

ANNUAL REPORT 2022/2023



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SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

COMPONENT A: EXECUTIVE MAYOR'S FOREWORD

I am pleased to present the Setsoto Local Municipality's Annual Report for 2022/2023 financial year. The report highlights the progress we have made to support the municipality's delivery of services and in pursuit of monetary and financial stability, and the steps we have taken to live our values, to deliver on our Integrated Development Plan 2022/2023, Medium-Term Revenue and Expenditure Framework 2022/2023-2024/2025 and the Service Delivery and Budget Implementation Plan 2022/2023 and to respond to the new challenges we faced.

When I reflect on the past year, I am struck by the trailblazing nature of our councillors and staff who supported each other and have been part of many impressive initiatives, within the municipality and in collaboration with community, business organisations, non-government organisations and sector departments. It is because of their unrivalled enthusiasm that we have continued to successfully carry out our constitutional mandate through the provision of:

- Basic Services to the right quality and standards
- Local Economic Development by making environment conducive for local economic development
- Institutional Capacity by establishing resilience human capital and administrative capability
- Good Governance, Transparency and Accountability through promotion of good governance, transparency and accountability
- Financial Management by ensuring good financial management and accounting
- Public Participation by putting people and their interest first

For the municipality to be able to address the challenges facing our communities, the leadership has to identify new ways and methods to engage intently with our communities by identifying and implementing the following principles:

1. Embrace your authenticity

Put simply, authenticity means you are true to your own personality, values, and spirit, regardless of the pressure that you're under to act otherwise. You are honest with yourself and with others, and you take responsibility for your mistakes. Your values, ideals, and actions are aligned.

Through this principle, we were able to accept our challenges, identify our weaknesses and strengths, opportunities and threats in order to face our challenges head on. Embracing our authenticity in the workplace by focusing on validating the uniqueness and differences of each and every person inside and outside our organization and cultivating an environment where they can be their true selves, we were able to achieve much more.

2. Fearlessly pursue our passion

By showing unwavering dedication to our work, we always remembered that we have within us the strength, the patience, and the passion to reach for the stars to change the world. Every step forward is one step closer to success. We didn't give up on our dreams of providing sustainable basic services to our communities, and every step brought us closer to achieving them and we believed that life is a journey, and that we should take one step closer to our goals every day. Progress may be slow, but every step forward brought us one step closer to our destination.

3. Use our platform for social change

We have used our platform and influence to advocate for important social issues by implementing communication strategies. We currently manage pages on Facebook, Website and WhatsApp Groups. These platforms have been an excellent agent for raising public awareness of who we are and what we do as a municipality. Social media has allowed us to express our vision, mission and values to our communities both near and far.

For us, the foundation of raising awareness has been first and foremost communicating and educating those around us of the profound need for collaboration amongst all of us if we were to turn the municipality around. Our social media pages have allowed us to express and demonstrate to our communities and stakeholders exactly how we are working to empower and bring about social justice and change within these particular communities.

4. Resilience in the face of adversity

When we took office in November 2023, the state of the municipality pertaining service delivery was not that good, but we showed remarkable resilience and bouncing back and continue to thrive through all the financial and human capital challenges that we faced.

We have shown the ability to withstand adversity and bounce back from difficult life events. Being resilient does not mean a person does not experience stress, emotional upheaval, and suffering. Resilience involves the ability to work through emotional pain and suffering and as a collective we have been able to steer the municipality in the correct path of recovery, through it all.

5. Work ethics and discipline

We have worked hard, stayed focused and never settled for mediocrity. Our workplace ethics revolve around a specific set of moral and legal guidelines that our municipality abide by. These guidelines typically influenced the way our employees, stakeholders and our communities alike interact with us—in essence, workplace ethics guided how we serve our communities and how we treat our employees.

6. Self-confidence and self believe

We have built enough self-confidence within our councillors and employees to change, but not over-estimate their abilities, as that could become a fixed mindset attitude. Our councillors and employees were willing to grow and adapt but still have ideas about their strengths and weaknesses so that they can work on the weaker areas.

We have instilled in them the notion that self-confidence is an attitude about their skills and abilities. It means they accept and trust themselves and have a sense of control in their life. They know their strengths and weakness well, and they have a positive view of themselves. They have set realistic expectations and goals, communicated assertively, and handled criticism very well.

7. Embrace diversity and inclusivity

From the onset, we have shown commitment to diversity and inclusivity in all our doings. We have embraced different types of people including people from different races, ethnicity and sexual orientation and ensured that everyone feels valued, respected, and included.

Embracing a diverse work environment meant speaking up when actions, behaviours, or language reflects non-inclusiveness and discrimination. It was crucial that we act as an advocate for those with diverse background.

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Embracing diversity was about getting to know and appreciate people of different religions, cultures, ethnic groups, socio-economic groups, or ages. We try something new and anytime we step outside our comfort zone, we build and understanding that our needs will always be different and as such our approach should also be different.

8. Take risks and embrace change

For the year under review, we constantly reinvented our way of doing things, we established a War Room Schedule, where we planned for a week ahead and reported back on the progress made on a bi-weekly basis. Embracing change implied that we didn't see change as adversity, but an opportunity to improve ourselves or try new things. We need to be positive about our situation, capabilities, and ability to adapt to change. We realised that many times, what we consider failures are actually setbacks.

9. Surrounding ourselves with strong support system

At the start of our term, we cultivated a strong support system of friends and collaborators. We look at our internal setup and identified areas where we are strong, enhance those areas and worked on those areas that we are weak, took our opportunities well and mitigated against threats.

We created an environment that support a healthy support system which includes a group of others who can relate to our circumstances. We gathered around us with people who share similar beliefs, thoughts, and experiences that will assist us to improve our lives. Support groups offer a terrific way to fellowship when we want to change our fortunes pertaining the provision of services in our municipality.

10. Never stop evolving

We realised at the beginning that if we want to change the way we are providing services to our communities, we constantly need to evolve and adapt to new challenges. It is upon learning that certain part of who we are holds us back from attaining our desire that the wish to change springs. Perhaps we are less ambitious, lack in confidence, are inhibited in our disposition. Hence, it becomes our life-long assignment to alter our being into the person of our desire.

We asked ourselves the following: "Where does one begin to evolve consciously?". The first and most important step is to make truce and align oneself with the person we have become, in all its ugliness, before we ever attempt to alter it. Seek to forge communion with it.

Converse with this person, not with impatience and irritation that accompanies the urge to change it, but with patience, understanding, and care. This the only way to tap into the process of evolution and channel it in the direction we wish to evolve-in this case, supporting the delivery of municipal services to the right quality and standard.

In June 2022, we bid farewell to the former Municipal Manager, Mr. Ramakarane Sugar Rankhotho, who served this municipality with distinction for ten full years, we also bid farewell to Director Community Services, Mr. Zondo Themba, as he concluded his time at the department on the 31 December 2022, and extended our thanks to them for their excellent service to the municipality.

Over the past financial year, councillors and management of the municipality confronted a number of additional challenges in an already highly complex policy environment, this included the introduction of the Municipal Staff Regulations of 2021 and many other legislative prescripts that the municipality had to comply with.

In October 2022, we welcomed our new Municipal Manager, Mrs. Nomvula Malatjie, who with her expertise, assisted the municipality in focusing to address the repeat audit findings during the regulatory audit of the

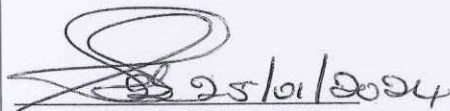
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municipality, and in doing so the municipality was able to move from a qualified audit opinion to an unqualified audit opinion, and we are looking forward to a much more positive audit opinion during the year under review.

Looking back at these achievements over the past year, I must warmly thank our people, without whom none of this would have been possible and who consistently go the extra mile to inform us of the challenges they are facing in our ability to provide sustainable service delivery to them.

To the Speaker, Members of the Mayoral Committee, Councillors, Municipal Manager and your team of Senior Managers and all municipal staff, I know the amount of effort you have put into addressing the challenges facing our people, and I want to make sure you know how much I appreciate you as a member of the team.

Once again, thank you so much for everything you do. We are very lucky to have you on the team.



COUNCILLOR SEIPATI MBIWE
EXECUTVE MAYOR

COMPONENT B: EXECUTIVE SUMMARY

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MUNICIPAL MANAGER'S OVERVIEW

The Annual Report for the 2022/2023 financial year has been compiled in accordance with Section 46 of the Local Government Municipal Systems Act, No. 32 of 2000 (as amended), Section 127 (2) of the Local Government Municipal Finance Management Act, No. 56 of 2003, as well as accompanying circulars, templates and guidelines.

In particular, Municipal Finance Management Act, No. 56 of 2003 Circular No. 63, issued in September 2012, added guidance to the preparation of this annual report, requiring all municipalities to report within the established framework and for such reports to be submitted to the Auditor General at the same time as the Annual Financial Statements in August each year.

This report records the performance and progress made by the Setsoto Local Municipality in fulfilling its strategic objectives contained in the Integrated Development Plan 2022/2023, Institutional Scorecard and Service Delivery and Budget Implementation Plan 2022/2023 approved by Executive Mayor in July 2022 and the Adjusted Service Delivery and Budget Implementation Plan 2022/2023 approved by the Council in February 2023, for the year under review.

The 2022/2023 financial year marked the first year in office for the current administration. The year under review had its share of successes and challenges from an administrative perspective. However, the council has continued to strive towards the realisation of its vision to be "**A unified, viable and progressive municipality**" which:

- Support the delivery of municipal to right quality and standard
- Create a conducive environment for economic development
- Build institutional resilience and administrative capability
- Ensure sound financial management and accounting
- Good Governance, Transparency and Accountability
- Put people first and engage with communities

During the 2022/2023, a total of 55.30% of organisational performance targets-Top Layer of Service Delivery Targets set in Service Delivery Budget Implementation Plan for 2022/2023, have been met and 12.12% exceeded the annual target. An average percentage achievement of 67.42% against the annual key performance targets set has been recorded, reflecting an improvement when compared with the 2021/2022 financial year where 65.29% of the targets were met with an average percentage achievement of 63.70% (2021/2022: 61%).

The overall operating results achieved for the past financial year closed off with a surplus of R 72 965 million compared to a budgeted deficit of R 11 219 million. Operating revenue for the year is R 803 246 million (2021/2022: R 691 720 million), which reflects an increase of 16%. The operating expenditure for the year is R 730 281 million (2021: R 802 821 million), which reveals a decrease of 10%.

The total capital expenditure capitalized for the year in respect of property, plant, and equipment amounted to R 83 413 million. This includes R 19 240 million from Municipal Infrastructure Grant, R 60 000 million from Regional Bulk Infrastructure Grant, and R 4 173 million from Water Services Infrastructure Grant.

The total from the above-mentioned grant gazetted is R 220 198 million and future grant funding is R 136 785 million. Of the R 83 413 million, only R 27 776 million was spent, the balance of which the municipality will have to apply for roll-over.

Cash and short-term investments is R 65 800 million. The cash balance at financial year end was R 18 300 million. The institutions where cash is invested is First National Bank, Standard Bank, Nedbank, and Amalgamated Banks of South Africa. The investment register closing balance for the period under reporting is R 47 million, interest capitalized is R 8 600 million. Included in the opening balance at the beginning of the financial year was the

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unspent grant from the previous financial year. A rollover application was partially approved and R 52 million had to be refunded to the National Revenue Fund.

Net cash from operating cash flows at the end of the period under review was R 474 318 million, net cash from investing cash flows was a negative R 206 401 million and net cash from financing cashflows was also a negative R 617 thousand. The total from these cash flows amounted to R 360 498 million, which is an increase of 16% from the previous amount of R 311 939 million.

The municipality has seventeen wards to which it provides services. The services are provided to consumers either on a pre-paid system or post-paid system. The balance of outstanding debtors has been increasing from one financial year to the other. A strategy where Ward Councilors and Ward Committee Members engage the community during regular meetings around payment of services is continuous.

The customer group that has the highest outstanding debt is households with a balance of R 484 100 million followed by commercials with a balance of R 92 500 million. Households are the largest customer group in terms of our debtors hence it is the highest owing and with the current economic situation most household's income sources are not enough to service their municipal accounts. Therefore, they need to come forward so they can be registered as indigents. However, there is also a historical trend of non-payment by households even when they can afford to pay, especially in the townships.

During the year under review the total outstanding debtors are R 563.6 million and the total over 90 days is R 498 200 million representing 88% of total outstanding debtors. In terms of the income source, the 'water service' has the highest outstanding debt of R 126 600 million followed by interest on arrear debtor accounts with the balance of R 107 300 million.

The average collection for the first quarter of the financial year 2022/2023 was 40%. The average collection rate for the second quarter was 50%. The third quarter was also 50%. The April 2023 collection rate was 36% and the May 2023 collection rate was 49% and the June 2023 collection rate was 54% with the average for the period under review at 54%.

The administration developed a Revenue Enhancement Strategy to improve the prevailing revenue collection rates. The credit control and debt collection processes have also unfolded to collect maximum revenue. A special drive was initiated to hand out Municipal Property Rates Act, 6 of 2014 Notices to occupiers where owners of sites do not pay their property rates. The appointment of a Panel of Litigators who have signed Service Level Agreements with the municipality have strengthened the collection efforts with a positive effect on the cashflow situation of the municipality.

The outstanding creditors for the month under reporting are R 26 300 million and the balance over 30 days is R 1 400 million. The Eskom bulk account is owed R 9 million, and it is the current account. On average the municipality takes forty-five days to pay its creditors.

Electricity losses are calculated based on the difference between the total electricity purchases and total electricity sales. The losses are either technical or non-technical. Technical losses are the losses that occur within the distribution network due to the cables, overhead lines, transformers, and other substation equipment that are used to transfer electricity.

Non-Technical losses are electricity that are consumed but not billed this is might be because the consumer is not known or is connected illegal and or there is an error in unmetered supplies. Percentage electricity losses amount to an average of 8% for the year under review. The prescribed norm from National Treasury is estimated between 7% and 10%.

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The water losses are calculated obtaining the difference between the volume or quantity of water purified and the volume or quantity of water sold. The municipality is currently reading water meters in towns only and therefore their consumption can be measured realistically, whilst in the townships a flat rate is charged. Losses can result from leaking pipes and joints, overflows and of reservoirs.

Percentage water losses account to an average of 43% for the period under review and this includes units consumed in the townships with a flat rate as water is not metered in these areas. The prescribed norm from National Treasury is estimated to be between 15% and 30%.

At the beginning of the financial year the municipality had loans with three financial institutions which are Development Bank of Southern Africa, Amalgamated Banks of South Africa and Wesbank. Amalgamated Banks of South Africa and Wesbank were paid in full within the first quarter of the financial year under review.

The Development Bank of Southern Africa loan had an opening balance of R 1 900 million at the beginning of the financial year, instalment of R 470 thousand is paid bi-annual in December and June. For the period under reporting redemption of the loan amounted to R 734 thousand and R 207 was interest. The closing balance is R 1 200 million and will be paid up by 31 December 2024.

Infrastructure maintenance and repair, as well as upgrading and development remain key to the development and growth of the municipality. The municipality continues to invest in infrastructure to create opportunities and to provide services for all its residents.

Most of the new water infrastructure has been developed in Senekal and Matwabeng where there has been challenges with water demand and supply. Other towns have water challenges due to old infrastructure that causes continuous leakages and breakages.

The road infrastructure also need attention as much of the roads need patching and resealing due to lot of potholes caused by blockages of stormwater drainage systems. Some roads cave in due to old asbestos-cement pipes that need replacing.

Electricity provision almost reaches the whole households population other than the informal settlements where Eskom is awaiting township establishment to be completed. New illegal land invasion took place in Clocolan and Hlohlolwane as well as Ficksburg, Caledon Park and Meqheleng. The municipality has already started allocating the informal household in Clocolan and Hlohlolwane on the newly formalised land.

In Ficksburg the municipality is in the process of appointing service providers to survey apportion of land where the municipality is envisaging to develop approximately 3000 sites. This process once completed will ease the burden of site shortages in the Ficksburg, Caledon Park and Meqheleng.

Sanitation management is also a major problem as a lot of sewerage is running throughout the streets and some household due to leakages and blockages. Regular stoppages at some Wastewater Treatment Plants is also a major problem and Ficksburg Wastewater Treatment is totally vandalised, funding is being sought to refurbish it as soon as possible.

During the year under review, the municipality has replaced some of the yellow and white fleet as this was an area where we had challenges as we relied mostly on service provider to provide services. Our fleet spent a lot of time at contractor workshops for repairs as they are very old, but the acquisition of the new ones has alleviated the challenge.

The municipality has taken a long-term approach to address this challenges by commissioning the Director Technical Services to develop a Capital Replacement Programme which involves having an appointed

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transactional advisory panel with a view to seek funding as alternative to addressing these challenges in the long run. The objective of addressing these challenges is to curb water distribution losses and minimise disruption of service delivery in the event of infrastructure failure or burst pipes, however, the complete eradication of old infrastructure is hampered by lack of adequate resources.

We have started with the organisational restructuring as per the Municipal Staff Regulations of 2021, council adopted a structure that incorporated political office bearers support staff and Municipal Public Accounts Committee support staff to curb the bloating of the structure in the political offices. The positions on this segment of the structure have been advertised and positions have been filled. We will soon table to council the draft reviewed organisational structure which is lean, and which will be addressing the challenges facing the municipality with service provision.

During 2021/2022 the municipality obtained an unqualified audit opinion with matters of emphasis on the financial performance and disclaimer on non-financial performance. Based on the Auditor-General of South Africa's opinion, a detailed audit action plan was developed and monitored on a regular basis to track compliance with and implementations of the Auditor-General of South Africa's recommendations on all matters emphasised. The municipality has since implemented matters raised and emphasised by the Auditor-General of South Africa's.

The municipality continued to comply with the King IV principles. Council committees were established with proper terms of reference instituted, annual schedule of meetings and activities officiated, and separation of powers implemented to uphold good governance status. These committees were established to frequently monitor the implementation of council resolutions and activities that took place at ward and community levels.

The municipality has also identified strategic risks, the mitigations of which it is monitoring on a quarterly basis. These risks include, amongst others, fraud and corruption, labour and community unrest and lack of service delivery due to inadequate financial resources and shortage of the municipal workforce. We have put in place control measures to mitigate these identified risks.

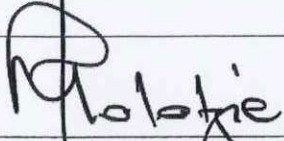
In addition, the council continues to encourage and empower communities and stakeholders with regard to decision-making, implementation and monitoring. This is done through ward participatory systems such as sectoral meeting, visitation by the Executive Mayor and Members of the Mayoral Committee to various churches every second Sunday and council events, e.g. Izimbizo, Integrated Development Planning and Budget consultation, mayoral outreaches and various stakeholder forums. We will continue to deepen our relationships with our key stakeholders. More importantly, public participation remains a critical pillar to our governance.

In conclusion, we will always be appreciative to our residents who have always shown commitment to their towns. They have been doing so through consistent payment of rates and taxes. They have been paying even through trying times and for that, we salute them. The business community has been showing us tremendous support.

This support is not only through payment of rates and taxes but also through their continued support in planning and creating much-needed jobs, and in particular the community of Senekal and Matwabeng for being identified as a pilot town for the implementation of the Smal Town Regeneration Project.

On behalf of the administration of the municipality, we wish to express our profound gratitude to the political leadership provided by the Executive Mayor and her Mayoral Committee. Without their support, leadership and oversight, very little would have been achieved during the period under review.

Our staff continue to play an important role in ensuring that service delivery is accelerated as our people demand that we expeditiously discharge our mandate. We shall continue accelerating the delivery of services through service delivery innovations.



MRS. NOMVULA MALATJIE
MUNICIPAL MANAGER

1.1 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Introduction

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

1.1 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Introduction

The type of Setsoto Local Municipality (FS191) in terms of Provincial Gazette of 28 October 2016 was changed from the type of municipality with a Collective System combined with Ward Participatory System to a municipality with an Executive Mayoral System combined with a Ward Participatory System. Setsoto Local Municipality (FS 191) is a category B municipality as determined by the Municipal Demarcation Board in terms of section 4 of the Municipal Structures Act, 117 of 1998.

The Council of Setsoto Local Municipality (FS191) continue to consist of 33 councillors with effect from the local government elections in 2021 from the local government elections of 2016. The following councillors have been designated full time councillors by the municipality:

- Executive Mayor
- Speaker
- Members of the Mayoral Committee

The powers and function as assigned to the municipality are stipulated in Section 156 and 229 of the Constitution and Section 83 and 84 of Local Government: Municipal Structures act, 117 of 1998 as amended. More specifically, the powers and functions of the municipality relating to Section 84 of the said Act which were promulgated in Provincial Gazette Number 25 dated 11 April 2008 and are:

Section 84(1)(e)-Solid Waste disposal sites as it relates to-

- (i) The determination of waste disposal strategy;
- (ii) The regulation of waste disposal; and
- (iii) The establishment, operation and control of waste disposal sites, bulk waste transfer facilities for more than one local municipality in the district.

Section 84(1)(f)-Municipal roads which form an integral part of road transport system for the area of the district municipality.

Section 84(1)(j)-Firefighting services in the area of the district municipality, which includes-

- (i) Planning, co-ordination, and regulation of fire services;
- (ii) Specialised firefighting services such as mountain, veld, and chemical fire services;
- (iii) Co-ordination of standardisation of infrastructure, vehicle, equipment, and procedures; and
- (iv) Training of fire officers.

Section 84(1)(l)-The establishment for conduct and control of cemeteries and crematoria serving the area of major proportion of municipalities in the district.

Section 84(1)(n)-Municipal public works relating to any of the above functions, or any other functions assigned to the district municipality.

