	41,210
Cellphone allowance	949	11,376
Rural allowance	43,208	32,355
Annual bonus	234,573	-
	<b>1,376,603</b>	<b>862,085</b>

The Municipal manager, Mr J Mononela was suspended from 1 March 2021 to January 2022. His contract was terminated on 31 January 2022. Please refer to the related parties note for the acting periods.

Mr I Jonas was appointed municipal manager from 1 December 2022 to 30 June 2023

### Remuneration of Chief Finance Officer

Annual Remuneration	1,000,002	877,587
Travel allowance	133,462	133,462
Contributions to UIF, Medical and Pension Funds	160,411	134,775
Telephone	11,388	11,388
Rural allowance	48,870	45,339
Leave pay	52,327	52,315
	<b>1,406,460</b>	<b>1,254,866</b>

Mr LC Malema was appointed the Chief Financial Officer from 01 July 2020 and was suspended from the 31st of March 2021.

Mr LC Malema resigned during his suspension on the 30th of June 2023.

### Remuneration of Economic Development, Tourism and Agriculture Manager

Annual Remuneration	6,648	510,058
Housing allowance	-	158,228
Accommodation and subsistence	-	11,771
Contributions to UIF, Medical and Pension Funds	132	103,047
Rural allowance	-	34,004
Travel allowance	-	90,000
Telephone allowance	-	8,541
Leave pay	15,255	213,358



## Notes to the Annual Financial Statements

Figures in Rand 2023 2022

### 25. Employee related costs (continued)

**22,035 1,129,007**

Mr T Gaanakgomo was Senior Manager Economic Development, Tourism and Agriculture Manager from 10 July 2019 and was terminated on the 31st of March 2022.

#### Remuneration of Engineering Services Manager

Annual Remuneration	51,005	680,078
Housing allowance	15,770	277,792
Accommodation and subsistence allowance	-	92,756
Contributions to UIF, Medical and Pension Funds	7,552	70,387
Rural allowance	1,228	45,339
Travel allowance	3,238	120,000
Telephone	321	11,388
Leave pay	145,822	52,315
	<b>224,936</b>	<b>1,350,055</b>

Mr SB Sehole was the Engineering Senior Manager from 1 November 2020 to the 28th of February 2021. He was Suspended from 01 March 2021 and terminated 24 July 2022

#### Remuneration of Corporate Services Manager

Annual Remuneration	51,426	680,077
Housing allowance	11,053	166,298
Accommodation and subsistence allowance	-	44,121
Contributions to UIF, Medical and Pension Funds	12,685	138,462
Travel allowance	2,915	108,000
Telephone allowance	321	11,388
Rural allowance	1,227	45,339
Annual bonus	33,059	94,455
Leave pay	121,319	69,753
	<b>234,005</b>	<b>1,357,893</b>

Mrs M Seleke is the Corporate Services Manager from the first of December 2020 and was terminated 24 July 2022

#### Remuneration of Chief Audit Executive

Annual Remuneration	46,931	680,078
Travel allowance	24,777	120,000
Housing allowance	11,649	188,835
Contributions to UIF, Medical and Pension Funds	14,576	157,042
Telephone allowance	321	11,388
Rural allowance	1,228	45,339
Accommodation and subsistence	-	97,591
Leave pay	148,554	34,876
	<b>248,036</b>	<b>1,335,149</b>

Ms T Molise was appointed Senior Manager Internal Audit from the 1st of December 2020 and was terminated on 24 July 2022

#### Remuneration of Community Services Manager

Annual Remuneration	789,859	680,077
Housing allowance	273,449	257,148
Accommodation and subsistence and travel	203,668	132,765
Contributions to UIF, Medical and Pension Funds	97,124	73,182
Travel allowance	140,645	140,645
Telephone allowance	11,388	11,388

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Employee related costs (continued)</b>		
Rural allowance	48,870	45,339
Annual bonus	-	283,366
Leave pay	61,034	34,876
	<b>1,626,037</b>	<b>1,658,786</b>

Mr K Vogt was appointed Senior Manager Community Services from the 1st of July 2020.

### Remuneration of Planning and Development Manager

Annual Remuneration	46,107	678,244
Accommodation and subsistence	-	93,897
Travel allowance	3,794	140,644
Contributions to UIF, Medical and Pension Funds	16,345	180,366
Housing allowance	10,514	147,051
Rural allowance	1,228	45,338
Leavepay	154,880	61,034
Telephone allowance	321	11,388
	<b>233,189</b>	<b>1,357,962</b>

Mr T Ramorei was appointed Senior Manager Planning and development from the 1st of December 2020 and was terminated on 24 July 2022

### Remuneration of Acting Municipal Manger

Acting allowance	101,344	222,399
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Mr JK Shai was acting Municipal Manager from the 1st of July 2022 to 30 November 2022.

### Remuneration of Acting Chief Financial Officer

Acting allowance	597,632	101,382
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Mr M Mofokeng was acting CFO from 01 May 2022 to 30 June 2023 .

### Remuneration of Acting Economic Development, Tourism and Agriculture

Acting allowance	240,463	72,213
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Mr P Pitso was acting Economic Development, Tourism and Agriculture Manager from 01 July 2022 to 31 December 2022.

Mrs AK Moheta was acting Economic Development, Tourism and Agriculture Manager from 01 January 2023 to 30 June 2023.

### Remuneration of Acting Senior Manager Engineering

Acting allowance	260,326	186,271
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Mr MA Seichoko was acting Senior Manager Engineering from the 1st of July 2022 to the 31st of December 2022.

Mr E Matope was acting Senior Manager Engineering from the 1st of January 2023 to the 30 June 2023.

### Remuneration of Acting Senior Manager Corporate Services

Acting allowance	230,436	79,813
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Mr GSD Moreosele was acting Senior Manager Corporate Services from the 1st of July 2022 to the 31st of December 2022. Mr JK Shai was acting Senior Manager Corporate Services from the 1st of January 2023 to the 31st of March 2023. Mr T Moroka was acting Senior Manager Corporate Services from the 1st of April 2023 to the 30 June 2023.

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Employee related costs (continued)</b>		
<b>Remuneration of acting manager planning and development</b>		
Acting allowance	227,516	-
Mr. KN Colane was acting Senior Manager Planning and development from the 1st of July 2022 to 30 June 2023.		
<b>Remuneration of acting senior manager internal audit</b>		
Acting allowance	227,516	-
Mr M Mashati was acting Senior Manager Internal Audit from the 1st of July 2022 to 30 June 2023.		
<b>26. Remuneration of councillors</b>		
Councillors- Refer to related parties for details	11,523,287	10,095,080
The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution		
<b>In-kind benefits</b>		
The Executive Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Municipality.		
The Mayor and the Speaker each have the use of separate Municipal owned vehicles for official duties and also the fuel at the expense of the Municipality.		
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	93,995,413	95,575,677
Intangible assets	2,173,949	2,271,478
	<b>96,169,362</b>	<b>97,847,155</b>
<b>28. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	595,477	54,987
Impaired assets relates to infrastructure assets, water tanks and fence that was vandalised and stolen in the 2023 financial year. In addition movable assets were impaired due to their condition not aligned to the carrying amounts per the register in the 2022 financial year.		
<b>29. Finance costs</b>		
Interest paid	1,236,232	15,204
Finance costs on employee benefit plan	6,370,142	4,952,013
	<b>7,606,374</b>	<b>4,967,217</b>
<b>30. Debt impairment</b>		
Movement in provision for bad debts	8,179,464	209,939
<b>31. Bulk purchases</b>		
Water and electricity	6,757,648	14,225,555

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>32. Contracted services</b>		
<b>Outsourced Services</b>		
Professional Services	10,481,797	7,839,336
Security Services	12,037,936	11,617,355
<b>Consultants and Professional Services</b>		
Business and Advisory	20,674,696	27,061,242
Infrastructure and Planning	73,190,955	78,711,814
<b>Contractors</b>		
Maintenance of facilities, vehicles and equipment	14,383,386	12,377,797
Bulk purchase related expenditure	178,262,818	177,297,681
	<b>309,031,588</b>	<b>314,905,225</b>
<b>33. General expenses</b>		
Advertising	403,317	107,836
Assessment rates & municipal charges	1,325,224	770,849
Auditors remuneration	5,244,106	7,390,913
Bank charges	215,960	394,583
Legal Fees	8,474,272	18,769,029
Refreshment, entertainment and wellness	512,027	684,591
Insurance	1,862,347	-
Community functions	2,319,194	1,585,003
Conferences and seminars	1,110,093	252,560
IT expenses	182,819	19,207
Promotions and sponsorships	269,460	694,950
Fuel and oil	2,646,632	1,266,255
Printing, stationery and publications	2,489,050	1,781,802
Protective clothing	23,644	329,903
Royalties and license fees	54,785	121,217
Bursaries for officials	535,724	594,482
Software expenses	2,391,553	2,427,914
Subscriptions and membership fees	1,807,576	1,968,325
Telephone and fax	1,264,399	1,526,684
Training	2,047,056	894,091
Accomodation,transport, travel and subsistence	1,466,088	1,988,013
Small tools, materials and supplies	525,977	386,252
Water and electricity	49,429	122,142
Refuse	73,003	367,556
Funeral assistance	136,726	79,722
	<b>37,430,461</b>	<b>44,523,879</b>
<b>34. Auditors' remuneration</b>		
Fees	5,244,106	7,390,913

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>35. Cash generated from operations</b>		
Surplus	25,280,765	193,929,654
<b>Adjustments for:</b>		
Depreciation and amortisation	96,169,362	97,847,155
Fair value adjustments	(546,200)	22,500
Impairment deficit	595,477	54,987
Debt impairment	8,179,464	209,939
Actuarial Gains	(10,373,561)	1,733,198
Movements in provisions	(354,443)	3,490,922
Transfers from WIP to expenditure	242,861,663	-
<b>Changes in working capital:</b>		
Receivables from non-exchange transactions	4,664,277	(6,996,231)
Payables from exchange transactions	109,878,912	146,741,409
VAT	(1,213,842)	(39,262,687)
Movements in retirement benefits assets and liabilities	(1,743,610)	4,924,207
Unspent conditional grants and receipts	(164,331,555)	153,942,240
Payables from non exchange transactions	-	(3,854,686)
	<b>309,066,709</b>	<b>552,782,607</b>

## 36. Financial instruments disclosure

### Categories of financial instruments

#### 30 June 2023

##### Financial assets

	At amortised cost	At cost	Total
Other receivables from non-exchange transactions	1,888,112	-	1,888,112
Cash and cash equivalents	-	199,122,396	199,122,396
	<b>1,888,112</b>	<b>199,122,396</b>	<b>201,010,508</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	970,003,282	970,003,282
Trade and other payables from non-exchange transactions	432,857	432,857
	<b>970,436,139</b>	<b>970,436,139</b>

#### 30 June 2022

##### Financial assets

	At amortised cost	At cost	Total
Other receivables from non-exchange transactions	6,552,389	-	6,552,389
Cash and cash equivalents	-	297,405,343	297,405,343
	<b>6,552,389</b>	<b>297,405,343</b>	<b>303,957,732</b>

##### Financial liabilities

	At amortised cost	Total
Other financial liabilities	11,634,315	11,634,315

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>36. Financial instruments disclosure (continued)</b>		
Trade and other payables from exchange transactions	860,124,370	860,124,370
Trade and other payables from non-exchange	432,857	432,857
	<b>872,191,542</b>	<b>872,191,542</b>
<b>37. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	225,822,309	417,270,581
<b>Total capital commitments</b>		
Already contracted for but not provided for	225,822,309	417,270,581
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	225,822,309	388,447,387
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	3,074,000	4,416,000
- in second to fifth year inclusive	-	2,944,000
	<b>3,074,000</b>	<b>7,360,000</b>

Operating lease payments represent rentals payable by the municipality for the provision of automated telephone and printing services. The lease is of a period of 3 years with the commencement date being 14 February 2019. No contingent rent is payable. The Municipality is also leasing the office building from March 2021 for a period of 3 years. The municipality has a contract with renashua for rental of 6 printers for 3 months beginning 01 June 2023 to August 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>38. Contingencies</b>		
<b>Contingent Liabilities</b>		
Morweng Attorneys Obo Vince Homes 04-03-2020 The Plaintiff, Vince Homes, issued Summonses against the municipality alleging non payment for the construction of oxidation pond in Morokweng. The municipality has appointed attorneys to defend the matter.	6,251,728	6,251,728
TEBE GV August 2022 Mr. Tebe was allegedly involved in an accident between Schweizer Reneke and Wolmaranstad and he is suing, inter alia, the Municipality. Morwaagae Attorneys were appointed to defend the matter	2,750,000	-
Willem Coetzee Attorney Obo Lektratek. 20-05 2020. LEKTRATEK WATER TECHNOLOGIE has taken the municipality to court for claims of work done, 8 months storage costs, loss of profit and insurance costs. The municipality has appointed Katake Attorneys to defend the matter.	-	2,193,228
Mohlala Attorneys is demanding for damages suffered by Tswaranang Poultry Trust at Rosendal farm; they alleged that the damages were occasioned by spillage of sewer at the farm. The municipality has appointed Katake Attorneys to defend the matter.	3,500,000	3,500,000
Kunene Makopo were appointed to provide insurance cover for all the assets of the municipality and they were paid R729 625,00 and they were subsequently paid R2 126 344,64 and they later demanded R1 493.04 which later escalated to R3 045 733,74	-	3,045,733
Theron Jordaan and Smit Inc obo Dephetogo Trading and Security. Dephetogo Trading and Security alleges unpaid amount of R3 509 399.76 for services rendered. We have appointed TMK Attorneys to defend the matter	3,509,400	-
Pennells Attorneys obo LEPOGO Construction JV. Lepogo Construction is suing the Municipality R7 001 886,19 for outstanding payment. We have appointed Morwaagae Attorneys to defend the matter	7,001,886	-
	<b>23,013,014</b>	<b>14,990,689</b>
<b>Contingent assets</b>		
Dr Ruth Segomotsi Mompoti District Municipality vs CMS Water Technologies cc March 2023 CMS Water Technologies were appointed for upgrading of water treatment works in Bloemhof. Electrical work and has not commenced and we have appointed lawyers to recover money spent. We appointed Mpoyana Ledwaba Attorneys to recover damages and/or seek specific performance	4,600,000	-

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>39. Related parties</b>		
Relationships		
Accounting Officer	Mr. JK Shai ( Acting Municipal manager 1 July 2022- 30 November 2022) Mr Itumeleng Jonas Municipal manager appointed 1 December 2022 to 30 June 2023	
Chief financial officer	Mr LC Malema ( Chief Financial officer) Appointed 01/07/2020 Suspended 31/03/2021. Mr Malema resigned during his suspension on 30 June 2023 Mr Morena Mofokeng (Acting Chief financial officer from 01 May 2022 to 30 June 2023 seconded from provincial treasury	
Members of key management	<p>Mr. GSD Moreosele (Acting senior manager Corporate services ( Appointed from July 2022- 31 December 2022). Mr JK Shai (Acting senior manager corporate services, appointed 1 January 2023 to 31 March 2023). Mr T Moroka (Acting senior manager corporate services. Appointed 1 April 2023 to 30 June 2023).</p> <p>Mr. KN Colane (Acting senior manager Planning and development) Appointed 27 July 2022 - 30 June 2023.</p> <p>Mr. Jones Seichoko ( Acting senior manager Engineering) Appointed 1 July 2022 -31 December 2022 Mr. Evans Matope (Acting senior manager engineering) Appointed 1 January 2023-30 June 2023</p> <p>Mr. Percy Pitso (Acting senior manager EDTA) 1 July 2022-30 September 1 October 2022-31 December 2022 Ms. Agnes Moheta ( Acting senior manager EDTA) Appointed 1 January 2023-30 June 2023 Mr K Vogt ( Senior manager Community services) Appointed 01 June 2020 to 31 December 2023 Mr Modisa Mashati (Acting senior manager Internal audit) Appointed 1 July 2022 to 30 June 2023</p>	
Councilors	<p>Executive Mayor (Cllr Maje Appointed 26 May 2022 to 30 June 2023) Speaker( Cllr K Sereko Appointed 08 November 2021 to 30 June 2023) MMC Technical (Cllr S Seepamere Appointed 26 May 2022 to 30 June 2023) MMC EDTA (Cllr ST Matobo Appointed 26 May 2022 to 30 June 2023)</p> <p>MMC Corporate Services ( Cllr LC Jacobs Appointed 26 May 2022 to 30 June 2023) MMC community services (B Sethabetsi-Mokone Appointed 26 May 2022 to 30 June 2023) MMC BTO (NG Masilo Appointed 26 May 2022 to 30 June 2023) MMC Planning ( KL Duiker appointed 26 May 2022 to 30 June 2023)</p>	



## Notes to the Annual Financial Statements

Figures in Rand

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### 39. Related parties (continued)

Cllr KM Lekgotla MPAC Dr Ruth Segomotsi Mompati District Municipality  
 Cllr GK Nthebotsenyane Indirectly elected Kagisano Local Municipality  
 Cllr B Pusho Indirectly elected Greater Taung Local Municipality  
 Cllr RL Modise Indirectly elected Gretaer Taung Local Municipality  
 Cllr R Molehe indirectly elected Naledi Local Municipality  
 Cllr NP Tunyiswa indirectly elected Naledi Local municipality  
 Cllr BM Nkewu indirectly elected Greater Taung Local Municipality  
 Cllr JK Masilo indirectly elected Mamusa local municipality  
 Cllr ME Arabang indirectly elected Kagisano Local Municipality  
 Cllr CP Herbst directly elected Dr Ruth Municipality  
 Cllr TS Phokoje directly elected Dr Ruth Municipality  
 Cllr MM Mkandawira directly elected Dr Ruth Municipality  
 Cllr TJ Thetswe indirectly elected Kagisano municipality  
 Cllr MS Morapedi-Letele indirectly elected Greater Taung Local municipality  
 Cllr GD Kgabo directly elected Dr Ruth municipality  
 Cllr LJ Mothibi directly elected Dr Ruth municipality  
 Cllr NN Ntjilo directly elected Dr Ruth Municipality  
 Cllr KC Rooibaatjie indirectly elected Greater Taung municipaplity  
 Cllr PL Babuseng indirectly elected Greater Taung municipality  
 Cllr JW Dibakwe directly elected Dr Ruth municipality  
 Cllr EG Letebele indirectly elected LekwaTemane municipality  
 Cllr TA Babuile directly elected Dr Ruth municipality

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# Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 39. Related parties (continued)