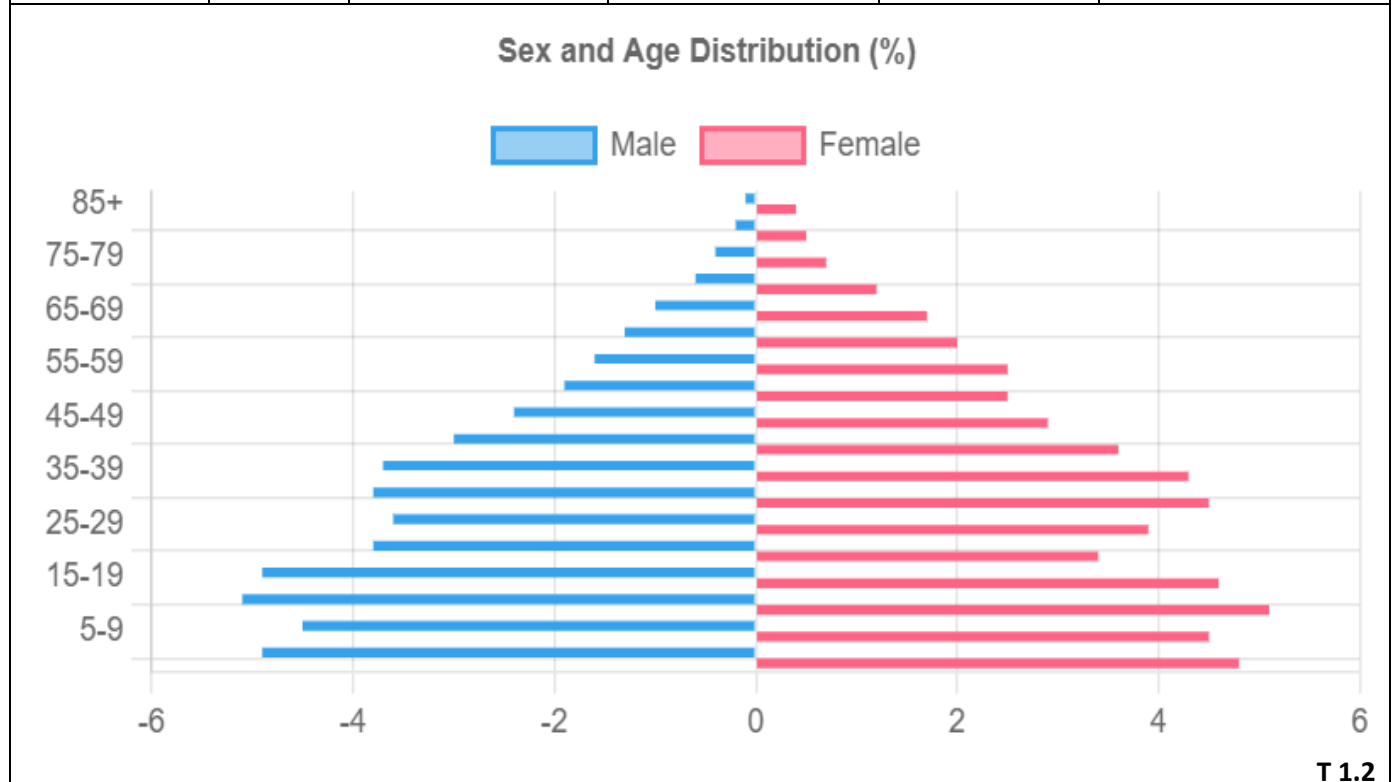
The administrative structure of the municipality consists of five departments and four administrative units with the Municipal Manager as the accounting officer and head of the administration situated in Ficksburg. The other three towns in the municipal area are Senekal, Marquard, Cocolan and their neighbourhood areas. Setsoto Local Municipality is having 24 median age which is about the same as the figure in Thabo Mofutsanyana District Municipality of about 24 median age and about 90 percent of the figure in Free State which is about 26 median age.

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1.2 POPULATION DETAILS BY SEX AND AGE GROUP

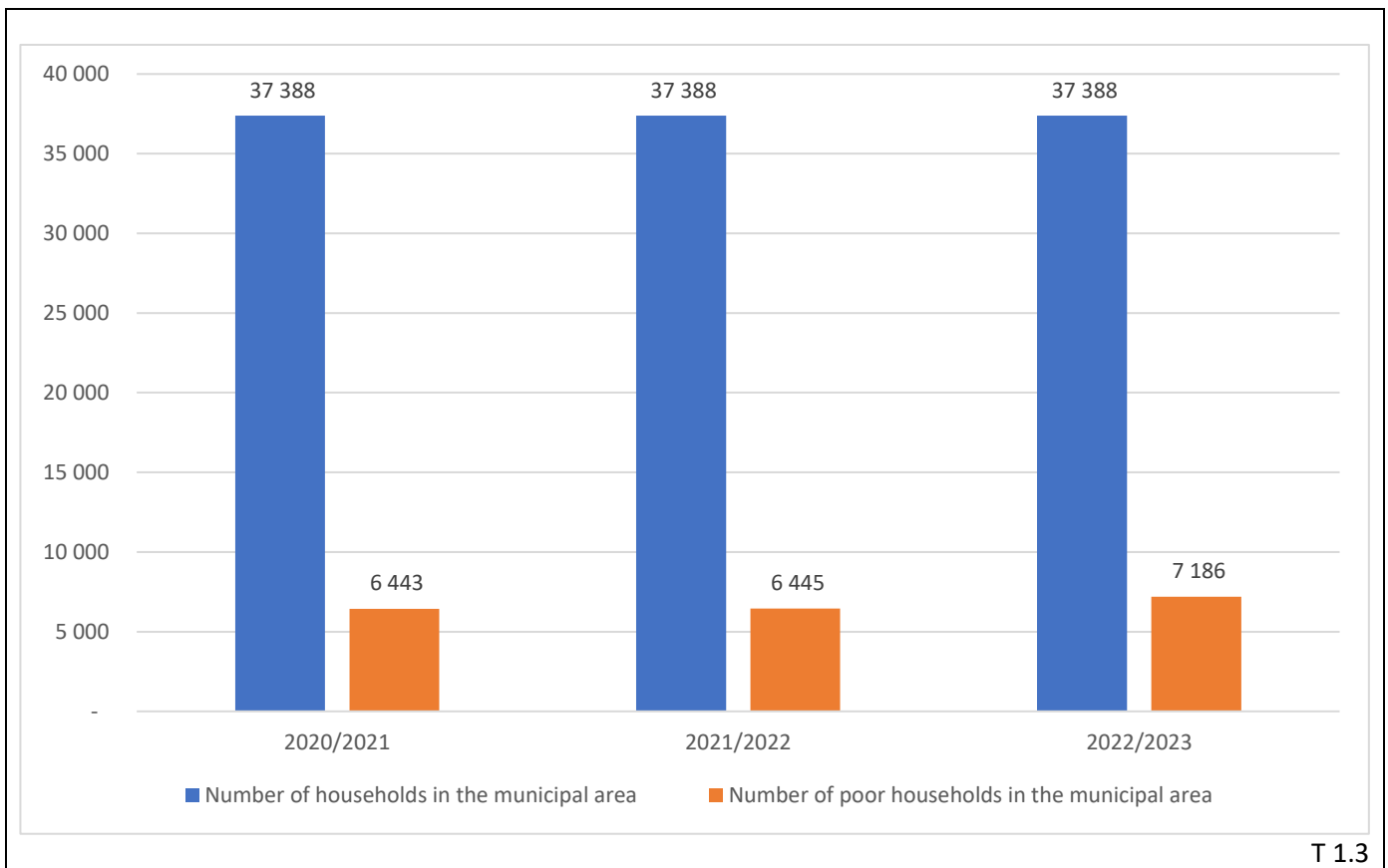
Age	Males	Percentage	Females	Percentage	Total
85+	166	0.1	520	0.4	686
80-84	242	0.2	666	0.5	908
75-79	475	0.4	942	0.7	1 417
70-74	806	0.6	1 530	1.2	2 336
65-69	1 314	1	2 232	1.7	3 546
60-64	1 694	1.3	2 565	2	4 259
55-59	2 051	1.6	3 138	2.5	5 189
50-54	2 420	1.9	3 167	2.5	5 587
45-49	3 024	2.4	3 683	2.9	6 707
40-44	3 855	3	4 669	3.6	8 524
35-39	4 745	3.7	5 534	4.3	10 279
30-34	4 844	3.8	5 711	4.5	10 555
25-29	4 650	3.6	4 947	3.9	9 597
20-24	4 854	3.8	4 304	3.4	9 158
15-19	6 219	4.9	5 891	4.6	12 110
10-14	6 478	5.1	6 548	5.1	13 026
4-9	5 803	4.5	5 799	4.5	11 602
0-4	6 303	4.9	6 124	4.8	12 427
Total	59 943	46.8	67 970	53.1	127 913



Source: Statistics South Africa Census 2022

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1.3 HOUSEHOLDS



T 1.3

Source: Statistics South Africa Community Survey 2016

1.4 SOCIO-ECONOMIC STATUS

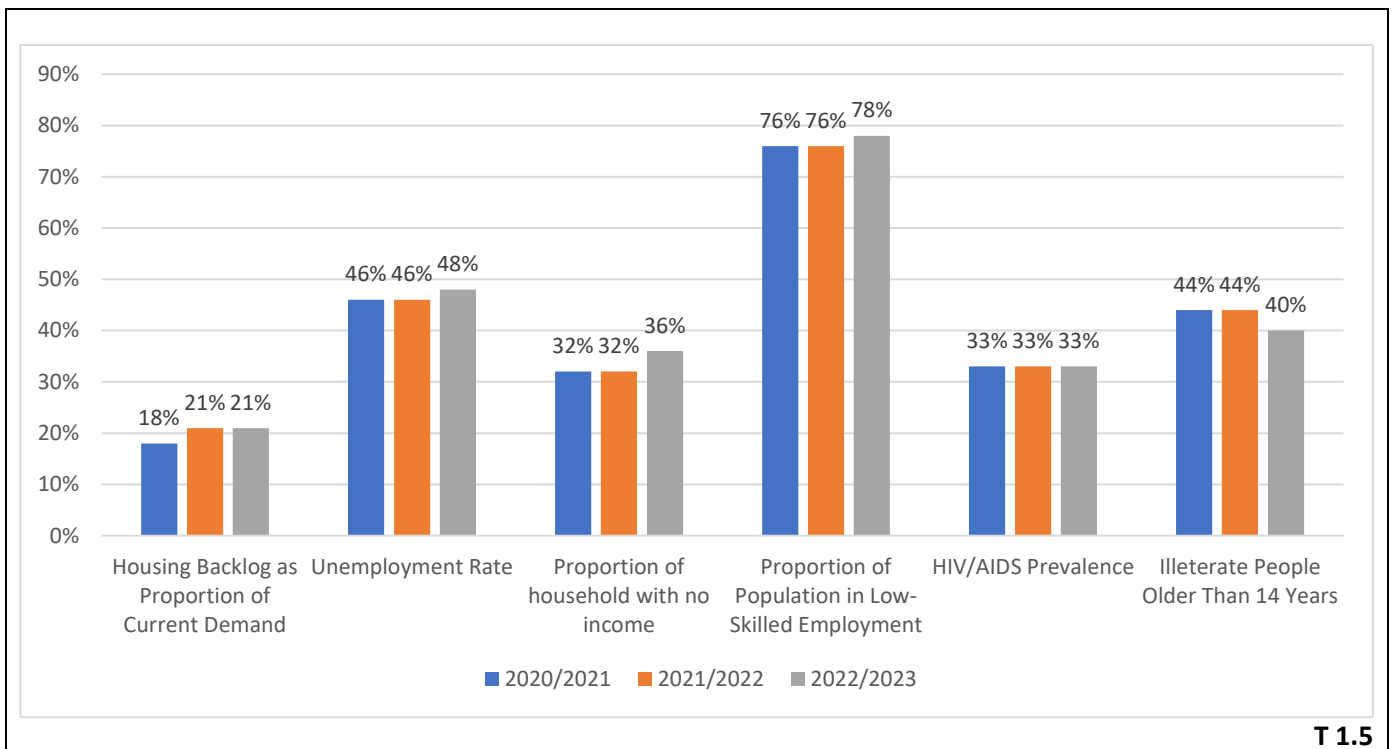
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
2020/2021	18%	46%	32%	76%	33%	44%
2021/2022	21%	46%	32%	76%	33%	44%
2022/2023	21%	48%	36%	78%	33%	40%

T 1.4

Source: Statistics South Africa Community Survey 2016

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1.5 SOCIO-ECONOMIC STATUS GRAPH



Source: Statistics South Africa Community Survey 2016

1.6 OVERVIEW OF NEIGHBOURHOODS WITHIN SETSOTO LOCAL MUNICIPALITY

Settlement Type	Households	Population
Marquard/Moemaneng		
Marquard		1 119
Moemaneng Extension 1		1 024
Moemaneng Extension 2		1 124
Moemaneng Extension 3		1 950
Moemaneng Extension 4		2 296
Moemaneng Extension 7		1 329
Moemaneng Extension 8		920
Moemaneng SP		4 562
Motampelong		1 280
Riverside		860
Sub-Total	4 460	16 464
Ficksburg/Meqheleng/Caledon Park		
Ficksburg		5 573
Boitumelo		1 628
Ha Molo		382
Itumeleng Zone 3		708
Katlehong		3 326
Khaphamadi		724
Marallaneng		807
Masaleng		2 293

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Settlement Type	Households	Population
Meqheleng 1		667
Meqheleng 2		1 731
Meqheleng 3		1 299
Meqheleng 4		1 060
Meqheleng 5		1 845
Meqheleng 6		2 943
Meqheleng 7		5 392
Meqheleng 8		10 805
Vukazenzele		1 997
Sub-Total	13 621	43 180
Senekal/Matwabeng		
Senekal		3 600
Matwabeng Extension 4		10 146
Matwabeng Extension 5		2 564
Matwabeng Extension 6		486
Matwabeng SP		1 077
Matwabeng Zone 1		1 344
Matwabeng Zone 2		6 223
Matwabeng Zone 3		1 134
Sub-Total	9 387	26 574
Clocolan/Hlohlolwane		
Clocolan		1 441
Diamong		1 018
Dipotomaneng		1 713
Hlohlolwane Extension 6		6 905
Mandela Park		1 748
Matikareng		1 046
Mokodumela		1 079
Ntsharebone		812
Sunflower Park		2 129
Thethe		712
Sub-Total	6 219	18 603
Rural Settlement		
Farming Areas	2 913	13 130
Informal Settlement	1 000	-
Sub-Total	3 913	13 130
Total	37 600	117 951
		T 1.6

Source: Statistics South Africa Community Survey 2016

The above figures excludes the latest figures and per the Statistics South Africa Census 2022. The updated figures will be incorporated in the reviewed Integrated Development Plan 2024/2025, which will form the baseline figures for the Annual Report 2023/2024.

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1.7 NATURAL RESOURCES

Natural Resources	
Major Natural Resource	Relevance to Community
Meulspruit Dam	<ul style="list-style-type: none"> • Water sports and angling are enjoyed on the Meulspruit Dam, which is surrounded by a Nature Reserve. • The dam is the starting and finishing point for the 23-km Imperani Hiking Trail
Maluti Route R26	<ul style="list-style-type: none"> • The Maloti Route covers the distance between Rouxville and Fouriesburg in the Eastern Free State; a self-drive tarred road that hugs the Maluti Mountains - a series of sandstone cliffs that form the border between the Free and Lesotho • This 300 km stretch is one of the most scenic drives in the country
Caledon River	<ul style="list-style-type: none"> • The origin of the River Caledon is in QwaQwa, near the border with Lesotho, southwest of Phuthaditjhaba. It then flows past Ficksburg in the south-west direction bordering Lesotho's capital city, Maseru. • It forms the border between South Africa and Lesotho before entering South Africa's Free State province north of Wepener. • It then flows westward before joining the Orange River near Bethulie in southern Free State, just before flowing into the Gariiep Dam. • Its total length is about 480 kilometres, and its valley experiences great temperature swings. • The land in the wedge between these two rivers forms the 22,000-ha Tussen-die-Riviere Nature Reserve
Sandstone	Mining
Diamond	Mining
Cherries	<ul style="list-style-type: none"> • Ficksburg is known in South Africa as the Cherry Town and the Cherry Capital of the world • The first cherry trees were planted in South Africa on the farm 'Platkop' in the Clocolan area. • The variants of the planted cherries included: <ul style="list-style-type: none"> ○ Giant Heidelfinger, ○ Elton, ○ Early Red, ○ Early River, and ○ Bing. • This specific cluster of cherries is still grown in the area today. • Some of the original cherry trees that were planted in 1905 can still be found on the farm. It is estimated that there are over 500 hectares of cherry trees in the Eastern Free State mainly in the Ficksburg, Clocolan and Fouriesburg area. • There are approximately 250 cherry trees per hectare which average a yield of 10 tons per hectare. • The maraschino cherry, a sweet cherry, originated in Yugoslavia and northern Italy where traders added a liqueur to a cherry called the "Marasca • The annual Cherry Festival is the longest running festival in South Africa and is held in November each year
Asparagus	<ul style="list-style-type: none"> • Lying in a rich agricultural area, Ficksburg is especially notable for the production of grain, livestock, cherries and asparagus. Ficksburg has fine gardens, parks and magnificent views of the Maluti Mountains

T 1.7

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1.8 COMMENT ON BACKGROUND DATA

The background data is mainly in terms of Community Survey 2016 and Census 2022 as provided by the Statistic South Africa, which is the reason as to why the information is only given in the sub-totals in the number of households. The information from Statistic South Africa is aggregated to a ward level not as per the way the template is designed. This challenge needs to be addressed when the template is being reviewed.

We also need to have mechanisms as to how we account for the information during and in between the censuses as it is not captured in the template. The above shows a 1.3% population growth in the municipality between 2011 and 2022 period. The average population growth of the Free State Province between 2011 and 2022 is 0.7%.

T 1.8

1.9 SERVICE DELIVERY OVERVIEW

The South African Constitution states that municipalities have the responsibility to make sure that all citizens are provided with services to satisfy their basic needs. The most important services that the municipality provides are as follow:

- Water supply
- Sewage collection and disposal
- Electricity supply
- Municipal roads and storm water drainage
- Solid Waste Disposal

The lives of the residents of that community are immediately and directly impacted by these services. In addition to limiting individuals' employment options, poor services might make it difficult to draw business or industry to an area. Municipalities being the level of government that is closest to the people, are chosen by the people to serve as their representatives and oversee that the community receives the essential services.

One way the municipality can accomplish this is by offering the service independently utilizing their own resources, including money, tools, and personnel. The delivery of a service may also be contracted out by the municipality. In other words, it may decide to employ a third party to perform the service, but the municipality will still be responsible for selecting the provider and ensuring that the service is effectively provided.

The government provides indigents, who are low-income people, with free basic municipal services. Currently, these services cover the provision of water and electricity. These services, which must adhere to basic standards for a poor household's access to electricity, water, and sanitation, are provided by municipalities.

Only individuals in need are entitled to free basic services for their houses. The municipality must submit means tests for each application to see whether a family satisfies the criteria set forth by the municipality to be classified as being indigent. The type of subsidy is determined by the municipality on its own.

A municipality might be unable to provide people with some of the basic services. This could be a result of a lack of resources or of the ability to offer a high-quality service at a competitive price. Such municipalities should look for additional means to guarantee that services are enhanced and provided to those who need them the most.

A central challenge for municipality has been its viability and ability to build strong department capable of delivering on the principles of section 53 of the Constitution which states that:

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...A municipality must structure and manage its administration and budgeting and planning process to give priority to the basic needs of the community, and to promote the social and economic development of the community and participate in national and provincial development programmes'.

If the municipality can achieve the above objectives consistently, within the financial and administrative capacity, it could be described as a functional, well-performing municipality". The following are the focus areas of the municipality:

Universal access to water

All households within the municipality have access to water above the minimum service level.

Universal access to sanitation

All households within the municipality have access to sanitation above the minimum service level.

Universal access to electricity

All households within the municipality have access to electricity above minimum service level.

Eradication of informal settlement

The municipality is not a housing authority, in collaboration with the Free State Department of Human Settlement it is ensuring that houses are provided. The land is identified and acquired that is utilised for township establishment and assurance is done on the necessary studies and applications for township establishment.

The process of finalising the rolling-out Spatial Planning and Land Use Management Act, 16 of 2013, has been completed and the municipality is confident that the process will kick-start smoothly from the beginning of the next financial year and that it will impact positively in our endeavours to eradicate informal settlements.

T 1.9

1.10 SERVICE DELIVERY INTRODUCTION

The Constitutional objectives for local government are set in section 152 and are as follows:

- To provide democratic and accountable government of local communities
- To ensure the provision of services to communities in a sustainable manner
- To promote social and economic development
- To promote a safe and healthy environment
- To encourage the involvement of communities and community organisation in matters of Local Government

A central challenge for municipality has been its viability and ability to build strong department capable of delivering on the principles of section 53 of the Constitution which states that:

...A municipality must structure and manage its administration and budgeting and planning process to give priority to the basic needs of the community, and to promote the social and economic development of the community and participate in national and provincial development programmes'.

'If the municipality can achieve the above objectives consistently, within the financial and administrative capacity, it could be described as a functional, well-performing municipality'.

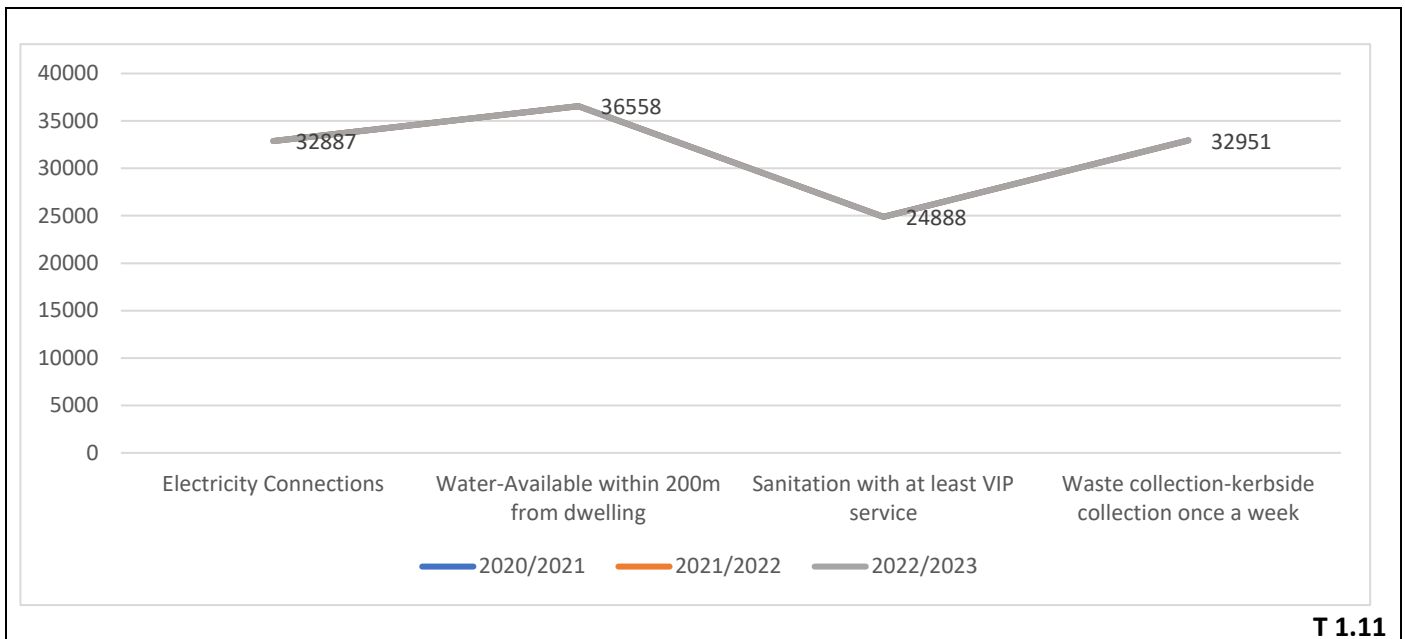
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T 1.10

1.11 PROPORTION OF HOUSEHOLDS WITH ACCESS TO BASIC SERVICES



T 1.11

Source: Statistics South Africa Community Survey 2016

1.11.1 COMMENT ON ACCESS TO BASIC SERVICES

Over the years the municipality has been increasing its ability to provide services to local communities and the below is highlighted:

- Provision of water has been to the maximum;
- Electricity has been minimal over the fifteen-year period;
- Sanitation lacked behind and the municipality is doing all in its power to address the situation; and
- Provision of domestic refuse collection is once a week with a collection rate of 91%, businesses are serviced once a week or as per arrangement for perishable waste and the central business areas are cleaned daily, seven (7) days a week.

The information provided above is as per the Statistics South Africa Community Survey 2016, and it does not include development that took place in between 2016 and 2022. The municipality needs to record these developments and report them accurately as per the approved Standard Operating Procedure for the Compilation and Storage of Performance Information-Portfolios of Evidence on the Service Delivery and Budget Implementation Plan and Operational Plan.

T 1.11.1

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1.12 INTRODUCTION TO FINANCIAL HELATH OVERVIEW

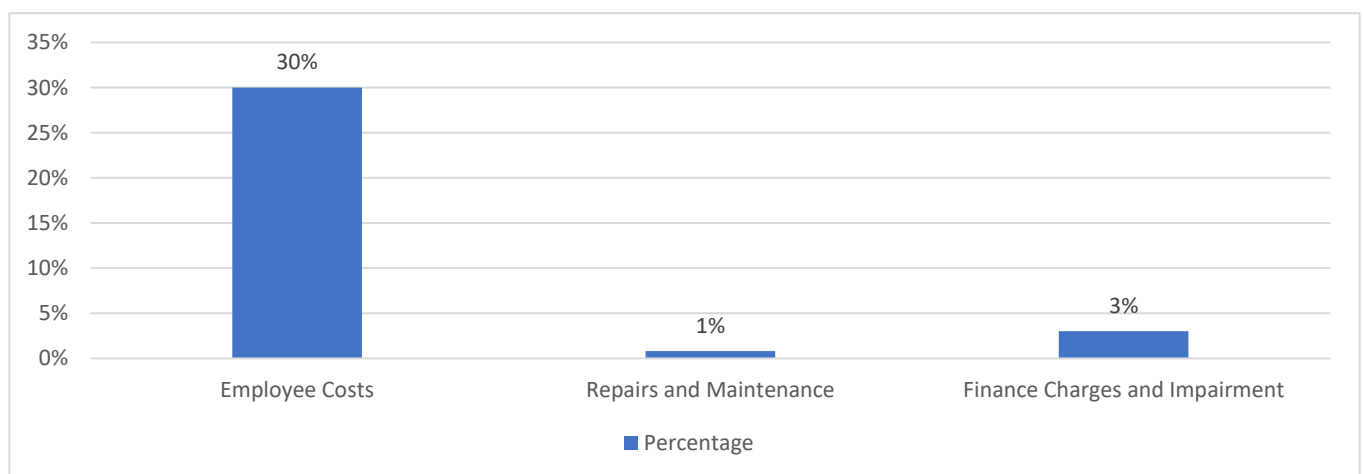
The municipality ensured that spending is limited against the approved adjustment budget of the municipality, however there were situations that could not be avoided that lead municipality to exceed the budget.

				R'000
Details	Original budget	Adjustment Budget	Final Budget	Actual
income				
Property Rates	73 985 004	0	73 985 004	56 791 007
Service Charges	258 091 800	(4 758 088)	253 333 712	227 429 256
Investment Revenue	3 700 008	2 099 992	5 800 000	9 673 484
Transfers and Subsidies	459 854 976	(2 000 000)	457 854 976	448 128 481
Other Own Revenue	37 535 904	12 660 596	50 196 500	61 223 581
Total Revenue	833 167 692	8 002 500	841 170 192	803 245 809
Employee Related Costs	228 323 196	1 331 556	229 654 752	220 237 564
Remuneration of Councillors	12 535 056	1 747 144	14 282 200	14 072 038
Depreciation, amortisation and impairment losses	120 865 032	(22 684)	120 842 348	227 918 279
Finance Costs	1 555 020	(380 780)	1 174 240	3 397 412
Material and Bulk Purchases	117 319 512	(2 739 512)	114 580 000	100 140 488
Transfers and Grants	14 775 504	8 883 524	23 659 028	139 418
Other Expenditure	117 012 072	727 120	117 739 192	164 379 091
Total Expenditure	612 385 392	9 546 368	621 931 760	730 281 290
Surplus for the year	220 782 300	(1 543 868)	219 238 432	72 964 519

T 1.12

1.13 OPERATING RATIOS

Detail	%
Employee Cost	30%
Repairs & Maintenance	1%
Finance Charges & Impairment	3%



T 1.13

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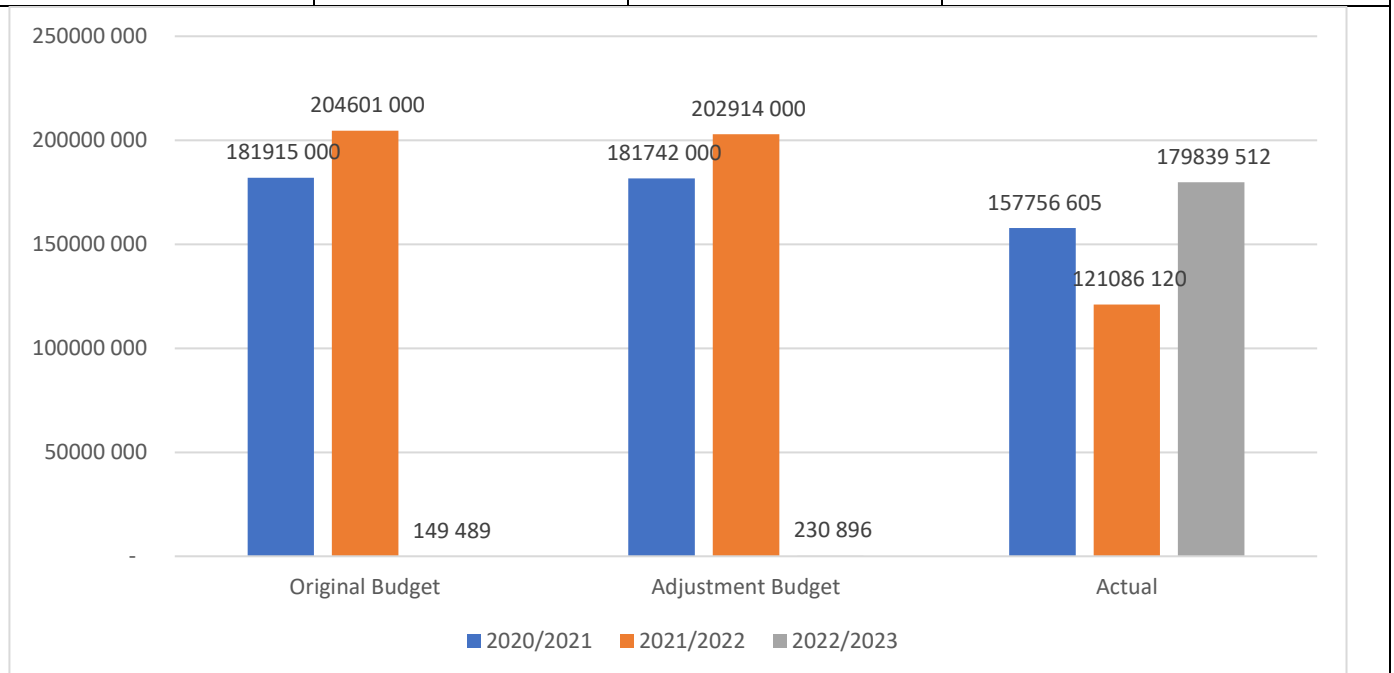
1.13.1 COMMENT ON OPERATING RATIOS

Employee cost against the total expenditure is 30% which is within the norm of 33% which might be attributed to non-filling of vacant post. The performance of repairs and maintenance is very low, and it need to be improved.

T 1.13.1

1.14 TOTAL CAPITAL EXPENDITURE: 2021/2022 TO 2022/2023

R'000			
DETAIL	2020/2021	2021/2022	2022/2023
Original Budget	181 915	204 601	149 489
Adjustment Budget	181 742	202 914	230 896
Actual	157 756	121 086	179 840



T 1.14

1.14.1 COMMENT ON CAPITAL EXPENDITURE

Capital expenditure for the financial year amounted to R 179 839 512.00 against the approved budget of R 149 489 000.00 and adjusted budget of R 230 896 000.00. This represents 90% of the adjusted capital expenditure budget. The actual expenditure is made of the following conditional grants:

- Municipal Infrastructure Grant- R 62 602 878.00
- Water Services Grant 5B and 6B-R 15 838 086.00
- Regional Bulk Infrastructure Grant-R 130 462 781.00

T 1.14.1

1.15 ORGANISATIONAL DEVELOPMENT PERFORMANCE

Organisational performance in the municipality is measured in terms of economic performance-financial performance outcomes and operational performance-observable indices as per the service delivery and budget implementation plan and operational plans.

The municipality measures organizational performance so it can improve it. Regardless of the aim of measuring organizational performance or the definition of the adopted terms, councillors and officials are always looking at ways to build upon past performance. Considering the different levels of performance assessment as explained below, a number of interventions are recognized to be useful.

Organizational level performance

When assessing the organization's performance as a whole, a cohort of measures need to be adopted so that all components can be monitored and evaluated comprehensively. In fact, there is a conscious call to move towards a broader definition of organizational performance, one which recognizes and addresses sustainability of work processes and outcomes (Hubbard, 2009).

Another key variable in measuring organizational performance is integrating a formal assessment of strategic planning in its measurement (George, Walker and Monster, 2019). When organizations assess their strategic planning using internal and external assessments with a cascading system of goals, strategies, and plans, the effectiveness of meeting these goals is found to be improved.

Richard et al. (2009) have added that professional need to establish a strong rationale for understanding what is meant by performance and the choice of measures that will be employed to measure it. While defining what is meant by performance, managers should reflect on all stakeholders, the degree of heterogeneity in the environment, resources, and strategic choices, and the timeframe.

Individual level performance

At the individual level, task performance, contextual performance, adaptive performance, and counterproductive work behaviour are the main dimensions identified in an exhaustive search of medical, psychological and management studies (Koopmans et al., 2011).

- **Task performance**

Is broadly indicated by the successful completion of assigned tasks, the number and quality of work, skills and knowledge of the performer, and the managerial abilities of planning, organizing, problem-solving, monitoring, and decision-making.

- **Contextual performance**

Encompasses all such actions which extend beyond the prescribed task roles and can manifest in social, organizational or psychological realms. This performance is associated with indicators like initiative, extra tasks performed, resourcefulness, enthusiasm, motivation, creativity, commitment and interpersonal relationships.

- **Adaptive performance**

Denotes the responsiveness at work and is measured through innovation, adjustment to changing circumstances, flexibility and open-mindedness, and continuous learning.

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- **Counterproductive work**

Behaviours are indicated by the absenteeism, theft, tardiness, disregard of instructions, safety regulations, substance abuse, and any other off-task behaviours that undermine performance.

Team level performance

For teams level organizational performance to completion of a task is an important measure (DeChurch and Mesmer-Magnus, 2010). Moreover, task proficiency is another indicator of good performance as team members who are proficient in their tasks are associated with higher performance levels.

T 1.15

1.16 AUDITOR GENERAL REPORT 2022/2023

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution of South Africa, exists to strengthen the country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence. In short, the Auditor-General checks the spending of public money by looking at whether it has been used ideally and for the purposes intended. This process is concluded by annually checking all government spending.

The audit outcomes of a municipality are based on the fair presentation and absence of significant misstatements in financial statements; performance information for predetermined objectives that was reliable and credible and all financial and non-financial information that complied with laws and regulations. The table below illustrates the audit outcomes over the years:

Year	2020/2021	2021/2022	2022/2023
Annual Financial Statements			
Outcome	Qualified	Unqualified	Unqualified
Year	2020/2021	2021/2022	2022/2023
Predetermined Objectives			
Outcome	Unqualified	Disclaimer	Disclaimer

T 1.16

1.17 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and Integrated Development Plan Review 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/Integrated Development Plan implementation period	01 July 2022-31 August 2022
2	Implementation and monitoring of approved Budget and Integrated Development Plan commences (In-year financial reporting).	01 July 2022-30 June 2023
3	Finalise the 4 th quarter Report for previous financial year	31 July 2023
4	Submit draft Annual Performance Report to Internal Audit	10 July 2023

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No.	Activity	Timeframe
6	Audit and Performance Audit Committee considers draft Annual Performance Report	25 July 2023
7	Mayor tables the unaudited Annual Performance Report	31 July 2023
8	Municipality submits draft Annual Report including consolidated Annual Financial Statements to Auditor General	31 August 2023
9	Annual Performance Report as submitted to Auditor General to be provided as input to the Integrated Development Plan Research, Information Collection and Analysis Phase	30 September 2023
10	Auditor General audits Annual Report including consolidated Annual Financial Statements	01 September 2023-30 November 2023
11	Municipalities receive and start to address the Auditor General's request for information and communication of audit findings	01 September 2023-30 November 2023
12	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	31 January 2024
13	Audited Annual Report is made public, and representation is invited	10 February 2024
14	Oversight Committee assesses Annual Report	15 February 2024-15 March 2024
15	Council adopts Oversight report	31 March 2024
16	Oversight report is made public	10 April 2024
17	Oversight report is submitted to the Free State Legislature, Free State Department of Cooperative Governance and Free State Treasury	
18	Commencement of draft Budget/ Integrated Development Plan finalisation for next financial year. Annual Report and Oversight Reports to be used as input	01 September 2024-31 May 2025
T 1.17		

1.17.1 COMMENT ON THE STATUTORY ANNUAL REPORT PROCESS

Firstly, the municipality approved the Integrated Development Plan, and the Executive Mayor approved the Top-Layer Service Delivery and Budget Implementation Plan which was then published after approval. The Senior Managers also approved their departmental Lower-Layer Service Delivery and Budget Implementation Plan whereafter every employee within the municipality signed the Performance Agreements, Performance Plans and Personal Development Plans.

On a quarterly basis, progress on the implementation of the Service Delivery and Budget Implementation Plan was compiled and reported to council by the Executive Mayor in terms of section 52(d) Reports as informed by the Municipal Finance Management Act, 56 of 2003.

These reports were first reviewed by the Integrated Development Plan and Performance Management and Development Systems Division, whereafter they were quality assured by the Internal Audit Unit. After quality assurance processes, they were then submitted to Audit and Performance Audit Committee for oversight processes and recommendations to council.

Council deliberated on the quarterly progress reports on the implementation of Service Delivery and Budget Implementation Plan and resolved on what actions need to be undertaken to address underperformance where it was identified, and the Executive Mayor needed to report back on the actions taken on a regular basis to council.

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At the end of the fourth quarter, management compiled a draft annual performance report which was tabled to council before submitted to council on the 31 August 2023. The draft annual report was then audited by the Auditor General of South Africa, during this period the Auditor General of South Africa issued request for information and communication of audit findings to management to assist with the audit process.

Upon finalisation of the regulatory audit, the Auditor General of South Africa issued the Audit Report and Management Letter to Management. The Audit Report, Annual Performance Report, the Audit and Performance Audit Committee Annual Report, and the audited Annual Financial Statement were then consolidated into the Annual Report to be tabled to council in January 2023.

The Annual Report as required by legislation, was then submitted to Auditor General of South Africa for the Auditor General of South Africa to read the Annual Report and identify if there are any inconsistencies in the Annual Report compared to the audited Annual Performance Report and Annual Financial Statement, and if there are any, these will be communicated to the municipality and the municipality requested to make the necessary corrections. Should the corrections not be made the Auditor General of South Africa will amend and reissue the Audit Report.

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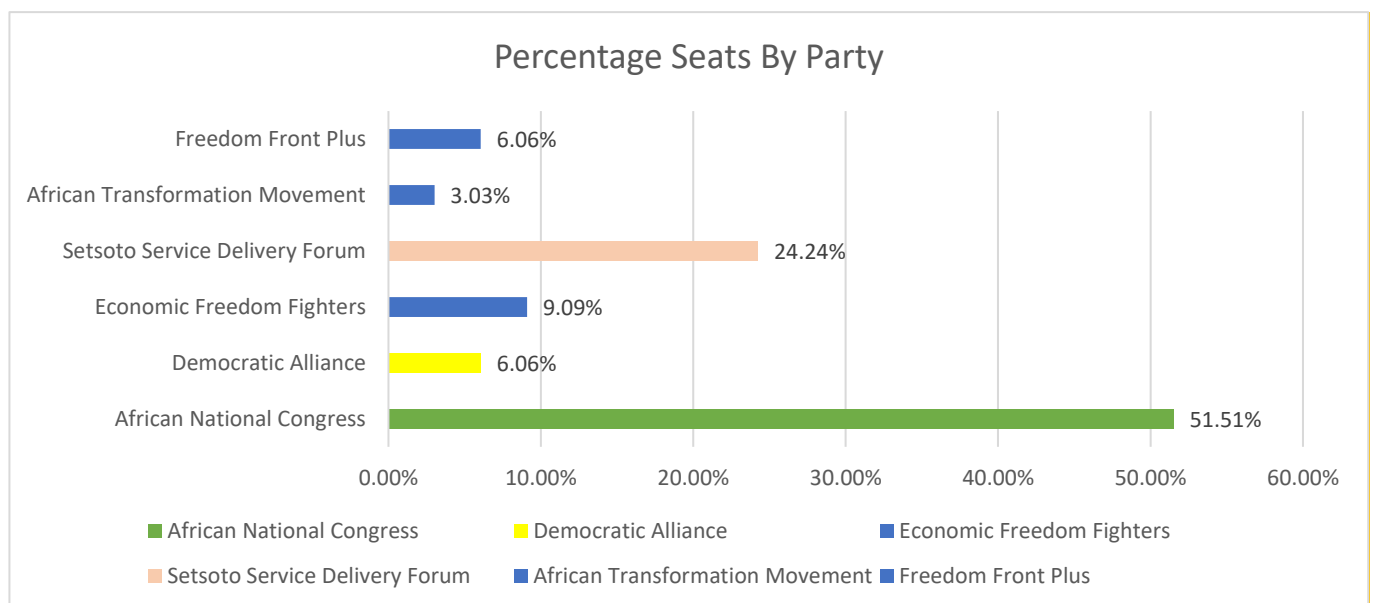
CHAPTER 2: GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2. INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

Council

Council has an Executive Mayoral System with a Ward Participatory System inclusive of Section 79 and 80 Committees. The council of the municipality consist of thirty-three councillors made of the following political parties percentage seats by party as per the information from Independent Electoral Commission from the 2021 Local Government Elections Results.



Source: Electoral Commission-Local Government Election Result 2021

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The Speaker

The Speaker is the Chairperson of council meetings in accordance with the approved rules of order. This is a full-time appointment linked to an office term.

Chief Whips

The council does not have an appointed party chief whips, but each party has its own party chief whip who monitors the councillors from respective political parties to ensure that they carry out their duties responsibly. In addition, the chief whips deals with the well-being and monitors the attendance of their respective councillors at meetings.

Section 79 Committees

Section 79 Committees have been established following the relevant terms of reference determined by Council. They are chaired by non-executive councillors and provide general oversight and monitoring of the municipal service delivery mandate.

Municipal Public Accounts Committee

The Municipal Public Accounts Committee is made up of councillors from various political parties in council and is constituted as follows:

Name	Gender	Political Party	Position
Ntema Khatlake	Male	African National Congress	Chairperson
Ponya Mmasa	Male	African National Congress	Member
Mokhele Modise	Male	Democratic Alliance	Member
Phillipus Vermeulen	Male	Setsoto Service Delivery Forum	Member
Lesole Thamae	Male	African National Congress	Member
Lillian Mohanoe	Female	Setsoto Service Delivery Forum	Member

None of the councillors on the Municipal Public Accounts Committee serves on other committees of council.

Audit and Performance Audit Committee

The Audit and Performance Audit Committee has been established since 2004 in terms of Section 14(2)(a) of the Local Government: Municipal Planning and Performance Regulations of 2001 and membership changed over time. The current Audit and Performance Audit Committee was appointed on the 13 October 2022 for a period of five years until 12 October 2027. Below are the previous and current members of the Audit and Performance Audit Committee:

Previous Audit and Performance Audit Committee members term end 16 July 2022 extended to 11 October 2022		New Audit and Performance Audit Committee Members	
Initials and Surname	Designation	Initials and Surname	Designation
Mr H B Mathibela	Chairperson	Mrs S J Masite	Chairperson
Mr T Zororo	Ordinary Member	Mr L S Mofokeng	Ordinary Member
Mr L S Mofokeng	Ordinary Member	Ms F M N Kobo	Ordinary Member
Ms F M N Kobo	Ordinary Member	Mrs M Ramutsheli	Ordinary Member
Mrs S J Masite	Ordinary Member	Ms T Monare	Ordinary Member

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The Audit and Performance Audit Committee is meeting on a quarterly basis during each financial year as follows:

Meeting Scheduled as per Year Plan	Meeting Held
14 July 2022	14 July 2022
26 August 2022	26 August 2022
	29 August 2022 – Special meeting
18 November 2022	25 November 2022
13 January 2023	25 January 2023
17 February 2023	22 and 29 February 2023
19 April 2023	19 April 2023
23 May 2023	23 May 2023
19 July 2023	19 July 2023

Attendance of the previous committee and the new committee members over to the financial year 2022/2023

Name	Number of meetings scheduled	Meetings attended
Mr. H B Mathibela	3	3
M. T Zororo	3	3
Mr. L S Mofokeng	8	8
Ms F Kobo	8	8
Mrs. S Masite	8	8
Mrs. M Ramutsheli	6	6
Ms T Monare	6	6

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2.1 POLITICAL LEADERSHIP



Councillor Seipati Mbiwe
Executive Mayor



Councillor Pakalitha Mavaleliso
Council Speaker

Members of the Mayoral Committee



Councillor Komane Kolane
Chairperson: Community Services



Councillor Motsamai Selasi
Chairperson: Finance Services



Councillor Tommy Ancel
Chairperson: Corporate Services



Councillor Thabang Makae
Chairperson: Urban Planning and Human Settlement



Councillor Thabo Mthimkhulu
Chairperson: Technical and Infrastructure Services

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Councillors				
Surname	Name	Gender	Political Party	Ward/Proportional Representation
Mbiwe	Seipati Justina	Female	African National Congress	Proportional Representation
Mokheseng	Seipati Miriam	Female	Economic Freedom Front	Proportional Representation
Oberholzer	Ilanie Elizabeth	Female	Setsoto Service Delivery Forum	Proportional Representation
Ancell	Tommy	Male	African Transformation Movement	Proportional Representation
Janssonius	Johannes Marius	Male	Setsoto Service Delivery Forum	Proportional Representation
Mofokeng	Morongoe Dina	Female	African National Congress	Proportional Representation
Odendaal	Michiel Frederick	Male	Freedom Front Plus	Proportional Representation
Vermeulen	Phillipus Johannes Martinus	Male	Setsoto Service Delivery Forum	Proportional Representation
Vries	Isak	Male	Setsoto Service Delivery Forum	Proportional Representation
Dell	Henrietta	Female	Democratic Alliance	Proportional Representation
Heymans	Maria Cornelia	Female	Freedom Front Plus	Proportional Representation
Mokoakoe	Lebohang Gilbert	Male	Economic Freedom Fighters	Proportional Representation
Manako	Tebello Samuel	Male	Economic Freedom Fighters	Proportional Representation
Koqo	Palesa Elizabeth	Female	African National Congress	Proportional Representation
Mohanoe	Lillian Elaine	Female	Setsoto Service Delivery Forum	Proportional Representation
Mokhele	Modise Moses	Male	Democratic Alliance	Proportional Representation
Motsoane	Tshwanelo Phandreanox	Male	African National Congress	Ward 1
Langa	Timothy Lebeko	Male	African National Congress	Ward 2
Maleke	Mojalefa Joel	Male	Setsoto Service Delivery Forum	Ward 3
Ponya	Mmasa Alfred	Male	African National Congress	Ward 4
Moipatli	Chere Daniel	Male	African National Congress	Ward 5
Selasi	Motsamai William	Male	African National Congress	Ward 6
Khatlake	Ntema Peter	Male	African National Congress	War 7
Mokhobo	Mohau Johannes	Male	Setsoto Service Delivery Forum	Ward 8
Mthimkhulu	Thabo Isaac	Male	African National Congress	Ward 9
Constable	Stephen Manko	Male	African National Congress	ward 10
Koalane	Komane Elias	Male	African National Congress	Ward 11
Letube	Morake Edward	Male	African National Congress	Ward 12
Motloenya	Lefu Elliot	Male	African National Congress	Ward 13
Makae	Thabang Elias	Male	African National Congress	Ward 14
Makhalanyane	Tieho George	Male	Setsoto Service Delivery Forum	Ward 15
Thamae	Lesole David	Male	African National Congress	Ward 16
Mavaleliso	Pakalitha Isaac	Male	African National Congress	Ward 17

2.2 POLITICAL DECISION-MAKING

Decision making within the municipality is guided by its Delegation of Powers and Functions as well as Legislative requirements. Various structures comprising of management meetings, Section 80 Committee meetings, Mayoral Committee meetings and Council meetings consider recommendations and make decisions within their delegated powers.