#### Remuneration of Councillors

#### Management class: Councillors

30 June 2023

Name	Basic salary	Travel allowance	Telephone allowance	Housing Allowance	Medical, Pension and UIF	Total
Mr ME Arabang	25,157	23,799	-	26,586	526	76,068
Mr JG Brand	67	17	-	28	1	113
Mr OJ Balebanye	5,995	-	-	-	60	6,055
Mr TA Babuile	189,775	84,589	42,000	97,716	31,828	445,907
Mr GS Bosman	67	33	-	56	2	158
Ms PL Babuseng	6,697	29,022	-	47,812	430	83,961
Mrs KL Duiker	286,935	196,128	4,844	223,270	5,696	716,873
Mr JW Dibakwe	178,150	83,690	42,000	140,010	15,900	459,750
Mr T Gerber	178	45	-	74	3	300
Mr CP Herbst	179,631	50,148	42,000	80,182	3,353	355,314
Mr LC Jacobs	249,948	78,387	-	140,031	4,321	472,687
Ms BR Bareng	226	57	-	94	4	381
Mr GD Kgabo	190,619	43,279	42,000	72,132	3,394	351,424
Mr LC Loabile	1,077	539	-	449	20	2,085
Miss MV Lee	2,619	655	-	1,092	42	4,408
Ms EG Letebele	24,011	34,482	-	43,527	745	102,765
Mr KM Lekgotla	245,151	207,511	-	224,896	5,308	682,866
Mr OE Mogorosi	67	17	1	28	1	114
Ms BL Mahlangu	8,271	-	-	-	83	8,354
Mr DJ Molapo	5,995	-	-	-	60	6,055
Mrs LV Setlhake (Maogwe)	6,296	1,092	(1,164)	1,164	72	7,460
Mr MM Mkandawira	169,884	44,514	39,495	94,257	3,315	351,465
Mr P Maleke	5,995	-	-	-	60	6,055
Mr ETL Mocumi	1,815	454	(1,283)	756	17	1,759
Miss KL Mamapula	3,082	-	-	-	31	3,113
Mrs SD Mothibedi	67	17	-	30	1	115

## Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 39. Related parties (continued)

Mr TE Matsietso	226	57	-	94	4	381
Mr MR Mokgobo	67	17	-	28	1	113
Mr EM Majikela	2,730	683	-	1,138	44	4,595
Mr MB Moeti	67	17	-	28	1	113
Mr MI Motshabi	67	17	-	27	1	112
Miss KB Mocumi	225	56	-	94	4	379
Mr RL Modise	12,346	22,428	-	23,062	331	58,167
Miss NG Masilo	249,949	180,105	-	199,481	5,009	634,544
Mrs JK Masilo	6,697	17,929	-	25,512	290	50,428
Mrs R Molehe	6,697	13,351	-	19,462	228	39,738
Mr VM Matimba	4,139	-	-	-	41	4,180
Mr MA Maje	563,182	136,758	42,000	314,180	10,085	1,066,205
Mrs MS Morapedi-Letele	6,697	79,489	-	99,412	920	186,518
Mrs LJ Mothibi	178,150	94,626	42,000	140,232	3,798	458,806
Mr ST Matobo	423,358	183,995	42,000	229,250	7,877	886,480
Ms GK Nthebotsenyane	28,814	185,664	-	153,210	1,762	369,450
Mr ME Ncobo	3,082	-	-	-	31	3,113
Ms BM Nkewu	8,866	53,903	-	30,362	440	93,571
Mr PG Modise	1,287	454	(484)	484	16	1,757
Miss MM Ntjilo	183,903	57,128	42,000	93,782	3,480	380,293
Ms B Pusho	6,697	4,037	-	25,912	286	36,932
Mr TS Phokoje	183,903	145,343	42,000	138,582	4,218	514,046
Miss KC Rooibaatjie	6,697	19,979	-	24,262	262	51,200
Mrs K Sereko	463,665	122,103	42,000	136,270	142,396	906,434
Mrs B Setlhabetsi-Mokone	453,262	212,659	42,300	206,804	92,533	1,007,558
Mr S Seepamere	249,902	96,682	-	129,131	4,321	480,036
Mr T Tlhanganyane	4,400	1,100	-	1,834	71	7,405
Miss DG Totong	67	17	-	28	1	113
Mr TJ Thetswe	29,191	9,944	-	47,910	724	87,769
Ms NP Tunyiswa	6,697	11,658	-	28,562	329	47,246

Name

<b>4,872,805</b>	<b>2,528,674</b>	<b>503,709</b>	<b>3,263,323</b>	<b>354,777</b>	<b>11,523,287</b>
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30 June 2022

# Dr Ruth S Mompoti District Municipality (DC39)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 39. Related parties (continued)

Name	Basic salary	Travel allowance	Telephone Allowance	Housing allowance	Medical, Pension and UIF	Total
Mr ME Arabang	10,812	10,400	-	16,205	247	37,664
Mr JG Brand	2,232	558	(20)	930	36	3,736
Mr OJ Balebanye	515,684	15,123	-	25,204	5,530	561,541
Mr TA Babuile	215,317	61,370	44,628	47,967	58,862	428,144
Mr GS Bosman	2,233	558	-	930	36	3,757
Ms PL Babuseng	4,064	4,512	-	10,193	125	18,894
Mrs KL Duiker	33,197	18,935	-	34,200	771	87,103
Mr JW Dibakwe	90,093	26,086	18,500	52,339	1,750	188,768
Mr T Gerber	5,940	1,485	-	2,475	96	9,996
Mr CP Herbst	170,592	43,500	44,628	62,844	11,540	333,104
Mr LC Jacobs	42,815	14,926	-	27,790	776	86,307
Ms BR Bareng	7,594	1,898	-	3,164	123	12,779
Mr GD Kgabo	399,128	38,481	44,628	68,733	6,622	557,592
Mr LC Loabile	90,463	22,615	-	37,693	1,462	152,233
Miss MV Lee	85,102	21,275	-	35,709	1,376	143,462
Miss EG Letebele	123,667	36,325	-	66,828	2,123	228,943
Mr KM Lekgotla	10,813	15,439	-	32,405	402	59,059
Mr OE Mogorosi	2,233	558	-	5,530	72	8,393
Mrs BL Mahlangu	359,714	(15,426)	15,824	(34,197)	13,684	339,599
Mr DJ Molapo	250,275	(4,253)	15,824	(7,089)	3,809	258,566
Mrs LV Setlhake(Maogwe)	143,360	41,457	15,824	36,111	27,986	264,738
Mr MM Mkandawira	143,360	35,840	15,824	41,571	22,237	258,832
Mr P Maleke	250,275	(4,253)	15,824	(7,089)	3,809	258,566
Mr ETL Mocumi	60,491	15,123	15,824	25,204	1,136	117,778
Ms KL Mamapula	325,437	(32,439)	-	(54,065)	4,588	243,521
Mrs SD Mothibedi	2,233	558	-	930	36	3,757
Mr TE Matsietso	7,594	6,199	-	3,164	123	17,080
Mr MR Mokgobo	2,233	558	930	36	-	3,757
Mr EM Majikela	88,809	22,202	37,004	1,436	-	149,451
Mr MB Moeti	2,233	558	-	1,430	36	4,257
Mr MI Motshabi	2,233	558	-	9,180	96	12,067
Ms KM Mocumi	1,537	384	-	640	25	2,586
Mr RL Modise	116,145	36,050	-	60,044	1,991	214,230

## Dr Ruth S Mompoti District Municipality (DC39)

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#### 39. Related parties (continued)

Miss NG Masilo	42,815	19,346	-	48,590	936	111,687
Mrs JK Masilo	4,064	3,387	-	24,443	246	32,140
Mrs R Molehe	4,064	5,622	-	10,943	137	20,766
Mr VM Matimba	93,338	23,335	10,303	38,891	1,612	167,479
Mr MA Maje	171,200	50,490	28,803	94,083	3,262	347,838
Mrs MS Morapedi-Letele	4,064	4,998	-	9,443	133	18,638
Mrs LJ Mothibi	110,102	33,642	28,803	62,126	2,189	236,862
Mr ST Mathobo	148,853	43,271	28,803	74,366	2,980	298,273
Ms GK Nthebotsenyane	10,812	20,968	-	28,055	372	60,207
Mr ME Ncobo	325,437	(32,439)	-	(54,065)	4,588	243,521
Ms BM Nkewu	116,145	36,014	-	61,494	1,998	215,651
Mr PG Modise	60,491	26,165	15,824	30,481	11,681	144,642
Ms MM Ntjilo	222,184	58,203	28,803	103,976	3,965	417,131
Ms B pusho	4,064	1,016	-	9,443	125	14,648
Mr TS Phokoje	222,184	59,244	28,803	103,978	4,152	418,361
Mis KC Rooibatjie	4,064	5,918	-	9,693	125	19,800
Mrs K sereko	480,892	121,069	44,628	183,772	50,865	881,226
Mrs B Setlabetsi Mokone	272,838	109,733	44,628	127,073	57,803	612,075
Mr S Seepamere	41,884	14,789	-	25,452	748	82,873
Mr T Tlhanganyane	19,372	4,843	-	11,222	337	35,774
Miss DG Totong	2,088	522	-	870	34	3,514
Mr TJ Thetswe	18,406	4,601	-	15,419	358	38,784
Mr CE Tladinyane	320,590	80,145	44,628	133,576	5,629	584,568
Ms NP Tunyiswa	4,068	4,714	-	9,443	137	18,362
	<b>6,271,927</b>	<b>1,136,756</b>	<b>589,268</b>	<b>1,771,212</b>	<b>325,917</b>	<b>10,095,080</b>

## Notes to the Annual Financial Statements

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### 40. Prior period errors

#### VAT Receivable

An invoice from a supplier for 2023 financial year relating to annual licences to the amount of R1 685 075 including VAT was recorded in 2022 financial year resulting in a total overstatement of VAT receivable by R219 792.39.