In 2022/2023 a total of 182 items were resolved by the Mayoral Committee with hundred percent implementation as reported and a total of 129 items were resolved on by Council also with hundred percent implementation according to progress reports from respective directorates.

After every Mayoral Committee or Council meeting resolutions are circulated to all Directors for implementation and they are expected to report back on the implementation which is then presented in the next ensuing mayoral committee or council meeting.

2.3 ADMINISTRATIVE GOVERNANCE

The municipal administration can be defined as a multilevel governance. This is widely defined as governing of the governing. It represents established ethical principles or norms that shape and steer the entire governing process. The quality of governance that the municipality is displaying is that of good governance, this relates to consistent management, cohesive policies, guidance processes and decision rights for a given area of responsibility, and proper oversight and accountability.

Administrative governance is defined as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:

- Ethical culture;
- Good performance;
- Effective control; and
- Legitimacy

Ethical and effective leadership should complement and reinforce each other. Ethical leadership is exemplified by integrity, competence, responsibility, accountability, fairness, and transparency. It involves the anticipation and prevention, or otherwise amelioration, of negative consequences of the organisations activities and outputs on the economy, society and the environment and the capitals that it uses and affects.

Effective leadership is results-driven, it is about achieving strategic objectives and positive outcomes. Effective leadership includes, but goes beyond, an internal focus on effective and efficient execution. The council's primary governance role and responsibilities are part of the dynamic of the municipality's business cycle. This role and responsibilities include to steer the municipality and set its strategic direction, based on which management will develop the strategy which is approved by the council.

To give effect to the municipality's strategy, management formulates policy and operational plans, also approved by council. Management then, implements and executes the strategy in accordance with policy and plans which are overseen and supervised by the council. The council finally ensures that there is accountability for municipal performance through, among others, reporting and disclosure. The latter in turn forms the basis for reviewing strategic directions which starts the business cycle anew.

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The municipality's administrative governance structure deeply intersects with its council governance structures. The Municipal Manager is the Accounting Officer. He is supported by the four functional area structures, including the Audit and Performance Audit Committee, Risk Management Committee and the Information and Technology Steering Committee. The very important base of our administrative governance structures, however, consists of the following functional area

- Office of the Municipal Manager;
- Department of Corporate Services;
- Department of Technical Services;
- Department of Community; and
- Department of Finance Services.

The functional areas are headed by the directors who are appointed on a five-year fixed term in terms of Section 57 of the Local Government: Municipal Systems Act, 32 of 2000, as amended, many of whom contribute to the achievement of the municipality's objectives contained in the municipality's approved Integrated Development Plan 2022/2023, Budget 2022/2023, Service Delivery and Budget Implementation Plan 2022/2023. The Directors are responsible for their functional areas and cross functional areas, and responsible for functions highly specific to their functional areas' programmes.

- The cross-functional areas are headed by the divisional managers. A look at the responsibilities of the directors and divisional managers shows how each contributes to the municipality's ultimate outcome through their functional specific strategic goal, and these are:
- to ensure that the municipality is supporting the delivery of municipal services to the right quality and standard;
- to ensure that the municipality is creating a conducive environment for economic development;
- to ensure that we are building institutional resilience and administrative capability;
- to ensuring sound financial management and accounting;
- to promote good governance, transparency, and accountability; and
- putting people and their concerns first

This is where the matrix structure of our organisation comes in-operations informs the demand of the human resources capital including financial resources injections. Functional and cross-functional areas, however, have no formal decision-making powers in terms of legislation. While proposals for executive and legislative decisions often emanate from the areas, approval flows through the municipal governance structures. (Management Committee, Section 80 Committees, Mayoral Committee and Council.

T 2.4

2.4 INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

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Name and Position	Function
 <p>Mrs. Nomvula Malatjie Municipal Manager</p>	<p>Head of administration and accounting officer responsible for:</p> <ul style="list-style-type: none"> • Office of the Speaker; • Office of the Executive Mayor; • Office of the Municipal Public Accounts Committee; • Department of Engineering Services; • Department of Corporate Services; • Department of Development Planning and Security Services; and • Department of Corporate Services.
 <p>Mr. Lefa Moletsane Chief Financial Officer</p>	<p>Head of finance department responsible for:</p> <ul style="list-style-type: none"> • Expenditure Management; • Revenue Management; • Supply Chain Management; • Assets Management; and • Budget and Reporting.
 <p>Mr. Themba Marotholi Director Technical Services</p>	<p>Head of public works and infrastructure responsible for:</p> <ul style="list-style-type: none"> • Electricity Services; • Roads And Stormwater Provision; • Wastewater Management; • Water Provision and Maintenance; • Property Management; • Urban Planning and Human Settlement; and • Project Management
 <p>Mr. Molete Fokane Acting Director Community Services</p>	<p>Acting Head of community services responsible for:</p> <ul style="list-style-type: none"> • Parks and Cemetery Management; • Local Economic and Tourism Development; • Agricultural Development; • Sport, Arts And Culture; • Security Service and Property Maintenance; • Disaster Management; • Traffic Management; and • Waste Management
 <p>Mr. Tshepiso Motsima Director Corporate Services</p>	<p>Head of personnel management responsible for:</p> <ul style="list-style-type: none"> • Human Resource Management; • Human Resources Development; • Payroll Management; • Employee Wellness; • Occupational Health; • Labour Relations; and • Legal and Contract Management

T 2.5

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.5 INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Our people's focus is mainly on the audited financial statements, annual performance reports, and the Auditor General of South Africa's Report on those audited Annual Financial Statements and Annual Performance Reports, but they do not consider the effort and intergovernmental interactions that took place to produce such credible Annual Financial Statements and Annual Performance Reports.

During the year under examination, a lot of intergovernmental activities took place to ensure that communities receive sustainable, uninterrupted services daily. There have been a lot of interdepartmental and sector departmental meetings that took place to ensure that challenges are identified and mitigated upon as soon as possible to ensure smooth running of the administration and service provision.

The systems that are in place included processes through which the municipality's objectives are set and pursued in the context of social, regulatory, political, technological, economical, and market environment. These included mechanisms put in place to monitor actions, policies and decisions of the municipality and its service providers.

South Africa has an intergovernmental system that is based on the principle of cooperation between the three spheres of government-local, provincial, and national. While responsibility for certain functions is allocated to a specific sphere, many other functions are shared among the three spheres.

However, the Constitution specifically envisages that as municipalities develop the necessary capacity, the administration of many functions that are currently the responsibility of national and provincial governments will be assigned to municipalities.

Whilst this has been taking place, very often the devolution has only been partial-with municipalities not being given the necessary funds, scope of responsibility or without their being subject to clear forms of accountability for their performance. Over the medium-term, government is planning for more functions to be devolved to municipalities.

There is therefore a need for clear principles to guide such assignments to ensure that there are appropriate incentives, funding, and accountability arrangements. The assignment of functions to local government has a direct bearing on the local fiscal framework.

Ideally, the framework should provide municipalities with access to revenue sources that are commensurate with powers and functions that they are responsible for. In this regard, it is important to keep in mind that the whole local government fiscal framework is designed to fund local government, and not just the transfers from national government.

T 2.6

2.5.1 NATIONAL INTERGOVERNMENTAL STRUCTURES

The following intergovernmental for a play an important role in cooperative governance and in shaping policy and resource decisions:

- **Extended Cabinet**

This is made up of National Cabinet Ministers, extended to Provincial Premiers and the Chairperson of South African Local Government Association. It is the highest cooperative governance mechanism, advising the national cabinet when it finalises the fiscal; framework and the division of revenue on which the Medium-Term Expenditure and Revenue Framework budgets are based.

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- **The President's Coordinating Council**

Chair of this forum is the President of the country, and it constitutes nine provincial Premiers, the Chairperson of South African Local Government Association, Executive Mayors' of Metros, and the National Ministers responsible for cross-cutting functions such as provincial and local government affairs, public service and administration, and finance. Other Ministers may be invited to participate.

- **The Budget Council and Budget Forum**

Established in terms of the Intergovernmental Fiscal Relations Act of 1997. The Budget Council consists of Minister of Finance and the Members of the Executive Councils responsible for finance in each province. The Budget Forum consists of the members of the Budget Council plus the representatives of South African Local Government Association. It provides a forum for discussing financial matters relating to the local government fiscal framework.

- **MinMec**

These are sectoral fora made up of national ministers for concurrent functions and their provincial counterparts. South African Local Government Association represents local government on a number of these fora.

T 2.6.1

2.5.2 PROVINCIAL INTERGOVERNMENTAL STRUCTURES

Over and above the provincial structures as stated above being in the province, the following are the ones that the municipality is participating actively in:

- Provincial Waste Management Forum;
- Free State Traffic Management Committee;
- Free State Umbrella Fire Protection Association;
- Provincial Fire and Disaster Advisory Forum;
- Cross Border Crime Prevention Forum;
- Provincial Security Managers Forum;
- South African Emergency Services Institute;
- Provincial Integrated Development Plan Managers Forum;
- Provincial Planning Forum; and
- Provincial Performance Management Systems Forum
- Back to Basic Principle Forum
- Batho-Pele Forum
- Provincial Internal Audit Forum
- Provincial Risk Management Forum
- Provincial Communicator's Forum
- Information Communication Technology Forum

T 2.6.2

2.6 RELATIONSHIPS WITH MUNICIPAL ENTITIES

The municipality have not established a municipal entity.

2.7 DISTRICT INTERGOVERNMENTAL STRUCTURES

The following are at the district level:

- District Municipal Chief Fire Officers Forum
- District Disaster Management Forum
- Thabo Mofutsanyana District Municipality Traffic Management Committee
- Thabo Mofutsanyana District Integrated Development Plan Manager's Forum
- Thabo Mofutsanyana District Performance Management Systems Manager's Forum
- Thabo Mofutsanyana District Internal Auditor's Forum
- Thabo Mofutsanyana District Communicator's Forum
- Back to Basic Principle Forum
- Batho-Pele Forum
- District Internal Audit Forum
- Risk Management Forum
- Communicator's Forum
- Information Communication Technology Forum

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.8 OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Goal 16 of the 2030 Agenda for Sustainable Development calls for the promotion of peaceful and inclusive societies for sustainable development, the provision of access to justice for all and building effective, accountable, and inclusive institutions at all levels. Specifically target 16.7 addresses the need for responsive, inclusive, participatory, and representative decision-making.

In this connection, we have been focusing on supporting national efforts to promote open, transparent, and inclusive participation and decision-making in development. We assisted governance structures in improving their responsiveness to public needs and engagement of people in the development process.

This included the development and approval of the Integrated Development Plan Review Process Plan 2022/2023 with programme of Action and Budget Costs, the participation, as well as the promotion of the use of open municipal data, to improve accountability, combat corruption and enhance the delivery of public services.

For those who look at issues of governance and the development from the perspective of citizens, it is both the right and the responsibility of citizens to participate in accounting for themselves and in holding other actors to account. If social exclusion and discrimination are reversed, it is particularly important for governments and aid agencies to be accountable to marginalised and excluded citizens. Involving such citizens in accountability initiatives calls for particularly innovative and far-reaching participatory process.

The Integrated Development Planning and Performance Management Division of the municipality is involved in designing, implementing, and supporting and evaluating initiatives that works towards different aspects of accountability, including accountable governance and accountable aid.

The division work not only to facilitate participation in such initiatives and strengthen citizens' voices, but also to

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understand and address the underlying power relations in our accountability work. Accountability takes many forms, but go on to describe the two key components of most accountability relationships:

- Answerability-the right to get a response, and the obligation to provide one; and
- Enforceability-the capacity to ensure that an action is taken, and access to mechanisms for redress.

T 2.9

2.8.1 COMMUNICATION, PARTICIPATION AND FORUMS

The municipality uses formal and informal communication mechanisms, public participation and for a that the municipality has established in terms of legislative prescripts. The communication flow is arranged in a manner that all council decisions are to be communicated by the Executive Mayor and all administrative decisions by the Municipal Manager as the municipality have not appointed as municipal spokesperson yet.

For public participation, the Speaker is informed so that he can convey the intention to the councillors who in turn will inform the ward committees so that the message can reach all wards within the municipality. Organised structures invite community members and stakeholders through the chairperson of the committee and report is then submitted.

In other instances committees of council would invite members of the public to make presentation in their meeting and reports of the committees are then discussed in the Mayoral Committee meeting with recommendations to council for a resolution and those matters which the Mayoral Committee has delegated powers are disposed off and submitted to council for notification.

T 2.10.1

2.8.2 WARD COMMITTEES

The ward participatory system of municipal government allows for the establishment of ward committees to facilitate public participation in the matters of local government. Ward committees can also improve communication between the municipal council and local communities and play a role in identifying community needs and fine-tuning municipal programmes to accommodate local circumstances. All seventeen ward committees in the municipality were established in April 2022.

T 2.10.2

2.9 COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

The public meetings have been effective in that the municipality was able to:

- Engage with communities and stakeholders to identify the needs of the communities and include them in the Integrated Development Plan 2023/2024
- Attend to community challenges as soon as they are identified
- Give feedback to communities on the progress made on the implementation of projects and programmes the municipality is implementing
- Communities were able to hold the political and administrative arm of the municipality accountable
- Refusing the municipality services to areas where they are most needed
- Improving collaboration amongst the municipality, stakeholders, communities and sector department

T 2.11

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2.10 INTEGRATED DEVELOPMENT PLANNING PARTICIPATION AND ALIGNMENT

Integrated Development Planning Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the Integrated Development Plan have priorities, objectives, Key Performance Indicators, development strategies?	Yes
Does the Integrated Development Plan have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the Key Performance Indicators in the strategic plan?	Yes
Do the Integrated Development Plan Key Performance Indicators align to the Section 57 Managers	Yes
Do the Integrated Development Plan Key Performance Indicators lead to functional area Key Performance Indicators as per the Service Delivery and Budget Implementation Plan?	Yes
Do the Integrated Development Plan Key Performance Indicators align with the provincial Key Performance Indicators 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
T 2.12	

COMPONENT D: CORPORATE GOVERNANCE

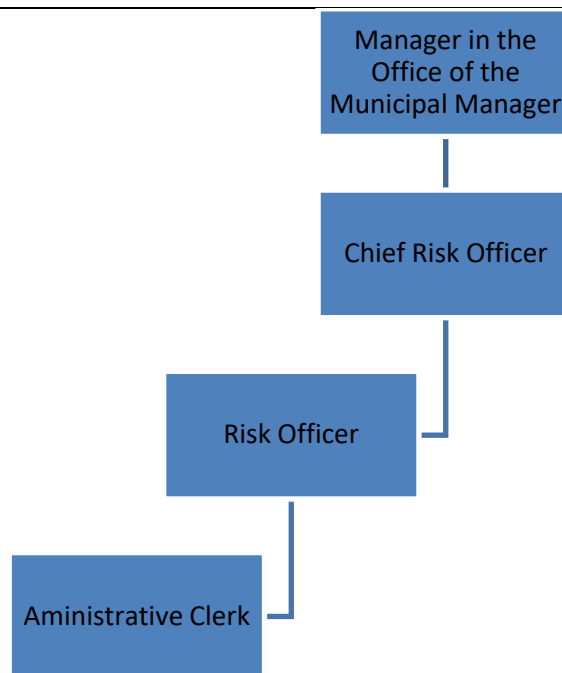
2.11. OVERVIEW OF CORPORATE GOVERNANCE

Political and administrative governance in the municipality consists of a set of processes, customs, policies, laws, regulations and institutions affecting the way people direct, administer or control an organisation. Political and administrative governance also includes the relationships amongst the many role-players involved in the organisations. The principal role-players include communities, management and councillors. Other stakeholders include employees, service providers, customers, businesses, political parties, other organisations and regulators.

T 2.13

2.11.1 RISK MANAGEMENT

The Risk Management Unit of the Municipality is located in the Office of the Municipal Manager, and the hierarchy is as follows:



Risk management is central to managing the municipality as a whole and risk management is integral to planning, organising, directing, and coordinating systems aimed at achieving municipality's goals and objectives.

Risk refers to unwanted outcome, actual or potential to the municipality's services delivery and other performance objectives, caused by the presence of risk factors. Some risk factors also present upside potential, which management must be aware of and be prepared to exploit.

During the year under review the Risk Management Unit managed to utilize the services of Risk Champions to its optimal benefit as interdepartmental relations relating to risk management issues improved. The Chief Risk Officer's post is still vacant though the Risk Officer has been acting in the position. Lot of risks has been identified, minimised, and mitigated during the year under review.

The following are the highlights of the risk management activities of the municipality during the year under review:

- Setsoto Local Municipality still being the best performing in terms of risk management issues in the province
- The risk universe of the municipality has broadened encompassing issues of ethics, compliance, and loss control.
- Most departments have managed to minimize though most are not to an acceptable level identified risks within their divisions, while others require financial muscle and senior management intervention to be mitigated

There is proper correlation between the Risk Management Unit, the Internal Audit Unit and the Integrated Development Planning and Performance Management and Development Systems Division with the municipality, and it is envisaged that with the capacitation and filling of vacant positions this correlation can only be enhanced.

T .13.1

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2.11.2 FRAUD AND ANTICORRUPTION STRATEGY

During the year under review awareness was created through quarterly newspapers that cover topics of fraud and ethical risks. All the unauthorised, irregular, wasteful and fruitless expenditure is being dealt with according to Circular 68 and section 32 of the Municipal Finance Management Act, 56 of 2003.

All processes followed is that the register is completed and tabled to the Assets and Liability Committee which then submit their recommendations to the Municipal Public Accounts Committee for investigations and recommendation to council. The council will then either condones, authorise, recoup and or take legal actions against whoever is liable to the allegations.

There were no hotline cases reported as the process of appointing a service provider is still underway, though this has not hindered any possible cases of fraud from being reported as they find expression through the Human Resources Development division. The Fraud Risk Register was assessed and deliberated at length in senior management thus assisting the municipality to be proactive rather than being reactive.

T 2.13.2

2.12 OVERVIEW OF SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Division, through consultations with other relevant stakeholders had to ensure that the Supply Chain Management Policy of the municipality is implemented optimally and reviewed regularly to ensure compliance to Constitution of South Africa, Municipal Finance Management Act, 56 of 2003, Municipal Regulations and any other relevant legislations. The Supply Chain Management Policy applies when Setsoto Local Municipality procures goods or services and/or disposes goods no longer needed or required. The policy does not apply in respect of the procurement of electricity from Eskom.

A total of twelve bids and sixty-two formal written price quotations were awarded during the year under review. The average turnaround time on the awarding of bids was three months from closing date to the appointment date. Deviations from Supply Chain Management Policy as results of justifiable reasons are compiled and reported to council via Finance Management Committee and Mayoral Committee. Our Supply Chain Management Policy is deemed to be fair, equitable, transparent, competitive, and cost effective and complies with prescribed regulatory for Municipal Supply Chain Management.

Auditor General of South Africa raised concerns regarding irregular expenditures because of non-compliance to Supply Chain Management Policy and Supply Chain Management Regulations. It was also mentioned that the contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the Municipal Finance Management Act, 56 of 2003. Remedial actions were implemented to address concerns raised by Auditor General of South Africa and a more detailed Audit Recovery Plan will be compiled and monitored monthly.

The Municipality is determined to ensure that all Supply Chain Management Division personnel meet the prescribed minimum competency level by providing resources or opportunity for the training of officials involved in the implementation of the Supply Chain Management policy. Other officials have completed the Municipal Finance Management Program and others completed Supply Chain Management learnership pilot programme, initiative by National Treasury and Transport Education Training Authority to bridge a gap identified.

T 2.14

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2.13 BY-LAWS INTRODUCED DURING 2022/2023

Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
No newly developed bylaws during the period					
					T 2.9.1

2.13.1 COMMENT ON BY-LAWS

No new bylaws were developed or introduced during the year under review.	T 2.9.1
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2.14 MUNICIPAL WEBSITE: CONTENT AND CURRENCY OF MATERIAL

Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	30 June 2023
All current budget-related policies	Yes	30 June 2023
The previous Annual Report 2021/2022	Yes	03 February 2023
The Annual Report 2022/2023 to be published	N/A	02 February 2024
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2022/2023) and resulting scorecards	Yes	25 October 2023
All service delivery agreements 2022/2023	Yes	13 May 2022
All long-term borrowing contracts 2022/2023	N/A	N/A
All supply chain management contracts above a prescribed value (give value) for 2022/2023	N/A	N/A
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2022/2023	N/A	N/A
Contracts agreed in 2022/2023 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	N/A	N/A
Public-private partnership agreements referred to in section 120 made in 2022/2023	N/A	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2022/2023	Yes	07 August 2023
		T 2.10

2.14.1 COMMENT MUNICIPAL WEBSITE AND CONTENT ACCESS

<p>The Setsoto website serves as an integral part of a Setsoto Local Municipality's communication infrastructure and strategy. It allows easy access to relevant information, serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. The role of Setsoto Local Municipality's website, as platform for information dissemination, participation and disclosure has been significantly catered for in various pieces of legislation, including:</p> <ul style="list-style-type: none"> • The Local Government Municipal Systems Act No 32 of 2000; • The Local Government Municipal Financial Management Act No 56 of 2003; and • The Municipal Property Rates Act, no 6 of 2004. 	T 2.10.1.1
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2.15 PUBLIC SATISFACTION LEVELS

No public satisfaction survey was conducted during the year under review. The municipality is engaging with the South African Local Government Association to liaise with the University of the Free State to consult with the possibility of signing a Memorandum of Understanding that will include amongst others, the assistance to conduct public satisfaction survey using the latest technological initiatives.

T 2.11

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CHAPTER: SERVICE DELIVERY PERFORMANCE

Municipalities are established in terms of the Constitution of the Republic of South Africa. The purpose and objectives of Municipalities are:

- a) to provide democratic and accountable government for local communities;
- b) to ensure the provision of services to communities on a sustainable manner;
- c) to promote social and economic development;
- d) to promote a safe and healthy environment; and
- e) to encourage the involvement of communities and community organisations in the matters of local government.

A municipality must strive, within its financial and administrative capacity, to achieve the objectives set out above. Chapter 8 of the Municipal Systems Act (Act 32 of 2000) stipulates per section 73 as follows:

A municipality must give effect to the provisions of the Constitution and –

- a) give priority to the basic needs of the local community;
- b) promote the development of the local community; and
- c) ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The municipality translated the above mentioned statutory objectives and customized it to the following municipal key performance areas, focus areas and predetermined objectives:

Key Performance Area	Focus Area	Predetermined Objective
Basic Services	<ul style="list-style-type: none"> • Water • Electricity • Sanitation • Waste Management • Roads and Stormwater • Spatial Planning • Human Settlement • Property Management • Built Environment 	Supporting the delivery of municipal services to the right quality and standard
Local Economic Development	<ul style="list-style-type: none"> • Business Licenses and Permits • Business Development and Training Support 	Creating a conducive environment for economic development
Institutional Capacity	<ul style="list-style-type: none"> • Human Resources Management • Human Resources Development • Labour Relations • Payroll Administration • Occupational Health and Wellness 	Building institutional resilience and administrative capability
Financial Management	<ul style="list-style-type: none"> • Revenue Management and Valuation Roll • Expenditure Management 	Ensuring sound financial management and accounting

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	<ul style="list-style-type: none"> • Budget • Supply Chain Management • Asset Management • Fleet Management 	
Good Governance, Transparency and Accountability	<ul style="list-style-type: none"> • Internal Audit • Risk Management • Communication Services • Information Technologies • Performance Management and Development Systems • Financial Reporting 	Promoting good governance, transparency, and accountability
Public Participation	<ul style="list-style-type: none"> • Stakeholder Engagements • Youth Development • Sport Arts, Recreation and Culture • Special Programmes • Ward Committees • Petitions • Integrated Development Planning • Budgeting 	Putting people and their concerns first
T 3.1		

3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

The legislative framework provides for performance management and development system at various levels in a municipality including organisational level, operational level and lastly at individual level. These levels are however integrated and interdependent on each other.

Measurable performance targets with regard to each of these development priorities and objectives were established and are reflected in the Organisational Performance Management and System Scorecard-Top-Layer Service Delivery and Budget Implementation Plan 2022/2023. A process to ensure regular reporting is in place and gets reported quarterly to the council through the Audit and Performance Audit Committee and the Executive Mayor.

Individual performance agreements and performance plans were prepared in line with the provisions prescribed in the Performance Regulations, Notice 805, published on 01 August 2006 in the official gazette, and signed by the Municipal Manager, all Directors, and Middle Managers. These agreements are fully implemented and aligned with the Service Delivery and Budget Implementation Plan as required in terms of the Municipal Finance Management Act, 56 of 2003.

Performance monitoring underpins the municipality's Integrated Development Plan in terms of reviewing progress regularly in achieving the priorities and delivering value for money services. Early investigation into variances enables remedial action taken where appropriate.

The Organisational Performance Management and Development System Scorecard-Top-Layer of the Service Delivery Budget Implementation Plan has been developed in complying with stipulations in terms of Section 41 of the Municipal Systems Act, 32 of 2000, and has been included as an annexure to the municipal Integrated Development Plan review on approved on 30 May 2022.

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The Top-Layer Service Delivery Targets of the Service Delivery and Budget Implementation Plan included in the Annual Report is therefore the monitoring and reporting mechanism on measurable performance targets detailing developmental priorities and objectives as set out in the municipality's Integrated Development Plan.

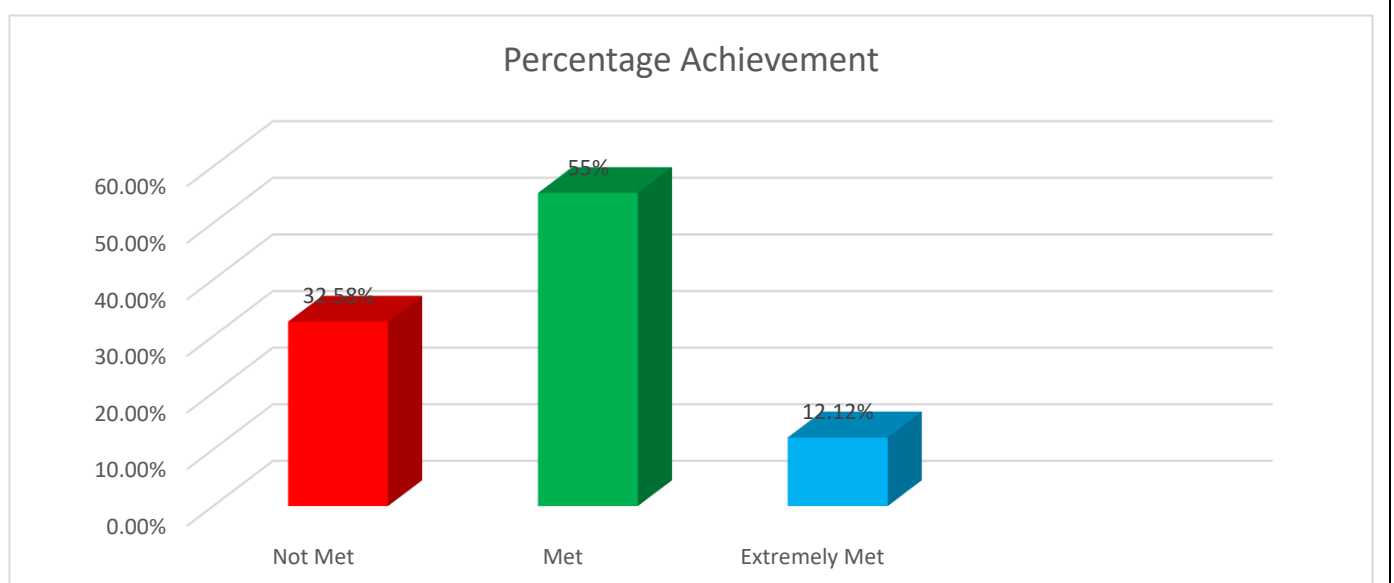
The Top-Layer Basic Service Delivery Targets of Service Delivery and Budget Implementation Plan is reporting the achievements of the municipality on a strategic level which is in line with strategic key performance areas directly aligned to the six national key performance areas. The Annual Report highlights the key performance measures included in the Integrated Development Plan review for the 2022/2023 financial year in the newly adopted format.

These priority measures constitute the Organisational Performance and Development System Scorecard-Top-Layer of the Service Delivery and Budget Implementation Plan on Basic Service Delivery Targets for 2022/2023 financial year. The annual performance reporting on the 2022/2023 financial year has been completed and presented in the Top-Layer of Service Delivery Targets set in the Service Delivery Budget Implementation Plan 2022/2023 in a table format.

The Top-Layer Service Delivery Budget Implementation Plan 2022/2023 consolidated service delivery targets as contemplated in National Treasury Municipal Finance Management Act, 56 of 2003, Circular 13 guide has been included following the review from the Auditor General since the 2020/2021 financial year auditing process. Technical Indicator Descriptions were developed for the Top-Layer service delivery targets of the Service Delivery and Budget Implementation Plan for the 2022/2023 financial year and enhanced at mid-year and approved by council on 28 February 2023 as part of the continued implementation process.

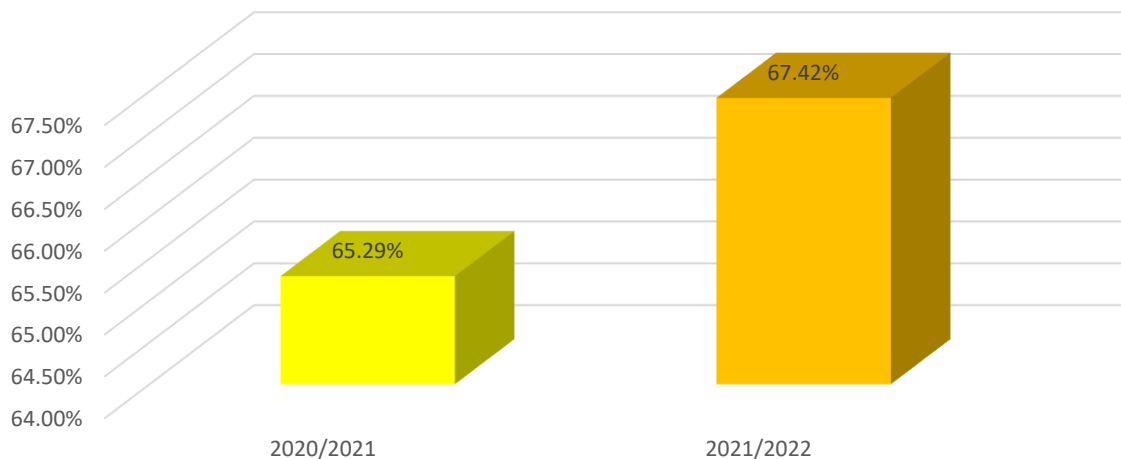
The Annual Report Top-Layer of Service Delivery Targets set in the Service Delivery Budget Implementation Plan should be read in conjunction with the Setsoto Local Municipality Annual Performance Report, including the Annual Financial Statements as well as Auditor General Report on the Annual Financial Statements and Performance on Predetermined Objectives Information for the 2022/2023 financial year.

On 30 June 2023, 55.30% of organisational performance targets-Top Layer of Service Delivery Targets set in Service Delivery Budget Implementation Plan for 2022/2023, have been met and 12.12% exceeded the annual target. An average percentage achievement of 67.42% against the annual key performance targets set has been recorded, reflecting an improvement when compared with the 2021/2022 financial year were 65.29% of the targets were met with an average percentage achievement of 63.70%.



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Year on Year Comparative Achievement Analysis



Areas for improvement are reflected in the relevant column directly in the Organisational Performance and Development System Scorecard for 2022/2023 -Top Layer of Service Delivery Targets set in the Service Delivery Budget Implementation Plan. Accountable managers have provided commentary to put performance into context and identified actions that they are taking to address instances where under performance is reported.

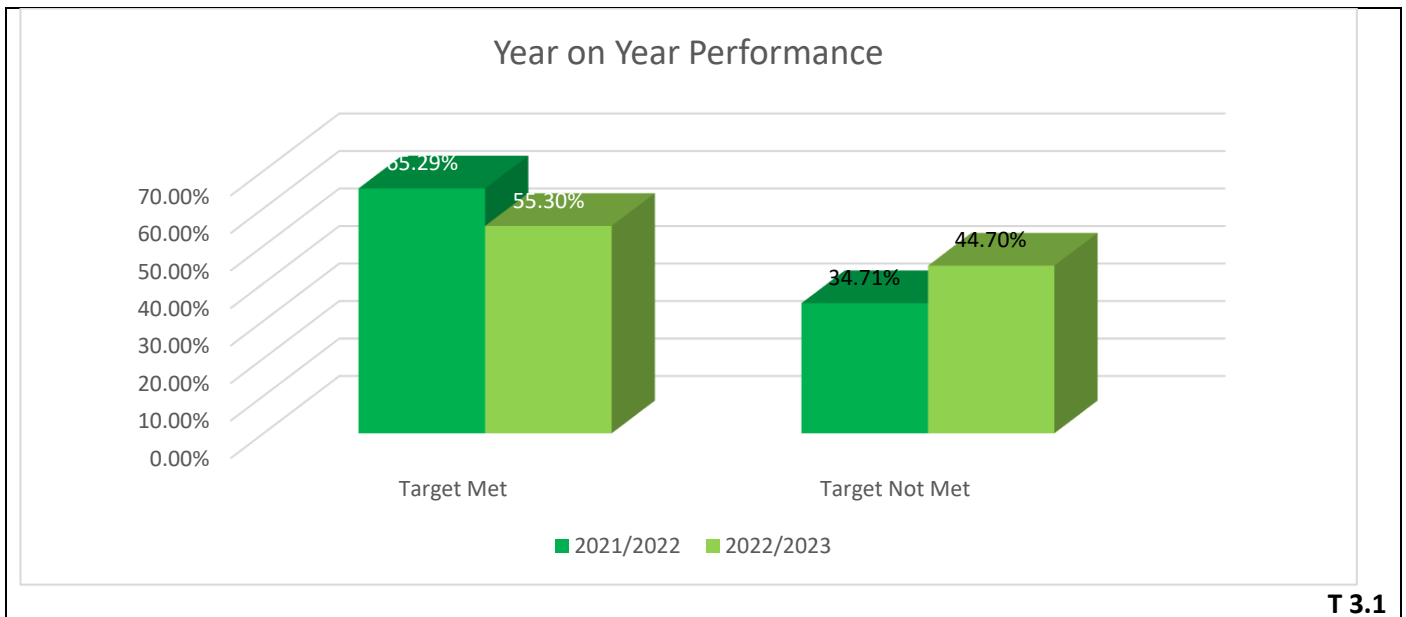
The traffic light system used to report performance is as follow:

- Red-Key Performance Indicators which were not met for the period under review, $0\% \leq \text{Actual/Target} = 75\%$
- Orange-Key Performance Indicators that were almost met, $76\% \leq \text{Actual/Target} = 99\%$
- Green-Key Performance Indicators where targets are achieved, $\text{Actual/Target} = 100\%$
- Gold-Key Performance Indicators that are well met-over achieved, $101\% \leq \text{Actual/Target} = 150\%$
- Sky Blue-Key Performance Indicators that are extremely met-over achievement, $151\% \leq \text{Actual/Target}$

In relation to the 2022/2023 year-end performance results, the final results are analysed as follows:

- 55.30% of targets have been achieved within 100% or exceed against the 2022/2023 annual targets set, reflecting a decrease when compared to the 2021/2022 financial year were 65.29% of targets were achieved within 100% or exceeded
- 44.70% of 2022/2023 annual targets were within the 75%, reflecting a regression on performance when compared to the 2021/2022 financial year were 34.71% of targets which were within 75%.

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COMPONENT A: BASIC SERVICES

3.2 INTRODUCTION TO BASIC SERVICES

Municipalities are the most basic units of government in the country and are tasked with providing basic services and fostering development in the regions they control. Local government in South Africa is largely understood in terms of service delivery and the South African Constitution, Act No. 108 of 1996, assigns municipalities the role to mobilise economic resources towards the improvement of the lives of all citizens.

Basic services are the fundamental building blocks of improved quality of life, and adequate supplies of safe water and adequate sanitation are necessary for life, well-being, and human dignity. Tremendous progress has been made over the past few decades in the delivery of basic services.

The Community Survey 2016 found that 89,8% of households used piped water, that 63,4% used flush toilets connected to either the public sewerage or to a local septic system, that 63,9% of households receive refuse removal services, and finally, that 87,6% of households had access to electricity.

These headline figures, however, hide a lot of variation across provinces, district councils and between local municipalities. Households living in rural municipalities usually have access to far less, and usually also more inferior services to those living in wealthier, particularly more urban municipalities.

Although the reasons for the existence of backlogs differ by service and between municipalities, part of the reason relate to the legacy of unequal development which still haunt former homeland areas, high levels of poverty that limit households' ability to pay for services, as well as the practical constraints of extending services to far off rural areas or densely populated informal areas at great expense to the local municipality.

Although certain 'gold' standards have been set for each service, such as the provision of flush toilets, the provision of running water in the dwelling, or weekly kerbside refuse removal, financial and practical constraints have forced municipalities to provide a variety of service levels in order to meet the very basic needs of residents.

Since using a single measure of household access would hide the combination of measures used by municipalities, this report uses an index to explore the complex interchange between different service delivery measures in more detail.

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The report shows that households in rural municipalities generally have access to poorer service levels. Although household perceptions of the services they receive vary greatly between municipalities, households in metropolitan municipalities are generally more satisfied than those in smaller municipalities, particularly rural municipalities.

A simple correlation between municipal poverty headcounts and the available infrastructure shows a strong positive relationship. The relationship between household satisfaction with basic services and the quality of infrastructure can also be expressed as a strong positive correlation, meaning that poor households with inadequate access to services are most likely to be dissatisfied with those services. The report finally finds that 75% of households in South Africa did not believe that municipalities were actively addressing the issues they felt was most important for households in their respective municipalities.

T 3.2

3.3 INTRODUCTION TO WATER PROVISION

The Department of Technical Services is responsible for providing basic services under the following sectors:

- Water
- Sanitation
- Electricity
- Roads and stormwater
- Planning and Property Management
- Project Management

All these are provided through a project management unit and each sector is therefore responsible for maintenance of the provided infrastructure to ensure effective, efficient, and sustainable service delivery. The department is devoted to improving the quality of life of its community by providing efficient, sustainable, reliable, and affordable infrastructure and to ensure continuous upgrade and maintenance of the existing infrastructure. This department is also mandated to ensure adequate services land through which residents can develop quality formal housing and receive security of tenure.

An increase in population growth in the municipality implies an increasing urgency for development of infrastructure for our communities that can support this increase in population. Infrastructure is the foundation that enables economic growth and development.

Local government is mandated to construct and maintain a range of infrastructure that facilitates local economic activities and create an enabling environment for economic growth. The department had included key priority projects on the Integrated Development Plan 2022/2023 to secure funding to fulfil this mandate.

Infrastructure is the foundation that enables economic growth and development. Local government is mandated to construct and maintain a range of infrastructure that facilitates local economic activities and create an enabling environment for economic growth. From a local perspective, the following infrastructure categories are of key importance specifically in terms of:

1. Water and Sanitation

- Planning the provision of water and sanitation services (Master planning),
- Operation and maintenance of the water and sanitation assets and resources
- Manage the provision of capital infrastructure related
- Project management, and
- Policies, procedure, and standards for the provision of the service

2. Roads and Stormwater

- Planning the provision and upgrading of adequate roads and stormwater
- Maintenance of the existing infrastructure
- Manage the provision of capital infrastructure
- Project management

3. Electricity

- Plan and manage the distribution of electricity
- Operation and maintenance
- Manage the provision of capital infrastructure
- Project management
- Policies, procedures, and standards for the provision of the services

4. Planning and Property Management

- Plan the provision of housing to the needy by the province
- Assist the Province in coordinating the housing delivery strategies
- Enforce the provincial policies on housing matters, and
- Assist the province in the managing of contractors and the projects
- Provide guidance to the community on housing matters • Maintain database of housing beneficiaries' waiting list

The Planning and Property Management is responsible for the provision and maintenance of the following services:

- Security Services and Property Maintenance.
- Traffic Management.
- Disaster Management.
- Waste Management.
- Parks and Cemeteries; and
- Local Economic Development, Tourism, Sport and Recreations.

5. Project Management Unit

- Provide support to all the sectors above on implementation of capital.
- Coordination of the project identification process between municipalities served by the Project Management Unit, in terms of the relevant Integrated Development Plans.
- Coordination of the project feasibility process, with involvement of other municipal departments where appropriate, in terms of the relevant integrated development plans.
- Establishment and approval of contracts with contractors and consultants for each project, including feasibility studies.
- Project management, including ensuring that projects meet planning objectives.
- Coordination of project-based capacity building initiatives: the Project Management Unit is responsible for ensuring that project-related capacity building and development objectives are met; and
- Management of Municipal Infrastructure Grant Management Information System for registration of projects, facilitate the capture of backlog information, monitoring and preparation of all necessary reports.
- Build capacity to operationalize and manage the Municipal Infrastructure Grant Management – Management Information Systems.

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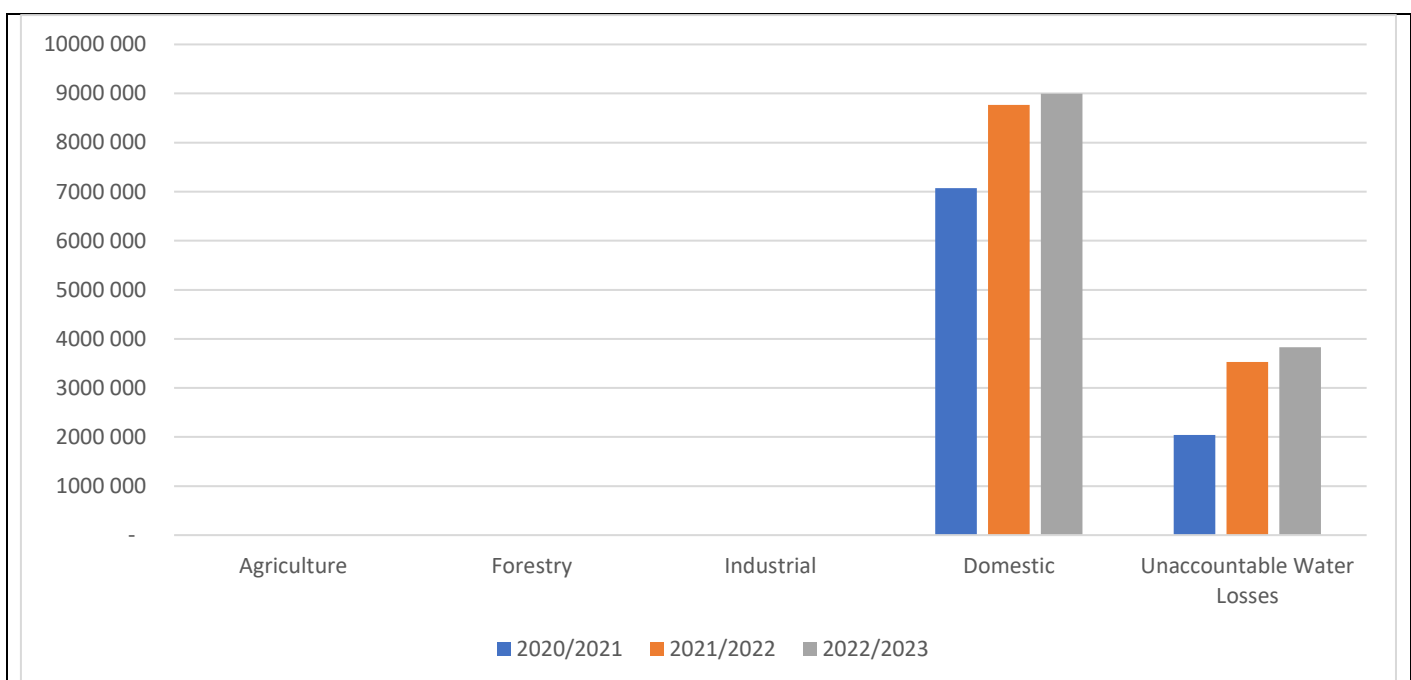
It is important to note that the Project Management Unit is a function or shared function within a municipality. All it requires are the planning, organizing, coordinating, controlling, and directing of the activities of a project.