Three invoices for legal fees for 2022 to the amount of R203 008, R85 910 and R94 461 including VAT were incorrectly captured in 2023 instead of 2022 financial year resulting in understatement of VAT for 2022 by R13 327, R11 025 and R6 895 respectively.

An invoice for certificate 25 relating to a project (BDM2007-042B) with a VAT amount of R234 061 was incorrectly captured twice in 2020 resulting in an overstatement of VAT by the same amount.

An invoice for certificate 30A relating to a project (BDM2011-029D) with a VAT amount of R411 897 was incorrectly captured twice resulting in overstatement of VAT by the same amount.

An invoice for a project Taung bulk water augmentation phase - 2D with a VAT amount of R419 378 relating to prior 2021 was not previously recorded resulting in an understatement of VAT by the same amount.

Seven invoices for Raw Water Gravity pipeline Taung (RDM2011-034B) with a total VAT amount of R2 051 608 were not raised in 2020 financial year resulting in an understatement of VAT receivable by the same amount.

Two invoices for Bloemhof abstraction works project (RDM2011 - 028A) with a total VAT amount of R449 486 were not raised in 2020 financial year resulting in an understatement of VAT receivable by the same amount.

Six transactions with VAT amounts of R297 237, R86 382, R6 914, R75 840, R53 827, R52 421 were captured in WIP for 2020 from progress reports instead of actual invoices resulting in overstatement of VAT receivable by the same amount.

Eight security services invoices for 2022 financial year with a VAT amount of R26 926 each and four security services invoices with a VAT amount of R29 619 each were not recorded in 2022 financial year resulting in an understatement of VAT receivable for 2022 by a total amount of R333 886.

Four invoices for travelling for 2022 financial year with VAT amounts of R519, R892, R525 and R1962 respectively were not captured resulting in an understatement of VAT receivable for 2022 by the same amounts.

#### Receivables from non exchange transactions.

Unauthorised debit orders to the amount of R1 419 961.80 were incorrectly taken to bank charges in the 2022 financial year and R389 221.28 in 2021 financial year. The debit orders have been captured as receivables in 2022 since the amounts were recovered after 30 June 2022 which confirms the existence of a receivable at year end.

#### Payables from exchange transactions

An invoice for 2023 financial year relating to annual licences to the amount of R1 685 075 including VAT was recorded in 2022 financial year resulting in a total overstatement of payables from exchange by R1 685 075.

Three invoices for legal fees for 2022 to the amount of R203 008, R85 910 and R94 461 including VAT were incorrectly captured in 2023 instead of 2022 financial year resulting in understatement of payables from exchange transactions for 2022 by the same amounts.

An invoice for catering to the amount of R12 200 was captured twice resulting in an overstatement of payables from exchange transactions for 2022 by the same amount.

An invoice for certificate 25 relating to a project (BDM2007-042B) with a total amount of R1 794 474 including VAT was incorrectly captured twice resulting in an overstatement of payables from exchange transactions.

An invoice for certificate 30A relating to a project (BDM2011-029D) with a total amount of R3 157 881 including VAT was incorrectly captured twice resulting in overstatement of payables from exchange transactions by the same amount.

An invoice for a project Taung bulk water augmentation phase 2D with a total amount of R2 795 853 including VAT relating to prior 2021 was not previously recorded resulting in an understatement of payables from exchange by the same amount.

## Notes to the Annual Financial Statements

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### 40. Prior period errors (continued)

7 invoices for Raw Water Gravity pipeline Taung (RDM2011-034B) with a total amount of R15 728 996 including VAT were not raised in 2020 financial year resulting in an understatement of payables from exchange transactions by the same amount.

Two invoices for Bloemhof abstraction works project (RDM2011-028A) with a total amount of R3 446 062 including VAT were not raised in 2020 financial year resulting in an understatement of payables from exchange transactions by the same amount.

A legal fee invoice for 2022 was overstated by an amount of R287 resulting in overstatement of payables from exchange transactions by the same amount.

An invoice for a car hire was incorrectly captured in 2022 resulting in an overstatement of payables from exchange transactions by R44 421.

Twelve transactions relating to project (BDM2007-027) with a total amount of R4 390 122 were incorrectly captured from the progress reports resulting in an overstatement of payables from exchange transactions by the same amount.

Four payments for 2022 to the amount of R2 098, R2 029, R6 682 and R10 610 respectively were incorrectly debited to general expenditure instead of payables from exchange resulting in overstatement of payables from exchange transactions by the same amounts.

An invoice for service charges to the amount of R420 for 2022 was not processed resulting in an understatement of payables from exchange transactions and general expenditure by the same amount.

A third party for 2020 to the amount of R80 was duplicated in the system resulting in overstatement of payables from exchange and accumulated surplus by the same amount.

Eight security services invoices for 2022 financial year to the amount of R206 435 including VAT each and four security services invoices to the amount of R227 079 including VAT each were not recorded in 2022 financial year resulting in an understatement of payables from exchange transactions for 2022 by a total amount of R2 559 798.

Four travelling invoices for 2022 financial year with amounts of R3 980, R6 842, R4 025 and R15 048 including VAT respectively were not captured resulting in an understatement of payables from exchange transactions by the same amounts.

An invoice for accommodation for 2022 financial year to the amount of R11 054 was not captured resulting in an understatement of payables from exchange transactions by the same amount.

System migration errors relating to 2019 financial year were identified resulting in an overstatement of payables from exchange transactions by R4 035 921 and R2 195 731 respectively.

An invoice to the amount of R2 768 914 for a project RDM2014-034C was paid in an incorrect ledger before 2022 financial year resulting in an overstatement of payables from exchange transactions by the same amount.

Seven third party payments relating to 2020 financial year to the amount of R1 350, R1 350, R1 350, R1 350, R5 350, R5 350 and R5 350 respectively bounced upon payment resulting in an overstatement of payables from exchange transactions by the same amounts.

Two payments for vehicle licences relating to 2020 financial year to the amount of R966 and R718 respectively were taken to expenditure directly instead of payables from exchange resulting in an overstatement of payables from exchange by the same amounts.

Two payments for invoices relating to 2020 to the amount of R2 211 and R38 541 were taken directly to expenditure resulting in an overstatement of payables and understatement of accumulated surplus by the same amounts.

Five third party payments relating to 2020 of R1 600 each were incorrectly taken to income statement resulting in overstatement of payables from exchange transactions by a total of R8 000 and an understatement of accumulated surplus by the same amount.

Two incidental claims relating to 2020 to the amount of R1 350 and R1 102 were incorrectly paid through salaries resulting in an overstatement of payables from exchange transactions and an understatement of accumulated surplus by the same amounts.

## Notes to the Annual Financial Statements

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### 40. Prior period errors (continued)

An invoice for 2020 to the amount of R281 was incorrectly paid to expenditure resulting in an overstatement of payables from exchange transactions and an understatement of accumulated surplus by the same amount.

Two invoices for 2020 to the amount of R1 875 and R12 500 were incorrectly raised resulting in overstatement of payables from exchange transactions and understatement of accumulated surplus by the same amounts.

Three payments to the amount of R20 877, R19 015 and R30 000 were incorrectly paid via expenditure directly resulting in overstatement of payables from exchange and understatement of accumulated surplus by the same amounts.

Seven third party payments for 2020 to the amount of R2 041, R4 685, R4 470, R2 003, R150, R1 000 and R5 048 were paid via expenditure instead of payables thereby overstating payables from exchange transactions and understating accumulated surplus by the same amounts.

A payment relating to stationery for 2020 to the amount of R2 219 was paid directly via expenditure instead payables thereby overstating payables from exchange transactions and understating accumulated surplus by the same amount.

An invoice to the amount of R1 822 relating to 2020 was duplicated thereby resulting in an overstatement of payables from exchange and an understatement of accumulated surplus by the same amount.

Six invoices for 2020 with amounts of R1 640, R11 411, R10 971, R622, R871 and R2 250 were not processed resulting in an understatement of payables from exchange transactions and overstatement of accumulated surplus by the same amounts.

Three invoices for 2020 with amounts of R2 181, R370 and R9 614 were not processed resulting in an understatement of payables from exchange transactions and overstatement of accumulated surplus by the same amounts.

Four invoices for 2020 with amount of R197 600, R216 500, R21 600 and R216 000 were duplicated resulting in an overstatement of payables from exchange transactions and understatement of accumulated surplus by the same amounts.

A journal for 2021 financial year correcting payables was erroneously duplicated in the system resulting in an understatement of payables from exchange transactions and overstatement of accumulated surplus by R108 899.

An invoice to the amount of R3 950 for prior to 2022 was paid via expenditure instead of payables thereby overstating payables from exchange and understating accumulated surplus by the same amount.

Two invoices for 2021 to the amount of R11 210 and R94 277 were not processed resulting in an understatement of payables from exchange transactions and overstatement of accumulated surplus by the same amounts.

Interest to the amount of R759 for before 2022 was paid via expenditure instead payables thereby understating accumulated surplus and overstating payables from exchange by the same amount.

An invoice for 2021 was incorrectly captured at an incorrect amount resulting in overstatement of payables from exchange transactions by R371 975 and also understatement of accumulated surplus by the same amount.

Two invoices for telephone relating prior to 2022 to the amount of R2 878 and R1 290 were paid via expenditure instead of payables thereby understating accumulated surplus and overstating payables from exchange transactions by the same amounts.

A transaction to the amount of R300 for prior to 2022 was paid via expenditure instead of payables thereby overstating payables from exchange and understating accumulated surplus by the same amount

A third party and interest payment for 2020 to the amount of R150 and R1 483 were not raised resulting in an overstatement of accumulated surplus and understatement of payables from exchange transactions by the same amounts.