T 3.3

3.3.1 TOTAL USE OF WATER BY SECTOR (CUBIC METERS)

	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2020/2021	-	-	-	7 072 595	2 040 193
2021/2022	-	-	-	8 768 160	3 531 908
2022/2023				8 995 192	3 828 807
					T 3.3.1

3.3.2 WATER USE BY SECTOR



T 3.3.2

3.3.3 COMMENT ON WATER USE BY SECTOR

South Africa, a country with a scarcity of water, continuously aims to use its water resources in the most effective and equitable way possible. To ensure sustainability over the long term, different users in relation to industry, domestic usage, agriculture, and the environment must be given a fair and sufficient share of the resources. Therefore, effective water demand management is crucial in municipalities.

The demand for water resources is rising due to factors such as climate change, population expansion, Industrialization, and urbanization, yet the limited supply is being affected by water pollution. The difference between water supply and demand in recent years indicates that the problem of water shortage is gradually getting out of hand.

T 3.3.3

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3.3.4 WATER LOSSES

2022/2023	Units Purified	Units sold	Flat Rate	Percentage Losses	2021/2022
July 2022	536 563	199 615	224 558	21%	46%
August 2022	709 891	257 395	224 363	32%	52%
September 2022	700 179	188 777	224 509	41%	32%
October 2022	619 724	184 790	224 657	34%	39%
November 2022	769 424	198 523	224 288	45%	38%
December 2022	940 755	204 934	224 437	54%	35%
January 2023	720 514	208 909	224 949	40%	33%
February 2023	837 184	203 051	225 867	49%	43%
March 2023	741 903	170 773	225 737	47%	30%
April 2023	823 857	179 239	225 480	51%	39%
May 2023	777 430	219 025	224 739	43%	45%
June 2023	817 768	252 040	224 730	42%	44%
Total	8 995 192	2 467 071	2 699 314	43%	40%

Percentage water losses account to an average of 43% for the year under review and this includes units consumed in townships with a flat rate as there are no meters installed. This is way above the prescribed norm from National Treasury for water losses which is estimated to be between 15% and 30%.

The water losses are calculated obtaining the difference between the volume or quantity of water purified and the volume or quantity of water sold. The municipality is currently reading water meters in the traditional towns only and therefore their consumption can be measured realistically, whilst the traditional townships the municipality levy a flat rate. Losses can result from leakages, pipes and joints, and overflows of reservoirs

T 3.3.4

3.3.5 WATER SERVICE DELIVERY LEVELS

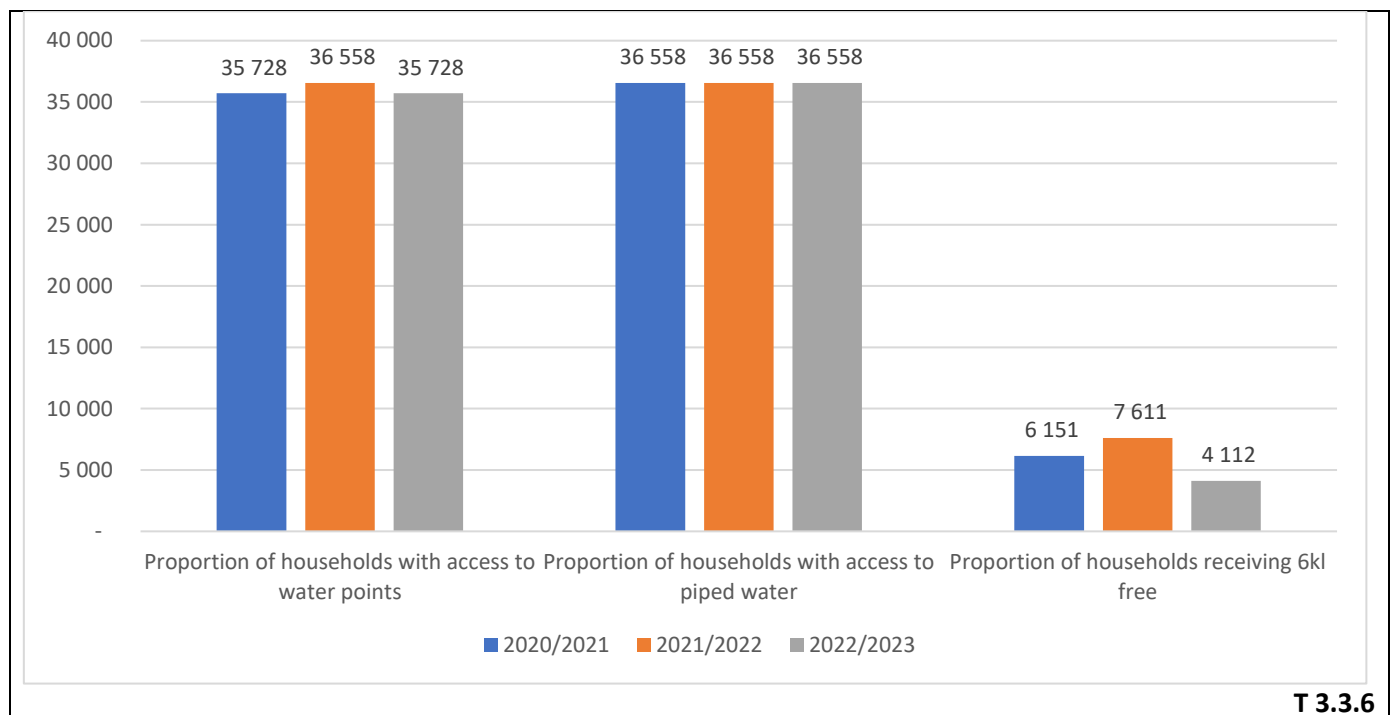
Description	Households			
	2019/2020	2020/2021	2021/2022	2021/2022
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
Water above min level				
Piped water inside dwelling	5 693	5 693	5 693	5 693
Piped water inside yard (but not in dwelling)	27 820	27 820	27 820	27 820
Using public tap (within 200m from dwelling)	2 222	2 222	2 222	2 222
Other water supply (within 200m)	830	830	830	830
Minimum Service Level and Above sub-total	36 558	36 558	36 558	36 558
Minimum Service Level and Above Percentage	98%	98%	98%	98%
Water below min level				
Using public tap (more than 200m from dwelling)	0	0	0	0
Other water supply (more than 200m from dwelling)	0	0	0	0
No water supply	823	823	823	823
Below Minimum Service Level sub-total	823	823	823	823
Below Minimum Service Level Percentage	2%	2%	2%	2%
Total number of households	37 388	37 388	37 388	37 388

T 3.3.5

Source: Statistics South Africa Community Survey 2016

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

3.3.6 ACCESS TO WATER



T 3.3.6

3.3.7 EMPLOYEES: WATER SERVICES

Job Level	2021/2022		2022/2023		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	4	4	0	0%
7 - 9	6	0	0	0	0%
10 - 12	5	70	39	31	44%
13 - 15	9	0	0	0	0%
16 - 18	10	8	9	-1	-13%
19 - 20	18	0	0	0	0%
Total	52	83	53	30	36%

T 3.3.7

3.3.8 FINANCIAL PERFORMANCE 2022/2023: WATER SERVICES

Details	2021/2022		2022/2023		R'000
Total Operational Revenue	-92 481	-184 218	-183 848	-155 510	-18%
Expenditure:					
Employees	5 803	5 803	24 438	22 113	74%
Repairs and Maintenance	25	-69	310	1 585	104%
Other	-69	6 275	159 115	88 386	93%
Total Operational Expenditure	6 275	12 009	183 863	112 084	89%
Net Operational Expenditure	98 756	196 227	36 7711	267 594	27%

T 3.3.8

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

3.3.9 CAPITAL EXPENDITURE 2022/2023: WATER SERVICES

R' 000					
Capital Projects	2021/2022				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	59 372	59 372	49 131	-21%	59 372
Ficksburg/Meqheleng (Caledon Park): Replacement of asbestos water rising main (MIS:462692)	59 372	59 372	49 131	-21%	59 372
					T 3.3.9

3.3.10 COMMENT ON WATER SERVICES PERFORMANCE OVERALL

We confirm that we have achieved our targets as set out in the Integrated Development Plan with approved budget. The priority area was to increase water supply to all communities, where there has been shortage.

T 3.3.10

3.4 INTRODUCTION TO SANITATION PROVISION

The primary objective for water and sanitation is to:

- ensure effective, efficient, affordable, economical, and sustainable access to water and sanitation services
- promote sustainable livelihoods and economic development.
- Report annually on progress against development plans to improve access to quality water and sanitation services. Provide for regular maintenance of water and sanitation infrastructure.

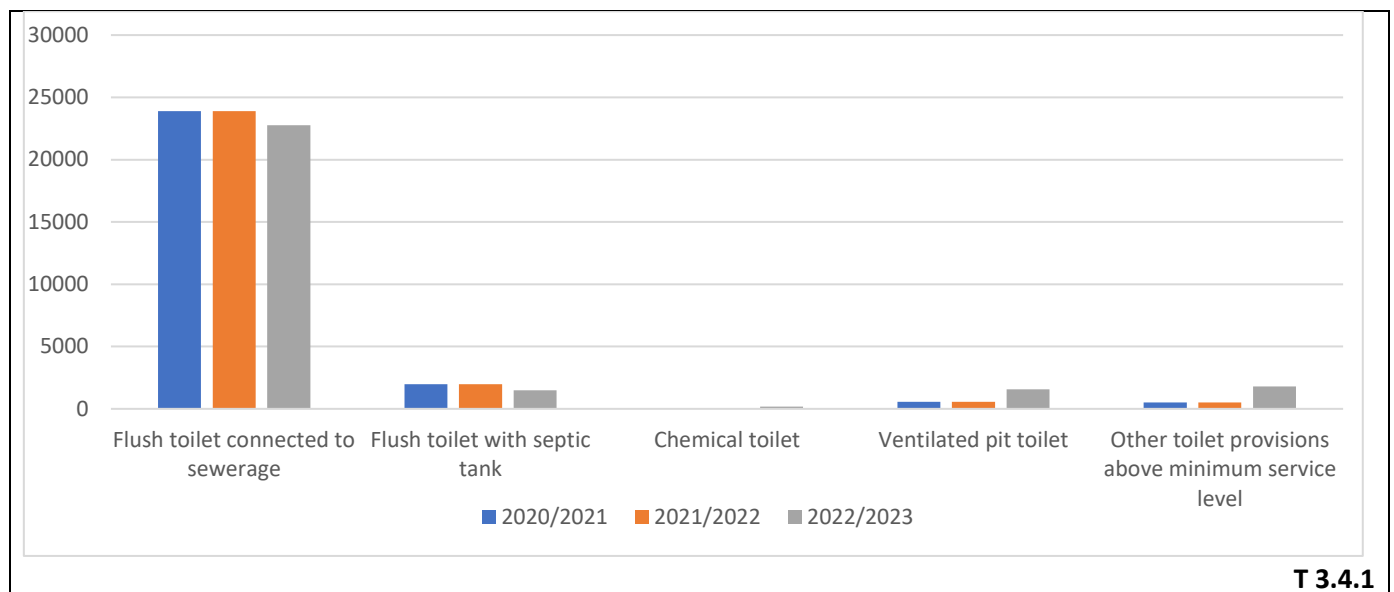
The municipality is supplying water through reticulation system to 97% of the formalized areas and supply water through water tanks on those areas which are not having a proper reticulation system. The municipality is still having a historical backlog of households still using bucket system, ventilated improved pit latrine, and septic tanks.

Even though the municipality tries to implement the projects of eradicating this backlog what becomes a stumbling block is the capacity of the Bulk infrastructure that need to be upgraded to handle the additional demand as the bulk infrastructure is overloaded with the existing demand. This causes a lot of sewer spillages especially in the townships which ultimately increases number of complaints relating to sewer spillages by residents.

T 3.4

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

3.4.1 SANITATION ABOVE MINIMUM LEVEL 2022/2023



3.4.2 SANITATION SERVICE DELIVERY LEVELS

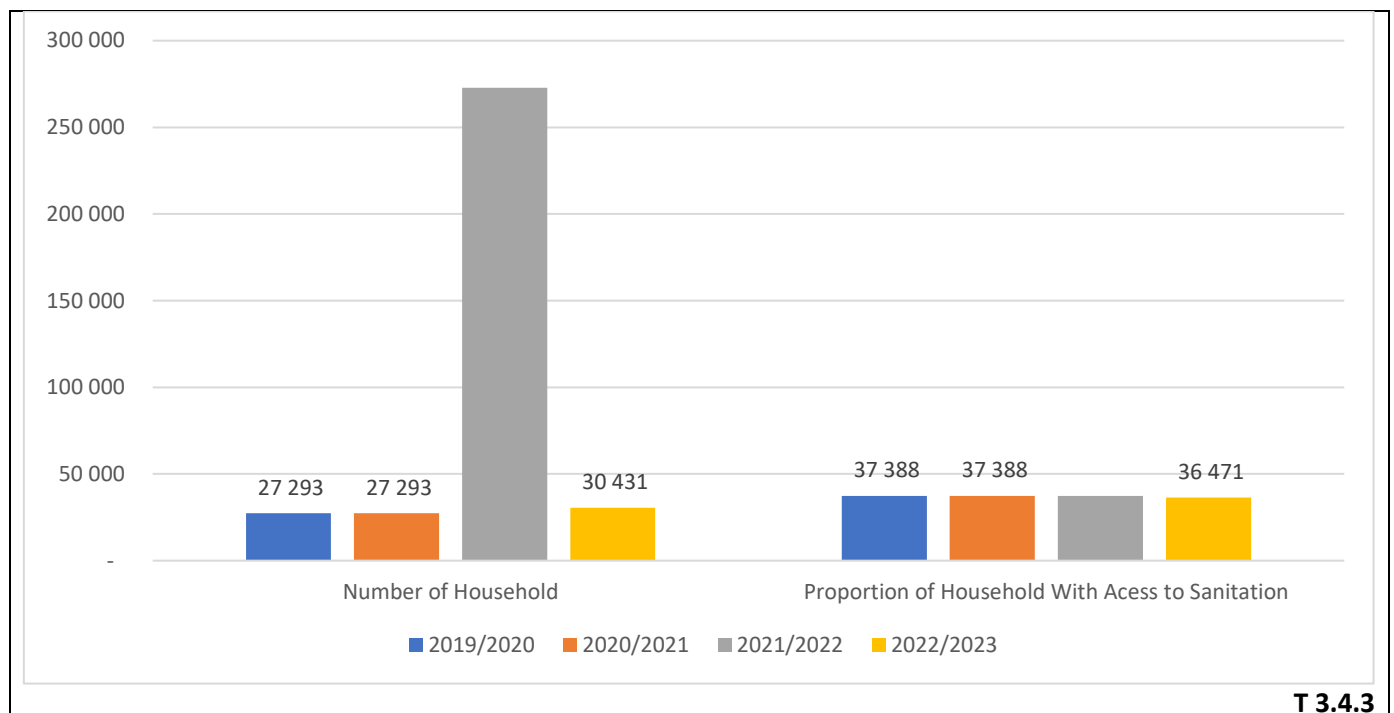
Description	Households			
	2019/2020	2020/2021	2021/2022	2022/2023
	Outcome	Outcome	Outcome	Actual
	No.	No.	No.	No.
Sanitation above minimum level				
Flush toilet (connected to sewerage)	23 884	23 884	22 777	28 567
Flush toilet (with septic tank)	1 881	1 881	1 482	0
Chemical toilet	51	51	185	184
Pit toilet (ventilated)	562	562	1562	1680
Other toilet provisions (above min.service level)	502	502	1792	0
Minimum Service Level and Above sub-total	27 293	27 293	27 798	30 431
Minimum Service Level and Above Percentage	73%	73%	74.3%	83%
Sanitation below minimum level				
Bucket toilet	7 815	7 815	7 841	5 230
Other toilet provisions (below min.service level)	2 131	2 131	373	214
No toilet provisions	0	0	1377	596
Below Minimum Service Level sub-total	9 946	9 946	9 591	6 040
Below Minimum Service Level Percentage	27%	27%	25.7%	17%
Total households	37 388	37 388	37 389	36 471

T 3.4.2

Source: Statistic South Africa Community Survey 2016 for 2019/2020-2021/2022 data and Census 2022 for 2022/2023 data

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

3.4.3 ACCESS TO SANITATION



Source: Statistic South Africa Community Survey 2016 for 2019/2020-2021/2022 data and Census 2022 for 2022/2023 data

3.4.5 EMPLOYEES: SANITATION SERVICES

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	2	2	2	0	0%
7 - 9	6	12	6	6	50%
10 - 12	7	9	1	8	89%
13 - 15	9	11	12	-1	-9%
16 - 18	10	100	76	24	24%
19 - 20	18	0	0	0	0%
Total	53	135	98	37	27%

T 3.4.5

3.4.6 FINANCIAL PERFORMANCE 2022/2023: SANITATION SERVICES

Details	R'000				
	2021/2022 Actual	2022/2023 Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-27 795	-85 087	-85 089	-85 723	1%
Expenditure					
Employees	4 779	18 193	21 278	19 134	5%
Repairs and Maintenance	201	773	1 406	2 186	65%
Other	2 484	-18 966	-12 838	-41 558	54%
Total Operational Expenditure	7 463	0	9 846	-20 238	100%
Net Operational Expenditure	35 258	85 087	94 935	65 485	-30%

T 3.4.6

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

3.4.7 CAPITAL EXPENDITURE 2022/2023: SANITATION SERVICES

Capital Projects	2021/2022				R' 000
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	15 529	15 529	15 529	0%	15 529
Clocolan/Hlohlolwane: Conversion of 350 VIP toilets to waterborne sanitation system (MIS:340954)	15 529	15 529	15 529	0%	15 529
					T 3.4.7

3.4.8 COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL

The municipality is still having a historical backlog of households still using bucket system, ventilated improved pit latrine, and septic tanks. Even though the municipality tries to implement the projects of eradicating this backlog what becomes a stumbling block is the capacity of the Bulk infrastructure that need to be upgraded to handle the additional demand as the bulk infrastructure is overloaded with the existing demand. This causes a lot of sewer.

T 3.4.8

3.5. INTRODUCTION TO ELECTRICICTY SERVICE

The Electricity Division of the municipality is the supply authority to all town areas whereas Eskom being the service provider for all the townships and farm areas. The electricity provision backlog is currently at 1 261 households. There are also 2 255 un-occupied sites which if occupied will also increase the number of backlogs. There is still a need for a situational analysis for the municipality to ensure that all informal settlements are formalised (as indicated in the urban planning backlogs) and basic access to electricity provided to those areas.

Applications were submitted by the municipality to both Eskom and the Department of Minerals, Resources and Energy to address backlogs on the supply of electricity to formal households, maintain and upgrade the electricity infrastructure. No funding was approved for the 2022/2023 financial year to address the backlog in the municipality supply area.

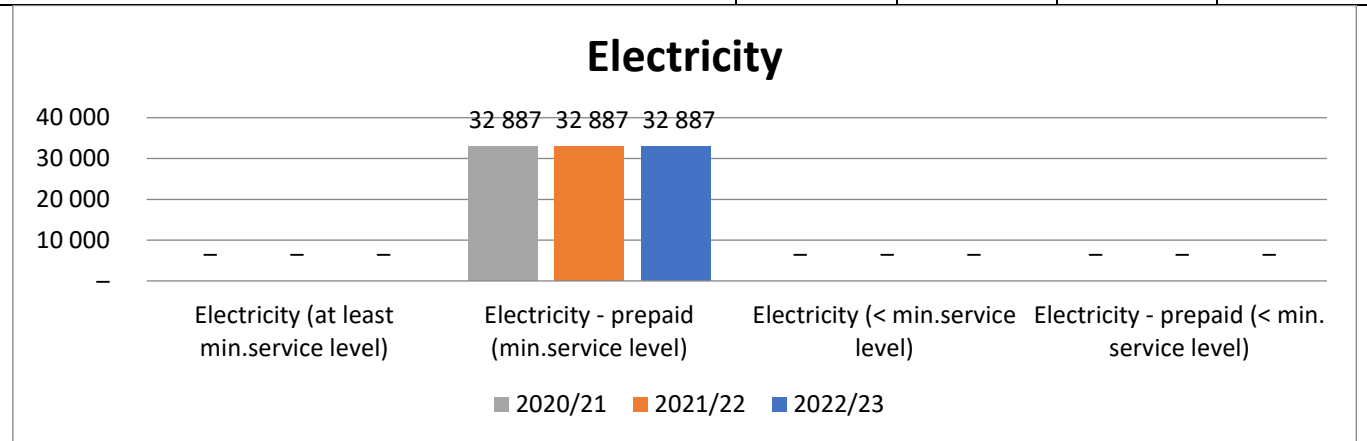
The municipality continuously ensure sustainable electricity supply to its supply areas and provide communities with the public lighting by means of streetlights in the towns and streetlights and high mast lights in the townships. The municipality also provide free basic electricity to all registered indigents households.