Two invoices for before 2021 to the amount of R14 790 and R26 219 were incorrectly paid via expenditure instead of payables resulting in an overstatement of payables from exchange and understatement of accumulated surplus by the same amounts.

An invoice to the amount of R1 670 was not processed before 2021 financial year resulting in an understatement of payables from exchange transactions and overstatement of accumulated surplus by the same amount.



## Notes to the Annual Financial Statements

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### 40. Prior period errors (continued)

The statement for bulk water indicated that the system was erroneously overstated by R2 562 556 in 2019 financial year during system migration resulting in an overstatement of payables from exchange transactions and understatement of accumulated surplus by the same amount.

Six invoices for workmen's compensation from 2017 to 2022 financial year to the amount of R446 525, R568 803, R540 228, R583 873, R588 252 and R672 478 respectively were not captured and paid resulting in understatement of payables from exchange transactions by the same amounts.

### Provisions

Leave provision was calculated at incorrect daily rates resulting in leave provision being understated by R2 574 986.39.

### Property, plant and equipment

Depreciation on the Immovable asset register was incorrectly apportioned on assets that had opening balances resulted in buildings accumulated depreciation being understated by R42 429.12 and Infrastructure accumulated depreciation being understated by R5 027 723.69 in 2022 financial year.

Depreciation on movable assets was incorrectly calculated resulting in overstatement of accumulated depreciation for office furniture by R6 297.64, ITC equipment accumulated depreciation overstated by R363 227 and motor vehicles accumulated depreciation overstated by R342 106.

Items of general expenditure amounting to R17 402 was incorrectly recognised under furniture and office equipment and resulted in the cost for furniture and office equipment being overstated by R17 402, accumulated depreciation of furniture and office equipment being overstated by R1 443.99. In addition the capitalisation of these general expenditure items resulted in incorrect useful lives of 5 years being used instead of 7 years to calculate depreciation resulting in an overstatement of accumulated depreciation for furniture and office equipment by R6 304.

Depreciation on the Immovable asset register was incorrectly apportioned on assets that had opening balances resulted in Infrastructure accumulated depreciation being understated by R147 688 in 2021 financial year.

Incorrect calculation of depreciation resulted in an incorrect amount being recognised for accumulated impairment loss. The adjustment on depreciation result in an adjustment to the amount of R7 885.24 on accumulated impairment loss.

An invoice for a project Taung bulk water augmentation phase - 2D with a total amount of R2 795 853 excluding VAT relating to prior 2021 was not previously recorded resulting in an understatement of property, plant and equipment by the same amount.

7 invoices for Raw Water Gravity pipeline Taung (RDM2011-034B) with a total amount of R13 677 388.09 excluding VAT were not raised in 2021 financial year resulting in understatement of property, plant and equipment by the same amount.

Two invoices for Bloemhof abstraction works project (RDM2011-028A) with a total amount of R2 996 575 excluding VAT were not raised in 2020 financial year resulting in an understatement of property, plant and equipment by the same amount.

Transactions with amounts of R575 885, R46 097, R358 849 and R349 878 were captured in WIP for periods before 2020 from progress reports instead of actual invoices resulting in overstatement of property, plant and equipment by the same amount.

An invoice for RRDM2011 -051A to the amount of R2 820 378 was duplicated in work in progress resulting in an overstatement of accumulated surplus and overstatement of property, plant and equipment.

Work in progress projects to the amount of R48 749 800 where there was no service benefits were not previously impaired in financial periods relating to before 2021 resulting in overstatement of property, plant and equipment by the same amount.

Projects completed in 2022 were not transferred from work in progress to property, plant and equipment resulting in depreciation expense for 2022 being understated by R6 748 871.

Opening accumulated depreciation for 2022 was understated by an amount of R46 077 297 due to completed projects that were not transferred from work in progress to completed property, plant and equipment and also 2022 accumulated depreciation was understated by an amount of R6 748 871 due to the same projects.

## Notes to the Annual Financial Statements

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### 40. Prior period errors (continued)

#### Accumulated Surplus

Depreciation on the Immovable asset register was incorrectly apportioned on assets that had opening balances resulted in Infrastructure accumulated depreciation being understated by R147 688.56 in 2021 financial year.

Unauthorised debit orders to the amount of R1 419 961.80 was incorrectly taken to bank charges in the 2022 financial year and R389 221.28 in 2021 financial year. The debit orders have been captured as receivables since the amounts were recovered after 30 June 2022 year end and it confirms the existence of a receivable at year end

Backpay for councillors to the total amount of R1 251 124 relating to the period of March to June 2021 which was paid in 2022 financial year was incorrectly captured as expenditure in 2022 instead of 2021 financial year, resulting in an understatement of 2021 remuneration councillors by the same amount.

Accumulated surplus was understated by an amount of R46 077 297 relating to depreciation of completed projects that were not transferred from work in progress to completed property, plant and equipment.

Work in progress projects to the amount of R48 749 800 where there was no service benefits were not previously impaired in financial periods relating to before 2021 resulting in overstatement of accumulated surplus.

A third party for 2020 to the amount of R80 was duplicated in the system resulting in overstatement of payables from exchange transactions and accumulated surplus by the same amount

An invoice for certificate 30A relating to a project (BDM2011-029D) with a total amount of R2 745 983 excluding VAT was incorrectly captured twice resulting in overstatement of accumulated surplus by the same amount.

Six payments prior to 2022 to the total amount of R15 750, R289, R1 500, R18 180, R10 120 and R14 000 respectively were duplicated in the system resulting in an overstatement of payables from exchange transactions and accumulated surplus by the same amounts.

Six payments prior to 2022 to the total amount of R15 750, R289, R1 500, R18 180, R10 120 and R14 000 respectively were duplicated in the system resulting in an overstatement of payables from exchange transactions and accumulated surplus by the same amounts

System migration errors relating to 2019 financial year were identified resulting in an understatement of accumulated surplus by R4 035 921 and R2 195 731 respectively.

An invoice to the amount of R2 768 914 for a project RDM2014-034C was paid in an incorrect ledger before 2022 financial year resulting in an understatement of accumulated surplus by the same amount.

Seven third party payments relating to 2020 financial year to the amount of R1 350, R1 350, R1 350, R1 350, R5 350, R5 350 and R5 350 respectively bounced upon payment and went to expenditure resulting in an understatement of accumulated surplus by the same amounts.

Two payments for vehicle licences relating to 2020 financial year to the amount of R966 and R718 respectively were taken to expenditure directly instead of payables from exchange transactions resulting in an understatement of accumulated surplus by the same amounts.

Two payments for invoices relating to 2020 to the amount of R2 211 and R38 541 were taken directly to expenditure resulting in an overstatement of payables and understatement of accumulated surplus by the same amounts.

Five third party payments relating to 2020 of R1 600 each were incorrectly taken to income statement resulting in overstatement of payables from exchange transactions by a total of R8 000 and an understatement of accumulated surplus by the same amount.

Two incidental claims relating to 2020 to the amount of R1 350 and R1 102 were incorrectly paid through salaries resulting in an overstatement of payables from exchange transactions and an understatement of accumulated surplus by the same amounts

An invoice for 2020 to the amount of R281 was incorrectly paid to expenditure resulting in an overstatement of payables from exchange transactions and an understatement of accumulated surplus by the same amount.

## Notes to the Annual Financial Statements

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### 40. Prior period errors (continued)

Two invoices for 2020 to the amount of R1 875 and R12 500 were incorrectly raised resulting in overstatement of payables from exchange transactions and understatement of accumulated surplus by the same amounts.

Three payments to the amount of R20 877, R19 015 and R30 000 were incorrectly paid via expenditure directly resulting in overstatement of payables from exchange and understatement of accumulated surplus by the same amounts.

Seven third party payments for 2020 to the amount of R2 041, R4 685, R4 470, R2 003, R150, R1 000 and R5 048 were paid via expenditure instead of payables thereby overstating payables from exchange transactions and understating accumulated surplus by the same amounts.

A payment relating to stationery for 2020 to the amount of R2 219 was paid directly via expenditure instead payables thereby overstating payables from exchange transactions and understating accumulated surplus by the same amount.

An invoice to the amount of R1 822 relating to 2020 was duplicated thereby resulting in an overstatement of payables from exchange and an understatement of accumulated surplus by the same amount.

Six invoices for 2020 with amounts of R1 640, R11 411, R10 971, R622, R871 and R2 250 were not processed resulting in an understatement of payables from exchange transactions and overstatement of accumulated surplus by the same amounts.

Three invoices for 2020 with amounts of R2 181, R370 and R9 614 were not processed resulting in an understatement of payables from exchange transactions and overstatement of accumulated surplus by the same amounts.

Four invoices for 2020 with amount of R197 600, R216 500, R21 600 and R216 000 were duplicated resulting in an overstatement of payables from exchange transactions and understatement of accumulated surplus by the same amounts.

An invoice to the amount of R3 950 for prior to 2022 was paid via expenditure instead of payables thereby overstating payables from exchange and understating accumulated surplus by the same amount.

Two invoices for 2021 to the amount of R11 210 and R94 277 were not processed resulting in an understatement of payables from exchange transactions and overstatement of accumulated surplus by the same amounts.

Interest to the amount of R759 for before 2022 was paid via expenditure instead payables thereby understating accumulated surplus and overstating payables from exchange by the same amount.

A journal for 2021 financial year correcting payables was erroneously duplicated in the system resulting in an understatement of payables from exchange transactions and overstatement of accumulated surplus by R108 899.