T 3.5

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

3.5.1 ELECTRICITY SERVICE DELIVERY LEVEL

Description	2019/2020	2020/2021	2021/2022	2022/2023
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
Energy above minimum level				
Electricity (at least min.service level)	32 887	32 887	32 887	32 887
Electricity - prepaid (min.service level)	32 887	32 887	32 887	32 887
Minimum Service Level and Above Percentage	94%	94%	94%	94%
Energy below minimum level				
Electricity below minimum service level	-	-	-	-
Electricity - prepaid below minimum service level				
Other energy sources	4 501	4 501	4 501	4 501
Below Minimum Service Level sub-total	4 501	4 501	4 501	4 501
Below Minimum Service Level Percentage	6%	6%	6%	6%
Total number of households	37 388	37 388	37 388	37 388



T 3.5.1

Source: Statistics Sout Africa Community Survey 2016

3.5.2 ELECTRICITY LOSSES

2022/2023	Units purchased	Units sold	Unit sold-Prepaid	Units lost	Percentage Losses	2021/2022
July 2022	5 084 770	2 184 764	2 457 179	442 827	9%	4%
August 2022	5 296 574	2 004 329	2 553 506	738 739	14%	17%
September 2022	4 008 462	2 307 986	2 256 221	-555 745	-14%	5%
October 2022	3 974 876	1 733 475	1 753 590	487 811	12%	6%
November 2022	4 198 694	1 675 711	1 973 397	549 586	13%	-16%
December 2022	4 022 783	1 734 830	1 968 177	319 776	8%	13%
January 2023	3 712 154	1 823 516	1 942 485	-53 847	-1%	9%
February 2023	3 431 416	1 743 051	1 942 227	-103 862	13%	2%
March 2023	3 875 741	1 585 619	1 760 156	529 966	14%	9%
April 2023	3 527 719	1 659 864	1 596 677	271 178	8%	10%
May 2023	4 106 370	1 579 788	1 979 750	546 832	13%	14%
June 2023	4 818 703	1 736 899	2 457 217	624 587	13%	5%
Total	50 058 262	21 769 832	24 490 582	3 797 848	8%	7%

Percentage electricity losses account to an average of 8% for the year under review. The prescribed norm from National Treasury for electricity losses is estimated to be between 7% and 10%. Electricity losses are calculated based on the difference between the total electricity purchased and the total electricity sales. The losses are either technical or non-technical. Technical losses are the losses that occur within the distribution network due to the cables, overheads lines, transformers, and other substation equipment that is used to transfer electricity. Non-technical losses are electricity that is consumed but not billed, this might be because consumers are not known or is connected illegal and or there is an error in unmetered supplies.

T 3.5.2

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

3.5.3 EMPLOYEES: ELECTRICITY SERVICES

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	3	1	2	67%
4 - 6	3	7	3	4	57%
7 - 9	8	11	8	3	27%
10 - 12	0	0	0	0	0%
13 - 15	13	17	13	4	24%
16 - 18	1	1	1	0	0%
19 - 20	0	0	0	0	0%
Total	26	39	26	13	33%

T 3.5.3

3.5.4 FINANCIAL PERFORMANCE: ELECTRICITY SERVICES

Details	2021/2022 Actual	2022/2023 Original Budget	Adjustment Budget	Actual	R'000
					Variance to Budget
Total Operational Revenue	119 571	137 624	131 303	125 019	-10%
Expenditure					
Employees	9 155	14 262	9 729	9 346	-53%
Repairs and Maintenance	1 913	10 41	270	1 202	13%
Other	96 065	122 321	121 304	100 514	-22%
Total Operational Expenditure	107 133	137 624	131 303	111 062	-24%
Net Operational Expenditure	-12 438	0	0	-13 957	100%

T 3.5.4

3.5.5 CAPITAL EXPENDITURE: ELECTRICITY SERVICES

Capital Projects	R' 000				
	2022/2023				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	14 492	3 523	1 958	-640%	3523
Installation 8 High Mast Marquard	1 866	0	0	0%	0
Installation 7 High Mast Senekal	725	0	0	0%	0
Electrification of Houses	2 000	2 000	0	0%	2000
Network	7 300	0	850	-759%	0
Streetlights	0	0	0	0%	0
Furniture equipment	10	0	0	0%	0
Transport	2 500	1 200	347	-620%	1200

T 3.5.5

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

3.5.6 COMMENT ON THE ELECTRICITY SERVICES PERFORMANCE OVERALL

The overall performance of the Division was very good, but only one Key Performance Indicator hamper the total performance of the Division. The repair of streetlights / high mast lights was a great overachievement but stil sit with a big backlog.

The lack of equipment and material is a back draw for the division. There is also a need to ensure that all vacant post are filled by qualified, experienced persons in order to ensure efficient, effective and sustainable performance for the supply of electricity in all the units and the provision of public lighting.

T 3.5.6

3.6. INTRODUCTION TO WASTE MANAGEMENT

The mandate of the department is mainly a service delivery component and therefore intends to strive to continuously improve how we render services to communities. The experience over a period have shown that it requires the change approach in the way we extend and reach out to the communities to ensure that those areas which were not previously serviced are better off.

Waste management is an important part of the key performance areas of this department and, although efforts has been made to improve service delivery during this reporting period, numerous challenges and non-compliance issues still hamper effective service delivery.

The municipality has improved on refuse collection but still battling on the issues of littering, this is one of the municipality's greatest challenges. The Municipality is trying to service all areas, and some programmes such as the Mayoral Cleaning Campaign, Extended Public Works Programme and Community Works Programs have been implemented to reduce the amount of litter in the environment.

As service delivery department, our mandate is the provision of waste management service, which is compulsory, efficient, safe, and cost effective and to ensure that the environment is conducive and not harmful to the health and wellbeing of communities. The division is responsible to deliver the following services:

- Collection of households, business, and industrial waste at least once a week.
- Cleaning of the central business areas in all the units with litter picking daily, seven days a week.
- Managing the licensed landfill sites in Ficksburg, Senekal, Cocolan and Marquard in terms of the license conditions.
- Strive to on a continuous basis the removal of corner dumping from vacant stands, pavements, and public open areas.
- Community awareness programs introduced to the community.
- Encouraging and supporting recycling projects initiated by local Small Medium Macro Enterprises.
- Cleaning campaigns involving the Extended Public Works Programmes and Community Works Programs

The management and the personnel worked tirelessly together to improve the level of the service rendered during this year and that can be attributed by increase in percentage with regard to collection of household refuse and collection of business waste.

T 3.6

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

3.6.1 SOLID WASTE SERVICE DELIVERY LEVELS

Description	Households			
	2019/2020	2020/2021	2021/2022	2022/2023
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
Solid Waste Removal: (Minimum level)				
Removed at least once a week	32 913	33 874	33 884	34 023
Minimum Service Level and Above sub-total	32 913	33 874	33 884	34 023
Minimum Service Level and Above percentage	88%	91%	97%	91%
Solid Waste Removal: (Below minimum level)				
Removed less frequently than once a week	4 475	3 514	1 181	33 965
Using communal refuse dump	-	-	-	-
Using own refuse dump	-	-	-	-
Other rubbish disposal	-	-	-	-
No rubbish disposal	-	-	-	-
Below Minimum Service Level sub-total	4 475	3 514	1 181	3 365
Below Minimum Service Level percentage	12%	9%	3%	9%
Total number of households	37 388	37 388	35 065	37 388
				T 3.6.1

Source: Statistics South Africa Community Survey 20216

3.6.2 HOUSEHOLDS - SOLID WASTE SERVICE DELIVERY LEVELS BELOW THE MINIMUM

Description	Households					
	2019/2020	2020/2021	2021/2022	2022/2023		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual budget
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	34 687	37 388	37 388	47 566 924	43 111 153	23 150 671
Households below minimum service level	3 055	4 475	3 514	4 281 023	3 880 004	2 083 560
Proportion of households below minimum service level	9%	12%	9%	9%	9%	9%
Informal Settlements						
Total households	823	823	823	951 338	862 223	463 013
Households below minimum service level	823	823	823	951 338	862 223	463 013
Proportion of households below minimum service level	100%	100%	100%	2%	2%	2%
						T 3.6.2

Source: Statistics South Africa Community Survey 20216

3.6.3 EMPLOYEES: SOLID WASTE MANAGEMENT SERVICES

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	0	1	100%
4 - 6	5	5	4	1	20%
7 - 9	15	15	9	7	47%
10 - 12	6	4	1	3	75%
13 - 15	37	10	7	3	30%
16 - 18	34	81	55	26	32%
Total	98	116	76	41	35%
					T 3.6.3

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3.6.4 FINANCIAL PERFORMANCE: SOLID WASTE MANAGEMENT SERVICES

					R'000
Details	2021/2022	2022/2023			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
Total Operational Revenue	-68 087	2 606	3 606	-39 033	107%
Expenditure					
Employees	18 192	18 852	19 712	20 222	7%
Repairs and Maintenance	52	0	27	43	100%
Other	35 033	11 461	13 289	281	-3983%
Total Operational Expenditure	53 276	30 313	33 028	20 546	-48%
Net Operational Expenditure	-14 811	27 707	29 422	59 578	53%
					T 3.6.4

3.6.5 COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL

The households in Setsoto are visited once per week for waste collection but since the vehicles and equipment's are unreliable with regular breakdowns, roads and weather conditions, however the municipality obliged to curb the backlog over the weekend with planned overtime.

The inconsistent collection of refuse results into mushrooming of illegal dumping because you will find that residents would place out refuse for collection on the date that are not meant for their routes and when collection schedule is not adhered to such waste is illegally disposed on public open areas. The removal of these corner dumps is a major challenge as these are serviced by one Front-end loader available to manage the four units and the (4) licensed landfill sites and by the virtue of dealing with illegal dumping on a weekly basis it also places an additional pressure on the management of the landfill sites.

Number of stands used as base for the collection of refuse as from July 2018 was 37 388. As per statistics SA Community Survey 2016 the total households in Setsoto are 37 388, but that is including the farms. Therefore, the total number of households in the urban area is 35 065.

During the 2018/2019 and the 2019/2020 financial year the total number for households used for the Service Delivery and Budget Implementation Plan was 37 388 that wrongfully included the farms. The number of households was corrected during the 2020/2021 financial year in the Service Delivery and Budget Implementation Plan.

According to the statistics of 2021/2022 financial year an average of 91% refuse collection rate was achieved. The cleaning of the central business areas seven days a week ensures that these areas are clean and neat most of the time. Littering and the placing of refuse for collection by business owners on any day is a challenge, that is attended to on a regular basis.

The increase in the number of customers to the towns due to the Border post with Lesotho in Ficksburg and the N5 running through Senekal are creating more refuse and litter, but this is also an economical benefit to these towns. The Friday cleaning campaign initiated really showed positive effects, but the challenge with resources as indicated above are experienced.

To ensure that service is not hampered the Engineering Department assisted with the provision of other resources- Tipper Trucks and Tractor Loader Backhoe- and the following strategies were implemented:

- Sharing of vehicles just to be able to service most of the areas.

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- Utilize of Extended Public Works Programme and Community Works Program employees to assist the permanent employees with the collection of refuse as
- well as the cleaning of the central business areas over weekends to curb overtime.

The disposal of waste was done at the licensed landfill sites in Ficksburg, Senekal, Clocolan and Marquard. It was however difficult to maintain these sites as per license conditions due to the non-availability or dedicated resources.

Trying to improve the level of our service and equipment's the application was also submitted to Municipal Infrastructure Grant for:

- The development of the new landfill site in Marquard because the current one in use is closer to the cemetery
- New refuse collection trucks (refuse mobile compactors).
- New Front-end loader to assist with corner dumping and the maintenance of the landfill site

Recycling is being done by private entrepreneurs that were collecting recyclable material from reclaimers at the landfill sites in the municipality. The reclaimers at the landfill sites were trained by officials from the Department of Environmental Affairs, with a plan to give more formal training to entrepreneurs in the recycling business. In coordination with the Department of Environmental Affairs thirty-two waste pickers at the landfill sites in the municipal area were registered to receive a stipend.

The approved Integrated Waste Management Plan will be reviewed in the new financial year 2023/2024. The priorities in waste management were:

- The maintenance of refuse collection vehicles to ensure that vehicles are available for service delivery.
- The sharing of vehicles and equipment in a planned way to ensure a waste management service of a high standard, and tipper trucks were shared successfully between the Departments of Engineering and Development Planning for the Friday Cleaning Campaigns and to assist with the carting in of gravel.

T 3.6.5

3.7 INTRODUCTION TO URBAN PLANNING AND HOUSING

The Planning and Property Management division is responsible for the acquisition of land in order to develop township establishments and avail serviced land for human settlements, spatial planning, land surveying, building control, and Geographical Information Systems. The growth and development of towns, townships and or urban areas is a competency of this division. One other important aspect is the relocation of people away from the flood lines to proper developed land and to acquire additional land for township establishment.

Land Use Management and land use control are also key objectives of this division to maintain all the towns' characters. The municipality is continually implementing the Spatial Planning and Land Use Management Act, 16 of 2013 through the enforcement of the Setsoto Municipal Planning By-Laws. The very same Spatial Planning and Land Use Management Act, 16 requires all municipalities to have a uniform Land Use Scheme within five years from implementation date. The municipality is compliant as it has adopted a Land Use Scheme and the Spatial Development Framework as per the provision of the Act.

The division ensures that communities have access to housing and security of tenure through Title Deeds. However, the provision of housing is still the competency of the Free State Provincial Government-Human Settlements-as it allocates Reconstruction and Development Programme houses through their budget. The municipality submits business plans to the Free State Provincial Government along with living waiting lists which are compiled at grassroots level by the municipality.

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The local municipality assists the Provincial Government in ensuring that serviced sites are available through Township Establishment in order to build Reconstruction and Development Programme houses for the poor. The municipality then furnishes the Free State with data as to how many people need subsidy housing especially the poor and there is a programme called Finance Linked Individual Subsidy Programme which will assist local government to cater for people who do not qualify for RDP houses and do not afford to buy or build houses for themselves.

The challenges experienced by the municipality is illegal occupation of un-serviced land, especially in Ficksburg and Clocolan respectively. The municipality is in the process trying to get a court interdict to prevent such illegal practice. The municipality have planned for the upgrading of all informal settlements and development of at least one township establishment in each town.

In terms of the built environment, the Directorate implement building control measures by applying National Building Regulations and Standards Act and offer technical advice to members of the community. The Directorate is also responsible for the promotion of safe and sustainable building structures which are uniform to the built environment legislation and the laws related thereto.

T 3.7

3.7.1 PERCENTAGE OF HOUSEHOLDS WITH ACCESS TO BASIC HOUSING

Year	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of households in formal settlements
2019/2020	31 103	28 519	91.7%
2020/2021	33 687	30 136	98.5%
2021/2022	34 687	33 687	97.1%
2022/2023	36 559	34 687	94.9%

T 3.7.1

Source: Statistics South Africa Community Survey 2016

3.7.2 EMPLOYEES: URBAN PLANNING AND HOUSING

Job Level	2021/2022		2022/2023		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	2	4	1	3	75%
4 - 6	6	11	4	7	64%
7 - 9	13	13	13	0	0%
10 - 12	0	0	0	0	0%
13 - 15	4	4	0	0	0%
16 - 18	0	12	0	0	0%
19 - 20	0	0	0	0	0%
Total	25	44	18	10	23%

T 3.7.2

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3.7.3 FINANCIAL PERFORMANCE: URBAN PLANNING AND HOUSING

Details	2021/2022	2022/2023				R'000
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	-	-	-	-	-	-
Expenditure						
Employees	4 426	4 684	242	4 604	-2%	
Repairs and Maintenance	75	0	5	1	100%	
Other	210	5 312	-784	149	-3459%	
Total Operational Expenditure	4 710	9 997	-537	4 755	-110%	
Net Operational Expenditure	4 710	9 997	-537	4 755	-110%	
						T 3.7.3

3.7.4 COMMENT ON WASTE MANGEMENT SERVICE PERFORMANCE OVERALL

The division has managed to reach majority of the targets. The division has also noted situations that were not entirely upon the divisions wish, thus, some targets were captured in numbers instead of percentages. These are the targets that are entirely reliant on the community members. For instance, processing of land development (e.g., rezoning) applications can only happen if such an application is submitted.

Achievements

- The division continues to ensure security of tenure to qualifying beneficiaries by issuing Title Deeds
- The Municipal Planning Tribunal has been inaugurated and it is functional.
- The division continues to implement Spatial Planning and Land Use Management Act through the enforcement of Municipal Land Use Planning By-Laws and Land Use Scheme.

Challenges

The Urban Planning and Housing division is still experiencing high vacancy, and this has a negative impact on service delivery.

Mitigating strategies

The municipality should fill in the critical vacancies within the division in order to ensure efficient, effective and sustainable performance of the division.

T 3.7.4

3.8 INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The number of people has increased from 112 599 to 117 363 between 2011 and 2016. It increased with 4 764 people – data from Community Survey 2016. The largest group are Back African of 92.3%, followed by Whites at 5.7%, the third largest group being the Coloureds at 1% and Indians at 0.8%.

The unemployment rate in South Africa was on 32.6% in June 2023 which was 0.3% decrease from the previous quarter. This information from Mail and Guardian Trading Economics. In the Free State the unemployment percentage decreased by 0.3% from 42.4% was 42.1% for the second quarter of 2023.

A large percentage of the Setsoto population is very poor and thus experiencing low living standards. These low-

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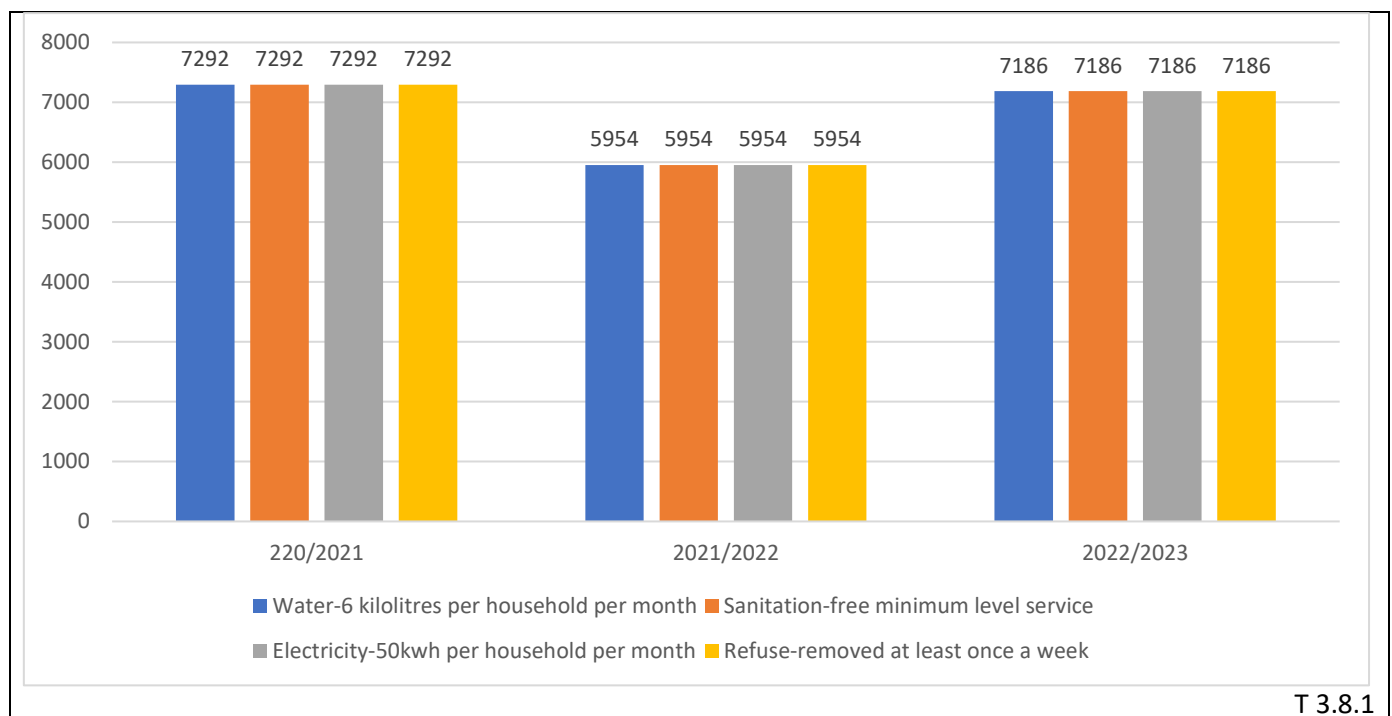
or no-income levels indicate that a large portion of the population is dependent on government grants. In contributing to the elimination of poverty in Setsoto Local Municipality the Indigent Policy was reviewed to be a bi-annual Indigent Register and thus have the registration process every second year. This change was implemented to support poor communities. Indigent support for the 2022/2023 financial year was granted on a maximum monthly income per household of R 4 010. Indigent support includes:

- 6 kl free basic water,
- 50 kWh free basic electricity,
- Waste Removal free basic service,
- Sanitation
- Rates

In the year under review 7 186 Indigent Households were registered

T 3.8

3.8.1 FREE BASIC HOUSEHOLDS SERVICES



T 3.8.1

3.8.2 FREE BASIC SERVICES TO LOW INCOME HOUSEHOLDS

	Number of households										
	Total	Households earning less than R 4,320 per month									
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse			
	Total	Access	%	Access	%	Access	%	Access	%		
2020/2021	7 292	7 292	7 292	100%	7 292	100%	7 292	100%	7 292	100%	
2021/2022	5 954	5 954	5 954	100%	5 954	100%	5 954	100%	5 954	100%	
2022/2023	7 186	7 186	7 186	100%	7 186	100%	7 186	100%	7 186	100%	

T 3.8.2

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3.8.3 FINANCIAL PERFORMANCE: COST TO MUNICIPALITY OF FREE BASIC SERVICES DELIVERED

Services Delivered	2021/2022	2022/2023			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
					R'000
Total	31 442	14 701	23 659	42 132	65%

3.8.4 COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

During the 2022/2023 year regular interaction and one on one meetings were held with ward councillors to assist with problems and delays. In the past there was no pressure on Indigent members of the community to register and to receive the subsidy.

Towards the end of the 2020/2021 financial year a Panel of Litigators were appointed for Debt Collection. The appointment put pressure on Indigent Households to register for the Indigent support with the threat of litigation from the Debt Collectors.

T 3.8.4

COMPONENT B: ROADS AND STORMWATER

3.9 INTRODUCTION TO ROADS AND STORMWATER

It is evident that if we want to improve the state of our road networks, we will need to go forward with four significant and doable actions

- Accurately assess and quantify the cost of the backlog in municipal road maintenance.
- Increase our spending on infrastructure upkeep and skill development.
- Rebuild/reconstruct roads that are beyond repair and consolidate our road networks.
- Commit the resources required to address the issues affecting our roads.

The exact cost of the backlog in road maintenance is unknown, and it is possible that the true cost of resolving this infrastructure debt and transportation issues will be substantially high. Only through cooperation between private firms, academic institutions, and our government can we achieve the skills, resources, funding, and research needed to meet our needs for road maintenance. Municipalities and road authorities currently face a human resource, national investment, and skills shortfall that needs to be filled. Road maintenance will become less dependable and more necessary if these places are not improved.

In addition to being essential for the general success of several industries and labour forces, road maintenance is also essential for the physical mobility of our society. While applauding the progress being made toward affordable, dependable, and high-quality road maintenance solutions, it is necessary to recognize the difficulties and obstacles that the municipality has regarding maintaining its roads.