An invoice for 2021 was incorrectly captured at an incorrect amount resulting in overstatement of payables from exchange transactions by R371 975 and also understatement of accumulated surplus by the same amount

An invoice for RRDM2011 -051A to the amount of R2 820 378 was duplicated in work in progress resulting in an overstatement of accumulated surplus and overstatement of property, plant and equipment.

Two invoices for telephone relating prior to 2022 to the amount of R2 878 and R1 290 were paid via expenditure instead of payables thereby understating accumulated surplus and overstating payables from exchange transactions by the same amounts.

A transaction to the amount of R300 for prior to 2022 was paid via expenditure instead of payables thereby overstating payables from exchange and understating accumulated surplus by the same amount.

A third party and interest payment for 2020 to the amount of R150 and R1 483 were not raised resulting in an overstatement of accumulated surplus and understatement of payables from exchange transactions by the same amounts.

Two transactions to the amount of R1 981 582 and R505 604 for prior 2021 financial year were incorrectly captured from progress reports resulting in an overstatement of payables from exchange transactions and an understatement of accumulated surplus.

Two invoices for before 2021 to the amount of R14 789 and R26 218 were incorrectly paid via expenditure instead of payables resulting in an overstatement of payables from exchange and understatement of accumulated surplus by the same amounts.

## Notes to the Annual Financial Statements

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### 40. Prior period errors (continued)

An invoice to the amount of R1 670 was not processed before 2021 financial year resulting in an understatement of payables from exchange transactions and overstatement of accumulated surplus by the same amount.

The statement for bulk water indicated that the system was erroneously overstated by R2 562 556 in 2019 financial year during system migration resulting in an overstatement of payables from exchange transactions and understatement of accumulated surplus by the same amount.

Five invoices for workmen's compensation from 2017 to 2021 financial year to the amount of R446 525, R568 803, R540 228, R583 873 and R588 252 respectively were not captured and paid resulting in an overstatement of accumulated surplus by the same amounts.

An invoice for a project Taung bulk water augmentation phase - 2D with a total amount of R3,215,231.21 Including VAT relating to prior 2021 was not previously realised to income statement as revenue (RBIG) resulting in an understatement accumulated surplus by the same amount.

7 invoices for Raw Water Gravity pipeline Taung (RDM2011-034B) with a total amount of R15 728 996 Including VAT were not previously realised to income statement as revenue (RBIG) resulting in an understatement accumulated surplus by the same amount.

Two invoices for Bloemhof abstraction works project (RDM2011-028A) with a total amount of R3 446 062.38 Including VAT were not previously realised to income statement as revenue (RBIG) resulting in an understatement accumulated surplus by the same amount

### Contracted Services

An invoice for 2023 financial year relating to annual licences to the amount of R1 685 075 including VAT was incorrectly recorded in 2022 financial year resulting in an overstatement of contracted services by R1 465 282.

Eight security services invoices for 2022 financial year to the amount of R179 509 excluding VAT each and four security services invoices to the amount of R197 460 excluding VAT each were not recorded in 2022 financial year resulting in an understatement of contracted services for 2022 by a total amount of R2 225 911.

### Employee related costs

Leave provision for 2022 was calculated at incorrect daily rates resulting in employee related costs being understated by R2 574 986.39.

An invoice for workmen's compensation for 2022 financial year to the amount of R672 478 was not captured and paid resulting in understatement of employee costs by the same amount.

### General Expenditure.

Items of general expenditure amounting to R17 402 were incorrectly capitalised under furniture and office equipment in 2022 financial year resulting in general expenditure being understated by the same amount.

Unauthorised debit orders to the amount of R1 426 915 were incorrectly taken to bank charges in the 2022 financial year. The debit orders have been captured as receivables since the amounts were recovered after year end and it confirms the existence of a receivable at year end.

Three invoices for legal fees for 2022 to the amount of R203 008, R85 910 and R94 461 including VAT were incorrectly captured in 2023 resulting in understatement of general expenditure for 2022 by R189 681, R74 885 and R87 566 respectively.

An invoice for catering to the amount of R12 200 was captured twice resulting in an overstatement of general expenses for 2022 by the same amount.

A legal fee invoice for 2022 was overstated by an amount of R287 resulting in overstatement of general expenditure by the same amount.

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## 40. Prior period errors (continued)

An invoice for a car hire was incorrectly captured in 2022 resulting in an overstatement of general expenditure by R44 421.

Four payments for 2022 to the amount of R2 098, R2 029, R6 682 and R10 610 respectively were incorrectly debited to general expenditure instead of payables from exchange resulting in overstatement of general expenditure by the same amounts.

An invoice for service charges to the amount of R420 for 2022 was not processed resulting in an understatement of general expenditure by the same amount.

Four travelling invoices for 2022 financial year with amounts of R3 461, R5 950, R3 500 and R13 085 excluding VAT respectively were not captured resulting in an understatement of general expenditure by the same amounts.

An invoice for accommodation for 2022 financial year to the amount of R11 054 was not captured resulting in an understatement of general expenditure by the same amount.

### Depreciation

Depreciation on the Immovable asset register was incorrectly calculated in 2022 financial year by apportioning assets that had opening balances resulting in buildings depreciation being understated by R42 429.12 and Infrastructure depreciation being understated by R5 027 723.69 in 2022 financial year.

Depreciation on movable assets was incorrectly calculated in 2022 financial year resulting in overstatement of office furniture depreciation by R6 297.64, ITC equipment depreciation overstated by R363 227.13 and motor vehicles depreciation overstated by R342 106.42.

Items of general expenditure amounting to R17 402 was incorrectly capitalised under furniture and office equipment resulting in depreciation of furniture and office equipment for 2022 being overstated by R1 443.99. In addition the capitalisation of these general expenditure items resulted in incorrect useful lives of 5years being used instead of 7years to calculate depreciation resulting in an overstatement of depreciation by R6 304.41 for furniture and office equipment.

Projects completed in 2022 were not transferred from work in progress to property, plant and equipment resulting in depreciation expense for 2022 being understated by R6 748 871.

### Impairment

Incorrect calculation of depreciation in 2022 resulted in an incorrect amount being recognised for impairment loss. The adjustment on depreciation resulted in a total adjustment of R7 885.24 on impairment loss.

### Remuneration of councillors

Backpay for councillors to the total amount of R1 251 124 relating to the period of March to June 2021 which was paid in 2022 financial year was incorrectly captured as expenditure in 2022 instead of 2021 financial year, resulting in an understatement of 2021 remuneration councillors by the same amount.

### Irregular expenditure

The irregular expenditure amount was adjusted by R96 413 159 as at 30 June 2022 relating to irregular expenditure incurred during the year which was identified by the Auditor General in the 2022 audit and also by R11 140 846 which was identified by the Municipality.

Irregular expenditure for 2021 was adjusted due to other SCM non-compliances identified on quotation awards..

### Commitments

The capital commitments to the amount of R93 539 645 were adjusted as at 30 June 2022 due to the contracts which were not included as part of the commitments at year end. Furthermore, there were commitments from completed projects or phases which were not removed as commitments to the amount of R44 895 677 and also maintenance projects incorrectly included as capital commitments amounting to R7 682 463. Other adjustments were made in commitments to the amount of R12 138 424 which decreased the commitments balance for 2022.

## Notes to the Annual Financial Statements

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### 40. Prior period errors (continued)

#### Fruitless and wasteful expenditure

An amount of R289 702.07 for penalties charged by the department of labour for Workmenn's compensation fund contribution that was paid late was added to the opening balance of fruitless and wasteful expenditure.

#### Unspent conditional grants

An invoice for a project Taung bulk water augmentation phase - 2D with a total amount of R3,215,231.21 Including VAT relating to prior 2021 was not previously realised to income statement as revenue (RBIG) resulting in an overstatement in unspent conditional grants by the same amount.

7 invoices for Raw Water Gravity pipeline Taung (RDM2011-034B) with a total amount of R15 728 996 Including VAT were not previously realised to income statement as revenue (RBIG) resulting in an overstatement in unspent conditional by the same amount.

Two invoices for Bloemhof abstraction works project (RDM2011-028A) with a total amount of R3 446 062.38 Including VAT were not previously realised to income statement as revenue (RBIG) resulting in an overstatement in unspent conditional by the same amount

#### The correction of the error(s) results in adjustments as follows:

##### Statement of financial position

Decrease in Property, plant and equipment	-	(90,780,602)
Increase in VAT receivable	-	1,851,129
Increase in receivables from exchange	-	1,816,137
Increase in payables from exchange	-	(5,047,511)
Increase in provisions	-	(2,574,986)
Decrease in unspent conditional grants	-	22,390,290

##### Statement of financial performance

Increase in depreciation expense	-	(11,099,654)
Increase in impairment loss	-	(7,885)
Increase in contracted services	-	(760,628)
Decrease in general expenditure	-	1,098,240
Decrease in remuneration of councilors	-	1,251,124
Increase in employee related costs	-	(3,247,465)

##### Commitments

Opening balance	-	388,447,387
Adjustments made to 2022	-	28,823,194
<b>Restated opening balance</b>	<b>-</b>	<b>417,270,581</b>

##### Irregular expenditure

Opening balance	-	1,582,685,228
Adjustments made to 2021	-	1,297,171
Adjustments made to 2022	-	107,554,005
<b>Restated opening balance</b>	<b>-</b>	<b>1,691,536,404</b>

### 41. Prior year adjustments and reclassifications

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

## Notes to the Annual Financial Statements

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### 41. Prior year adjustments and reclassifications (continued)

#### Statement of financial position

##### 30 June 2022

	Note	As previously reported	Correction of error	Restated
VAT Receivable		153,626,120	1,851,129	155,477,249
Payables from exchange transactions		(855,076,859)	(5,047,511)	(860,124,370)
Property, plant and equipment		3,683,349,278	(90,780,602)	3,592,568,676
Receivables from non exchange		4,736,252	1,816,137	6,552,389
Provisions		(4,879,081)	(2,574,986)	(7,454,067)
Unspent conditional grants		(248,004,589)	22,390,290	(225,614,299)
		<b>2,733,751,121</b>	<b>(72,345,543)</b>	<b>2,661,405,578</b>

#### Statement of financial performance

##### 30 June 2022

	Note	As previously reported	Correction of error	Restated
Depreciation		(86,747,501)	(11,099,654)	(97,847,155)
Impairment loss		(47,102)	(7,885)	(54,987)
Contracted services		(314,144,597)	(760,628)	(314,905,225)
General expenditure		(45,622,120)	1,098,240	(44,523,880)
Remuneration of councilors		(11,346,204)	1,251,124	(10,095,080)
Employee related costs		(168,680,402)	(3,247,465)	(171,927,867)
<b>Surplus for the year</b>		<b>(626,587,926)</b>	<b>(12,766,268)</b>	<b>(639,354,194)</b>

#### Cash flow statement

##### 30 June 2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash flow from operating activities					
Employee costs		(181,815,153)	717,773	-	(181,097,380)
Suppliers		(282,691,021)	(781,264)	-	(283,472,285)
		<b>(464,506,174)</b>	<b>(63,491)</b>	<b>-</b>	<b>(464,569,665)</b>
Cash flow from investing activities					
Purchase of property plant and equipment		376,207,826	(63,491)	-	376,144,335

### 42. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk or price risk), credit risk and liquidity risk.

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### 42. Risk management (continued)

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The Municipality has a loan that was inherited by the District Municipality during the 2005 redemarcation process for the 2 local municipalities, namely Mamusa Local Municipality and Lekwa - Teema Local Municipality for water and sanitation infrastructure projects. There is a monthly instalment of R900 000 on the loan. The remaining balance as at 31 December 2022 is R3 534 313. Loan redemption date is 31 July 2023. Interest is only incurred on arrear amounts at an interest rate of 12,75% per annum. The Municipality did not default on any payments in the 2023 financial year.

The municipality is exposed to the following liquidity risks:

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	902,142,946	-	-	-	902,142,946

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Other financial liabilities	11,634,315	-	-	-	11,634,315
Trade and other payables	793,599,218	-	-	-	793,599,218

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

No credit limits are set and were exceeded during the reporting period, and management does not expect any surplus (deficit) from non-performance by these counterparties.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	30 June 2023	30 June 2022
Receivables from non exchange transactions	1,888,112	6,552,389
Cash and cash equivalents	199,122,396	297,405,343

#### Market risk

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The municipality is exposed to interest rate fluctuation on interest charges by creditors.

### 43. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 2,936,039,699 and that the municipality's total assets exceed its liabilities by 2,936,039,699.

Management considered the following matters relating to the going concern assumption:

- The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The municipality receives conditional grants and equitable share every year. This aids the municipality in the realisation of assets and settlement of liabilities, contingent obligations and commitments.



# Notes to the Annual Financial Statements

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## 43. Going concern (continued)

- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by Council
- Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**The following events and conditions that may cast significant doubt about the going concern assumption have been analyzed as at 30 June 2023 and conclusion made on each of them.**

### A - Financial events

#### 1. Net current liability position

We have assessed that the municipality's financial position at 30 June 2023 and the municipality is not at a net liability position. The municipality does have a net current liability position where the current liabilities exceed the current assets by R683 449 1372 which cast doubt that the municipality might not be in the position to pay all its current liabilities in the normal course of operations.

The municipality has a net asset of R2 936 039 699 as at 30 June 2023. This means that the Municipality will be in position to pay off all its liabilities during the normal course of operations.

#### 2. Borrowings

We have assessed that the municipality does not have fixed term borrowings approaching maturity without realistic prospects of renewal. The municipality does not have borrowings as at 30 June 2023. The DBSA Loan which was inherited from the 2005 demarcation process for the two local municipalities (Lekwa– Teemane and Mamusa Local Municipalities) for water and infrastructure projects was fully paid in the current year.

There are no other short-term borrowings except for normal credit terms to fund normal operations.

#### 3. Financial support by debtors and creditors

All creditors are paid within a reasonable time except for the amount owed to Sedibeng /Magalies Water with a balance of R839 743 528 at the end of 30 June 2023.

The accounts receivable R156.6m is mainly from amounts payable by SARS on VAT outstanding, R109.5m of the VAT receivable is the VAT on amount owed to Sedibeng Water which will only be declared when payments are made. Even though there is a low debt recoverability rate there is no deliberate intention by debtors to withdraw financial support.

#### 4. Operating cash flows

We have assessed the operating cash balance of the municipality for two financial periods ending 30 June 2023. The municipality showed a net positive cash flow of R199 122 396 and R297 405 343 for June 2023 and June 2022 financial years respectively.

We also inspected the approved budget for 2023 financial year and it also shows a positive net cash flow. There are no negative operating cash flows indicated by historical and prospective financial information.

#### 5. Key financial ratios

The current ratio shows that the municipality's current liabilities exceed its current assets. The ratios for the two years are below the treasury threshold of 1.5:1, however, 86.57% of the trade payables is made up of amounts owed to one supplier Sedibeng /Magalies Water.

### B - Other operating events

#### 1. Key Management turnover

Senior management positions have been on an acting capacity due to the suspension of the Chief Financial officer and Senior Manager Engineering as at 30 June 2023.

## Notes to the Annual Financial Statements

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### 43. Going concern (continued)

#### 2. Legal proceedings

The municipality has contingent liabilities amounting to the value of R23 013 014 which could severely impact the municipality's cash inflows should the alleged actions become successful.

#### 3. Grant funding

The municipality has an unfunded budget which may impact on its ability to receive equitable share timeously. However, the municipality also noted that in terms of the Division of Revenue Act (DORA), treasury has appropriated equitable shares that are increasing over the years. (There is no decline in grant funding for operations). There is also no indication from treasury to stop continued funding to the municipality.

#### Conclusion

Management after analyzing all the indicators on the going concern assumption as documented above conclude that there are material factors that may cast doubt on the municipality's ability to continue as a going concern.

### 44. Unauthorised expenditure

Opening balance as previously reported	920,428,533	902,451,045
<b>Opening balance as restated</b>	<b>920,428,533</b>	<b>902,451,045</b>
Add: Expenditure identified - current	143,542,370	17,977,488
<b>Closing balance</b>	<b>1,063,970,903</b>	<b>920,428,533</b>

### 45. Fruitless and wasteful expenditure

Opening balance as previously reported	16,167,981	13,855,098
Correction of prior period error	-	235,599
<b>Opening balance as restated</b>	<b>16,167,981</b>	<b>14,090,697</b>
Add: Expenditure identified - current	1,473,650	2,077,284
Less: Amounts recovered	(832,456)	-
<b>Closing balance</b>	<b>16,809,175</b>	<b>16,167,981</b>

## Notes to the Annual Financial Statements

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### 45. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	<b>Disciplinary steps taken/criminal proceedings</b>		
Interest Charged by Eskom	No disciplinary action taken	78,867	386
Interest Charged by Telkom	No disciplinary action taken	13,643	3,683
Interest Charged by Auditor General	No disciplinary action taken	2,655	20
Interest Charged by DBSA	No disciplinary action taken	2,515	14,902
Instances of overpayments To suppliers	No disciplinary action taken	42,977	666,452
Backpay of councillors when positions were already occupied	No disciplinary action taken	-	1,337,740
SARS PAYE	No disciplinary action taken	3,977	-
Interest charged by Lektratek	No disciplinary action taken	1,222,645	-
Interest charged by Naledi LM	No disciplinary action taken	6,369	-
Interest charged by department of Justice	No disciplinary action taken	100,000	-
Penalties from department of labour	No disciplinary action taken	-	54,102
		<b>1,473,648</b>	<b>2,077,285</b>

### 46. Irregular expenditure

Opening balance as previously reported	1,582,685,228	1,474,103,505
Correction of prior period error	108,851,176	1,297,171
<b>Opening balance as restated</b>	<b>1,691,536,404</b>	<b>1,475,400,676</b>
Add: Irregular Expenditure - current	165,670,801	108,581,723
Add: Irregular Expenditure - prior period	-	107,554,005
<b>Closing balance</b>	<b>1,857,207,205</b>	<b>1,691,536,404</b>

Irregular expenditure figures disclosed for 2022 are inclusive of VAT.

## Notes to the Annual Financial Statements

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### 46. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

	<b>Disciplinary steps taken/criminal proceedings</b>		
Tax clearances not obtained or not in order	No disciplinary action taken	-	29,500
Roster not applied in line with SCM policy	No disciplinary action taken	19,546,276	17,591,609
Non Compliance with SCM regulation par 29(2)	No disciplinary action taken	42,204,687	85,067,191
SCM processes not resumed after expiry of contract	No disciplinary action taken	2,859,782	1,248,935
Non Compliance with PPR Par 4(2) and MFMA S 65(2)(i)	No disciplinary action taken	-	5,780,688
Three quotations not obtained	No disciplinary action taken	137,100	605,779
Non compliance with regulation 32 requirements	No disciplinary action taken	80,978,312	93,602,738
Non compliance with SCM reg par 36 with regards to deviations	No disciplinary action taken	-	2,204,642
Prescribed SCM procedures not followed		2,861,193	2,559,798
Payments made exceeded contract value		16,942,489	1,726,228
SCM Policy not inline with new PPPF		140,960	-
Other SCM non compliances identified on quotations awards		-	5,718,620
		<b>165,670,799</b>	<b>216,135,728</b>

### 47. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to SALGA

Opening balance	806,766	795,154
Current year subscription / fee	1,735,770	1,756,104
Amount paid - current year	(1,709,602)	(1,744,492)
	<b>832,934</b>	<b>806,766</b>

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>47. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Opening balance	7,645	202,390
Current year subscription / fee	6,030,722	8,499,573
Amount paid - current year	(6,068,367)	(8,694,318)
Interest incurred	2,575	-
	<b>(27,425)</b>	<b>7,645</b>
<b>PAYE and UIF</b>		
Opening balance	-	2,457,239
Current year subscription / fee	34,377,204	35,655,120
Amount paid - current year	(34,377,204)	(38,112,359)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	33,839,311	33,235,479
Amount paid - current year	(33,839,311)	(33,235,479)
	-	-
<b>VAT</b>		
VAT receivable	156,691,092	155,477,250

### 48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Appointment of repairs and maintenance of service providers	176,172	3,574,132
Appointment of an advertising service provider	197,602	144,625
Appointment of cleaning and security service providers	-	699,585
Other deviations	70,164	117,592
Appointment of service provider for catering, travel and accomodation	791,779	159,779
Appointment of service provider for provision of ICT services	176,123	1,454,138
Appointment of service provider for supply, deliver and installtion of water	-	1,494,000
Appointment of an infrastructure development service provider	-	1,728,273
Appointment of service provider for supply and delivery of computer hardware for municipal councillors	-	1,505,057
Appointmnet of training and development service providers	267,409	-
Appoint of service provider for 10 000litres Jojo tanks and transportation	1,424,000	-
Appoint of service provider to construct municipal server room and installation of electrical equipment	380,550	-
Appointment of service provider to supply and deliver Personal Protective Equipment	894,195	-
	<b>4,377,994</b>	<b>10,877,181</b>

# Notes to the Annual Financial Statements

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## 49. Change in estimate

### Property, plant and equipment

The useful life of certain property, plant and equipment was reestimated in 2022. Original remaining useful life has been adjusted by 2 years at the beginning of the current period to reflect the actual pattern service potential derived from the assets.

This resulted in depreciation for the current year decreasing as follows:

Plant and equipment R2 882

Furniture R20 573

IT Equipment R30 854

Motor Vehicle R213 937

## 50. Budget differences

### Material differences between budget and actual amounts

The variances between the actual expenditure and the final budget which are above 10% of the budget are explained below;

**A1:** Other Income - No insurance claims were made in the current year. There were less adverts in the current year and appointments for engineering projects as most of the projects are continuing from prior years

**A2:** Interest received - The interest is a result of unspent RBIG balance at the beginning of the year. The balance was accumulating interest from the beginning of the year.

**A3:** Government grants & subsidies - Unspent balances on RBIG as a result of slow implementation. There was a late approval on the Bona Bona Project. The approval happened in February 2023 yet was budgeted for from the beginning of the year.

**A4:** Employee related costs - Underbudgeted for salaries. Budgeted using funded posts when the unfunded posts are already occupied.

**A5:** Remuneration of councillors- Variance due to upper limits are approved after the budget adjustment was finalized.

**A6:** Depreciation and amortisation- Variance is due to prior period error corrections on completed projects which were not anticipated during budgeting.

**A7:** Impairment loss- Variance is due to impairment not being budgeted for.

**A8:** Lease rentals on operating lease- variance due to rental for printers that was not budgeted for.

**A9:** Debt Impairment- The variance is due to the fact that debt impairment was not budgeted for.

**A10:** Bulk purchases- The variance is due to bulk purchases being budgeted under contracted services but for annual financial statements purposes is presented separately.

**A11:** Contracted services- The variance is due to Magalies water billing huge amounts in the second half of the year. Amounts doubled per month and even trebled.

**A12:** Transfers and subsidies - Variance is due to rural sanitation programme completed in the current year being transferred from work in progress to expenditure.

**A13:** General expenses - The variance is due to delays in the SCM processes which might result in requests coming in the next financial year when they were initiated in the previous year.

**A14:** Fair value adjustments - Variance due to fair value for investment property not being budgeted for.

**A15:** Actuarial gains/losses - Variance due to actuarial gains not being budgeted for.

## Notes to the Annual Financial Statements

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### 50. Budget differences (continued)

**A16:** Receivables from non-exchange transactions - The variance is due to receivables from exchange not being budgeted for.

**A17:** VAT Receivable- The variance is due to accruals at year end and high amounts on invoices from Magalies.

**A18:** Cash and cash equivalent- The variance is due to high unspent balance on RBIG as compared to no unspent funds which were budgeted for in 2023 financial year.

**A19:** Intangible assets- The variance is because the budget was for anticipated additions whereas the AFS shows the balance for intangible assets not only current year movements.

**A20:** Payables from exchange transactions- The variance is due to more accruals not yet paid at year end than anticipated.

**A21:** Payables from non exchange transactions- The variance is due to Mamusa MIG balance that was not included in the budgeted separately.

**A22:** Employee benefit obligation- The variance is due to employee benefit obligations not budgeted for.

**A23:** Unspent conditional grants and receipts- The variance is due to the budget which does not account for unspent funds. The budget is prepared on the basis that all the funds received are fully spend.

**A24:** Provisions- The variance is due to changes on the leave days not taken into account on the budget.

**A25:** Other financial liabilities- The variance is due to DBSA loan payments which were accelerated leaving a nil balance at year end.

### 51. Operating surplus

#### Operating lease charges

##### Premises

- Contractual amounts

	3,840,000	3,840,000
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##### Plant and equipment

- Contractual amounts

	1,573,154	2,086,541
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	<b>5,413,154</b>	<b>5,926,541</b>
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# Notes to the Annual Financial Statements

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## 52. Segment information

### Segmental reporting

#### Identification of segments

The municipality is and reports to management on the basis of the following major functional areas: Council, Office of the Municipal Manager, Budget and Treasury, Internal audit, Corporate Services, Planning and Economic Development, Engineering Services, Project Management Unit, Intergrated Development Planning, Environmental health and Fire and Disaster. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the performance of segments and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

#### Segment surplus or deficit, assets and liabilities

#### Segment surplus or deficit



## Notes to the Annual Financial Statements

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### 52. Segment information (continued)

30 June 2023

	Investment revenue	Government grants & subsidies	Other Income	Rentals of facilities and equipment	Total Segment revenue	Salaries and wages	Depreciation, amortisation & Impairment	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
<b>Revenue</b>										
Council	-	26,299,764	-	-	26,299,764	25,957,506	-	7,334,284	33,291,790	(6,992,026)
Office of the Municipal Manager	-	17,064,450	-	-	17,064,450	11,001,813	-	17,236,382	28,238,195	(11,173,745)
Budget and Treasury	16,659,323	62,452,222	673,811	-	79,785,356	18,277,849	-	278,809,449	297,087,298	(217,301,942)
Internal audit	-	20,141,572	-	-	20,141,572	13,270,417	-	2,657,533	15,927,950	4,213,622
Corporate Services	2,335,487	60,424,421	250,700	1,374,272	64,384,880	21,931,542	1,573,154	39,049,327	62,554,023	1,830,857
Local Economic Development	-	24,632,621	-	-	24,632,621	11,507,230	2,505,267	6,420,388	20,432,885	4,199,736
Engineering Services	-	619,483,795	-	-	619,483,795	6,659,041	93,465,003	261,272,360	361,396,404	258,087,391
Project Management Unit	-	-	-	-	-	5,824,950	-	8,715,909	14,540,859	(14,540,859)
Integrated Development Planning	-	10,565,810	-	-	10,565,810	6,121,445	109,578	(6,054,278)	176,745	10,389,065
Environmental health	-	19,780,588	-	-	19,780,588	19,557,454	89,514	1,370,103	21,017,071	(1,236,483)
Fire and Disaster	-	38,809,313	-	-	38,809,313	31,583,604	595,477	8,825,083	41,004,164	(2,194,851)
<b>Total</b>	<b>18,994,810</b>	<b>899,654,556</b>	<b>924,511</b>	<b>1,374,272</b>	<b>920,948,149</b>	<b>171,692,851</b>	<b>98,337,993</b>	<b>625,636,540</b>	<b>895,667,384</b>	<b>25,280,765</b>
<b>Entity's revenue</b>					<b>920,948,149</b>					
<b>Entity's Surplus (deficit) for the period</b>										<b>25,280,765</b>

## Notes to the Annual Financial Statements

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### 52. Segment information (continued)

#### Segment assets and liabilities

30 June 2023

	VAT and receivables from exchange	Cash and cash equivalents	Property, plant and equipment	Other assets	Total segment liabilities
Council	-	-	423,119	-	-
Office of the Municipal Manager	-	-	95,555	-	-
Budget and Treasury	835,793	(98,282,946)	(82,657,986)	3,237,296	(86,113,063)
Internal audit	-	-	29,000	-	-
Corporate Services	-	-	2,094,258	-	128,388,734
Local Economic Development	-	-	82,900	-	-
Engineering Services	-	-	125,183,590	-	44,874,166
Project Management Unit	-	-	178,000	-	-
Environmental health	-	-	59,550	-	-
Fire and Disaster	-	-	10,167	-	-
<b>Total segment assets and liabilities</b>	<b>835,793</b>	<b>(98,282,946)</b>	<b>45,498,153</b>	<b>3,237,296</b>	<b>87,149,837</b>
					-