Our municipal road networks are an essential component of our economic productivity and will be crucial to South Africa's and most other nations' post-pandemic economic recovery. Unfortunately, as the pandemic draws to a close, the terrible state of some of our transportation infrastructure will continue to impede some of our recovery efforts.

These roadways are necessary for access to many industries, the majority of workforces, the flow of commodities, workers, and workers between various communities. Due to inefficient driving, frequent road closures, and an increase in the likelihood of traffic accidents, poor road maintenance can restrict this access.

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In rural areas, lives and livelihoods are at risk because residents must travel to work, access hospitals, schools, and other vital services, as well as convey agricultural produce. The municipality is aware that adequate road maintenance is a crucial component of infrastructure and calls for substantial public-private cooperation.

T 3.9

3.9.1 GRAVEL ROAD INFRASTRUCTURE

Kilometers				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2020/2021	145	15	10	100
2021/2022	160	20	12	120
2022/2023	166	25	14	140
T 3.9.1				

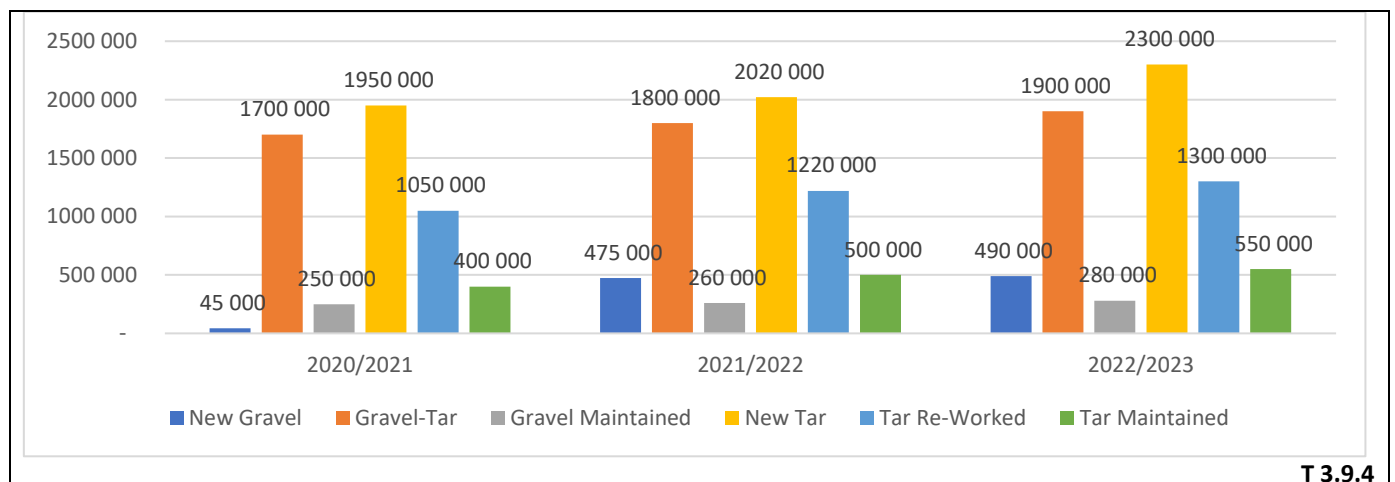
3.9.2 TARRED ROAD INFRASTRUCTURE

Kilometres					
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2020/2021	85	10	23	18	100
2021/2022	98	14	25	15	120
2022/2023	114	20	30	25	140
T 3.9.2					

3.9.3 COST OF CONSTRUCTION AND MAINTENANCE

R' 000						
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
2020/2021	450	1 700	250	1 950	1 050	400
2021/2022	475	1 800	260	2 020	1 220	500
2022/2023	490	1 900	280	2 300	1 300	550
T 3.9.3						

3.9.4 ROAD INFRASTRUCTURE COSTS



T 3.9.4

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3.9.5 EMPLOYEES: ROADS

Job Level	2021/2022		2022/2023		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	3	4	3	1	25%
7 - 9	8	36	8	28	78%
10 - 12	1	1	1	0	0%
13 - 15	3	7	3	4	57%
16 - 18	29	67	29	38	57%
19 - 20	0	0	0	0	0%
Total	45	116	45	71	61%

T 3.9.5

3.9.6 FINANCIAL PERFORMANCE: ROADS

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-18 785	-48 954	-48 954	-47 312	97%
Expenditure					
Employees	3 092	12 973	11 997	11 649	97%
Repairs and Maintenance	91	800	237	282	119%
Other	1 362	35 181	36 704	111 988	305 111%
Total Operational Expenditure	4 545	48 954	48 938	123 920	253 218%
Net Operational Expenditure	-14 240	0	-15	76 608	510 720%

T 3.9.6

3.9.7 CAPITAL EXPENDITURE: ROADS

Capital Projects	R' 000				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	90 690	90 690	4 426	-95%	90 690
Ficksburg/Meqheleng: Reconstruction of 1.3km Surface road and storm water drainage (MIS:443342)	11 602	11602	1 950	-83%	11 602
Clocolan/Hlohlohlwane: Reconstruction of 2km surface road and storm water drainage (MIS:443344)	18 220	18 220	2 476	-86%	18 220
Ficksburg: Rehabilitation of 1.5km surface road and storm water drainage (Phase 2) (MIS:443387)	17 096	17 096	0	-100%	17 096
Marquard: Rehabilitation of 2km surface road and stormwater drainage	18 220	18 220	0	-100%	18 220
Senekal: Rehabilitation of 2km surface road and stormwater drainage	18 220	18 220	0	-100%	18 220
Patching/Resealing of boltholes and refurbishment of the stormwater channels for 3kM in Caledon park and Meqheleng	7 332	7 332	0	-100%	7 332

T 3.9.7

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3.9.8 COMMENT ON THE PERFORMANCE OF ROADS OVERALL

The municipality has not given much financial support to the roads division for the past +/-11 years. This has resulted in the situation we find ourselves in now. From maintenance of tar and gravel roads, tools and equipment and personnel to execute the routine maintenance.

However, starting from this 2022/2023 financial year procurement of resources, tools and equipment and employment of personnel is being given much needed attention. A plan has been set out to address the conditions we find ourselves in, however the implementation of these plans will not result in an overnight turnover of events.

For these to be a success priority is given to maintenance of existing assets before any new work is undertaken. This means repair or reconstruction of surfaced roads to reinstate them to a good condition, and re-gravelling and reshaping of gravel and dirt roads. The latter is especially important for efficient stormwater drainage to take place, and to control erosion. A well-constructed and well-maintained gravel road provides a good level of service.

To carry out this work departmentally, the municipality will need to have various items of construction equipment and employ sufficient trained personnel to operate them. Minimum equipment for each unit being a grader, a water truck, a self-propelled roller, a hand-operated roller, a loader, a TLB and at least three tipper trucks, as well as several general workers. A concrete mixer should also be provided. Well-situated gravel borrow pits are essential.

Two tenders are awaiting the adjudication stage for the process to unfold. T03(22/23) Supply and delivery of roads and stormwater tools and equipment for a period of 36 months on an as and when basis, T02(22/23) Supply and delivery of roads and stormwater material for a period of 36 months on an as and when required basis. Maintenance and reconstruction work targets main access and transport routes first, followed by local streets.

Priority is given to maintenance of existing assets before any new work is undertaken. This means repair or reconstruction of surfaced roads to reinstate them to a good condition, and re-gravelling and reshaping of gravel and dirt roads. The latter is especially important for efficient stormwater drainage to take place, and to control erosion. A well-constructed and well-maintained gravel road provides a good level of service.

Consideration can also be given to outsourcing the work, as this will obviate the problem of lack of trained operators. General labourers, however, should be drawn from the nearby communities to create local work opportunities. Outsourcing the maintenance of roads should be done on a yearly basis to provide continuity and to avoid regular protracted procurement procedures.

Maintenance and reconstruction work targets main access and transport routes first, followed by local streets. Consulting engineers should be appointed to carry out initial investigative work and to provide plans and specifications. They should also develop a full Project Management System and assist the municipality to implement it

T 3.9.8

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COMPONENT C: PLANNING AND ECONOMIC DEVELOPMENT

3.10 INTRODUCTION TO INTEGRATED DEVELOPMENT PLANNING, PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEMS

The Integrated Development Planning and Performance Management and Development Systems is located in the Office of the Municipal Manager and is led by the Head: Integrated Development Planning and Performance Management Development Management Systems. The division is responsible for the following programmes:

- Integrated Development Plan
- Performance Management and Development Systems
- Intergovernmental Relations
- Administrative Support and Coordination

The strategic plan in local government is called the municipal Integrated Development Plan. The budgetary process is the provision of resources for the implementation of the strategy, whilst the Service Delivery and Budget Implementation Plan is the annual plan for implementation of the Integrated Development Plan.

The alignment between the municipal Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan and the Performance Management and Development System is critical to ensure strategic alignment of programmes and projects with the strategy.

The Performance Management and Development System is monitoring the implementation of the Service Delivery and Budget Implementation Plan on a quarterly basis. The signing of the Performance Agreements by the Municipal Manager and the Section 56 Managers assures accountability for the implementation of the Integrated Development Plan.

The strategic priorities of the local municipality are based on the reviewed Integrated Development Plan 2022/2023. These priorities form the basis of developing the municipal objectives and outputs, indicators and targets reflecting the overall local municipal service delivery strategy. These priorities were equally informed by policy and planning directives emanating from national and provincial government.

After the approval of the Integrated Development Plan, the objectives of the departments were aligned with the strategy of the organisation. This was followed by a process of alignment of the programmes and projects of the business units within the departments with the departmental objectives.

Scorecards were drafted for the organization as well as for each department, which have informed the Service Delivery and Budget Implementation Plan and the Performance Agreements, creating a situation where all the activities and energy in the organisation were focused on achieving the organisational strategy.

The Service Delivery and Budget Implementation Plan is a key element in the process of service delivery, as it provides for the cascading of the strategic level-Integrated Development Plan and the Budget-to a level of implementation.

It therefore provides the basis for measuring performance in service delivery and spending of the budget against specific targets. A Service Delivery and Budget Implementation Plan 2022/2023 was compiled to guide the implementation of projects and the spending of funds and has been signed off by the Executive Mayor on 26 July 2022. Council also approved the Adjustment Service Delivery and Budget Implementation Plan on the 28 February 2023.

During the year under review, the Integrated Development Manager was seconded to the Office of the Executive

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Mayor to assist the Executive Mayor with the regard to:

- Developing and building relationships with employees, improving their efficiency in existing and new operations
- Communicating on behalf of the Office of the Executive Mayor with regard to operational matters
- Serving as the liaison between Municipal Manager and Senior Managers and Executive Mayor regarding employee well-being, municipal climate and the success of programmes and proposals
- Anticipating, addressing and resolving employee concerns in collaboration with the human resources department
- Collaborating with senior management leadership to determine and implement business strategies while also providing consultation for improvements
- Assisting with the planning, coordination and leading of meetings and workshops
- Assisting with inquiries from stakeholders and communities
- Developing action plans for the dissemination of information across the organisation
- Providing support to political and administrative leadership with implementing new ideas and processes
- Overseeing the daily operations of the Office of the Executive Mayor with the guidance of senior leadership and performing administrative tasks, including managing calendars, maintaining files, planning and coordinating annual meetings
- Working with leadership to measure team performance and provide tactical support to implement new ideas
- Overseeing initiatives from ideation to implementation
- Working with leadership to implement, monitor and present the progress of plans and goals
- Helping to identify and tackle core problems in business processes
- Providing political and administrative leadership with insight and analysis of the municipality's operations
- Assisting with risk assessment of new initiatives and business decisions

T 3.10

3.10.1 INTEGRATED DEVELOPMENT PLANNING, PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEMS SERVICE DATA

	Details	2021/2022		2022/2023		2023/2024	2024/2025	2025/2026
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of Integrated Development Planning Process Plan developed and approved	1	1	1	1	1	1	1
2	Number annual reports developed, submitted to AGSA, and tabled to council for adoption	1	1	1	1	1	1	1
3	Number of quarterly performance reports (Section 52(d)) developed and submitted to council	4	4	4	4	4	4	4
4	Number of Performance Management Systems Handbook reviewed and approved	1	1	1	1	1	1	1
5	Number of draft Integrated Development Plan document developed, reviewed, and approved	1	1	1	1	1	1	1
6	Number of Integrated Development Plan document developed, reviewed, and approved	1	1	1	1	1	1	1
7	Number of employee appraisals conducted	4	4	4	0	4	4	4
8	Number of Mid-year Budget and Performance Assessment Reports (Section 72 Reports) developed and submitted to council	1	1	1	1	1	1	1
9	Number of Service Delivery and Budget Implementation Plan developed and approved	1	1	1	1	1	1	1
10	Number of Adjusted Service Delivery and Budget Implementation Plan developed and approved	1	1	1	1	1	1	1
11	Number of Risk Registers developed and submitted	4	4	4	0	4	4	4
12	Number of progress report on the implementation of Audit Action Plan	3	3	3	3	3	3	3
13	Percentage internal and external audit queries responded to and addressed	100%	100%	100%	100%	100%	100%	100%

T 3.10.1

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3.10.2 EMPLOYEES: INTEGRATED DEVELOPMENT PLANNING, PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEMS

Job Level	2021/2022		2022/2023		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	1	2	1	1	50%
7 - 9	2	2	2	0	0%
Total	4	5	4	1	20%
					T 3.10.2

3.10.3 FINANCIAL PERFORMANCE: INTEGRATED DEVELOPMENT PLANNING, PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEMS

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	3 855	4 000	4 000	3 894 223.32	0%
Expenditure:					
Employees	2 121	2 360	2 360	2 357	100%
Repairs and Maintenance	-	-	-	-	0%
Other	1 383	1 640	1 640	1 537	94%
Total Operational Expenditure	3 855	4 000	4 000	3 894	0%
Net Operational Expenditure	-	-	-	-	0%
					T 3.10.3

3.10.4 COMMENT ON INTEGRATED DEVELOPMENT PLANNING, PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEMS OVERALL

The division is implementing all its programmes and projects as identified in the Integrated Development Plan and as per the approved Integrated Development Review Process Plan. As most of the programmes and projects are driven by legislation with specific timeline, the division sometimes does not meet the required timeframes due to late submission by relevant department.

Since the introduction of reporting only on the Top-Layer Service Delivery and Budget Implementation Plan, the municipality audit opinion on the audit of predetermined objectives have regressed to a disclaimer opinion. This is brought about by non-submission of accurate, valid and complete portfolio of evidence and well as useful and reliable performance information.

The other important aggravating reason is the stoppage of the electronic performance management and development system since 2018/2019 financial year, which has also contributed to regression in the submission of inconsistent reported performance information against the planned performance information.

To address these challenges, the municipality has developed and approved the Standard Operating Procedure For The Compilation And Storage of Performance Information-Portfolios of Evidence on the Service Delivery and Budget Implementation Plan And Operational Plan.

This standard procedures together with the reintroduction of the electronic performance and management development systems will assist the municipality in submitting relevant, accurate, useful, reliable and accurate performance information timeously as required by legislation

T 3.10.4

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3.11 INTRODUCTION TO PROJECT MANAGEMENT UNIT

The Project Management Unit division as required by the Division of Revenue Act is responsible for the management of the Municipal Infrastructure Grant and other conditional grants through the implementation of the capital projects. The Project Management Unit function is in alignment with the principles and objectives underpinning the design of the programme as contained in the Municipal Infrastructure Grant Policy Framework.

The municipality confirms that the establishment processes, as well as the operational outcomes of the Project Management Unit has and will:

- Acknowledge and adhere to all aspects as required by the Division of Revenue Act including all principles, objectives, sector conditions and outcomes contained within the Municipal Infrastructure Grant guideline document and the Municipal Infrastructure Grant policy Framework documents.
- Ensure adherence to the labour-intensive objectives as detailed in the Expanded Public Works Programme Framework document and to develop Setsoto into a unified viable and progressive municipal that serves the needs of its people in a responsible, economic and sustainable manner.
- Ensure the integration of the Municipal Infrastructure Grant Programme and the other non-MIG funded programme within the framework of the Municipality pre-existing Integrated Development Plan.
- Ensure the alignment of the approaches and processes of existing and new infrastructure programme to those of Municipal Infrastructure Grant.

Part of the Project Management Unit functions is to provide project management in the implementation of all capital projects within the municipality in line with the IDP and to provide professional support towards operational and maintenance of the existing infrastructure within the jurisdiction of the municipality.

T 3.11

3.11.1 PROJECT MANAGEMENT UNIT SERVICE DATA

Details		2021/2022		2022/2023		2023/2024	2024/2025	2025/2026
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Percentage of progress made on Upgrading of Van Soelen in Meqheleng/ Ficksburg	29%	29%	Project completed in the previous financial year				
2	Percentage of progress made on Conversion of 969 VIP into waterborne sanitation system	11%	11%					
3	Percentage of progress on the Upgrading of the Wastewater Treatment Works in Clocolan/Hlohlolwane.	0%	0%					
4	Percentage progress made on upgrading of the sport facility in Moemaneng	100%	100%					
5	Percentage of Replacement of an old 5km asbestos water rising main pipeline in Clocolan/Hlohlolwane completed	38%	38%					
6	Percentage of Marquard: Upgrading of sport and recreational facility completed	50%	50%					
7	Percentage of Ficksburg/Meqheleng: Rehabilitation of 1.5 km surfaced, and storm water drainage completed	10%	10%					
8	Percentage of Upgrading of the Water Treatment Works in Clocolan/Hlohlolwane completed	79%	79%					
9	Percentage of Resuscitation of the Wastewater Treatment Works in Senekal/Matwabeng completed	60%	60%					
10	Percentage of Construction of Cyferfontein raw water abstraction pump station: Earth works, casted concrete reinforcement walls and roof with mechanical concrete doors completed.	40%	40%					
11	Percentage of Installation of the 2 mechanical screw pumps, motors, electrical control panel, electrical transformer and cables completed.(M&E)	56%	56%					
12	Percentage of Construction of the De Put water abstraction pump station: Earth Works, casted concrete reinforced walls and roof with mechanical concrete doors completed.(CIVIL)	37%	37%					
13	Percentage of Installation of the 500mm diameter OPVC pipe and installation of scour valves, air valves and gate valves from Cyferfontein dam to the new Water Treatment Works.	38%	38%					
14	Number of Project Management Unit reports generated	12	12					

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Details		2021/2022		2022/2023		2023/2024	2024/2025	2025/2026
		Target	Actuals	Target	Actuals	Target	Target	Target
15	Number of Asset Management reports	4	4	Project completed in the previous financial year				
16	Number of Municipal Infrastructure Grant monthly reports	12	12					
17	Number of Municipal Infrastructure Grant MIG quarterly reports	4	4					
18	Number of Municipal Infrastructure Grant Annual reports	1	1					
19	Number of Department of Water and Sanitation monthly reports	12	12					
20	Number of Department of Water and Sanitation quarterly reports	8	8					
21	Number of Department of Water and Sanitation Annual reports	2	2					
22	Number of site visits	63	63					
23	Number of site meetings attended	60	60					
24	Number of business plans submitted for funding	5	5					
25	No of Extended Public Works Programme beneficiaries	80	80					
26	Marquard: Number of sports and recreational facilities upgraded(MIS:300023)	-	-	Project Implementation	Project Implementation	Project Implementation	TBC	TBC
27	Clocolan/Hloholwane: Installation of 5 high mast lights (MIS:345766)	-	-	2 331 967	2 391 967	-	TBC	TBC
28	Clocolan/Hloholwane: Number of VIP toilets Converted to Waterborne Sanitation System (MIS:340954)	-	-	1	-	-	TBC	TBC
29	Setsoto: Procurement of specialised vehicles for waste management (MIS:382924)	-	-	3 496 203	3 033 858	-	TBC	TBC
30	Setsoto: Number of specialised vehicles Procurement for Waste Management (MIS:382924)	-	-	2	-	-	TBC	TBC
31	Clocolan: Rehabilitation of 2km surface road and stormwater drainage	-	-	2 741 956	2 741 956	-	TBC	TBC
32	Ficksburg/Meqheleng (Caledon Park): Number of Kilometers Constructed in the Replacement of Asbestos Water Rising Main (MIS:379615)	-	-	2	-	-	TBC	TBC
33	Percentage of Installation of the 500mm diameter OPVC pipe and installation of scour valves, air valves and gate valves from Cyferfontein dam to the new Water Treatment Works.	-	-	46 994 042	8 965 065	-	TBC	TBC
34	Ficksburg: Number of Kilometers of roads surfaced, and stormwater drainage constructed	-	-	Project Implementation	Contractor Appointment Letter, Site handover Minutes & Programme, and Project Implementation	-	TBC	TBC
35	Percentage of Construction of Cyferfontein raw water abstraction pump station (Mechanical & Electrical works)	-	-	1 950 000	1 950 000	-	TBC	TBC
36	Clocolan: Number of Kilometers of roads surfaced, and stormwater drainage constructed	-	-	Project Implementation	Contractor Appointment Letter, Site handover Minutes & Programme, and Project Implementation	-	TBC	TBC
37	The number of Kilometers of the 500mm diameter OPVC pipe Constructed and installed scour valves, air valves and gate valves from Cyferfontein dam to the new Water Treatment Works.	-	-	1	-	-	TBC	TBC
38	Percentage of Upgrading of the Water Treatment Works in Clocolan/Hloholwane completed	-	-	5 768 681	-	-	TBC	TBC
39	Cyferfontein: Number of raw water abstraction pump stations constructed (Civil works)	-	-	Project Implementation	Project Implementation	-	TBC	TBC
40	Setsoto: Procurement of specialised vehicles for waste management (MIS:382924)	-	-	34 807 933	10 500 000	-	TBC	TBC
41	Cyferfontein: Number of raw water abstraction pump stations constructed (Mechanical & Electrical works)	-	-	Project Implementation	Project Implementation	-	TBC	TBC
42	Ficksburg: Rehabilitation of 1,3km surface road and stormwater drainage	-	-	22 000 000	9 000 000	-	TBC	TBC
43	Senekal: Number of new central Water Treatment Works (WTW) (Civil works)	-	-	Project Implementation	Project Implementation	-	TBC	TBC
44	Ficksburg: Rehabilitation of 1,5km surface road and stormwater drainage (Phase 2)	-	-	67 674 244	27 140 367	-	TBC	TBC
45	Senekal: Number of new central Water Treatment Works (WTW) (Mechanical & Electrical works)	-	-	Project Implementation	Project Implementation	-	TBC	TBC
47	Senekal WWTW Phase 1: Number of Waste Water Treatment Works Resuscitated in Senekal/Matwabeng	-	-	Project Implementation	Project Implementation	-	TBC	TBC
48	Construction of the new central Water Treatment Works (WTW) in Senekal (Civil works)	-	-	27 924 789	-	-	TBC	TBC
49	Senekal/ Matwabeng: Number of Golf Course outfall sewer Upgraded	-	-	1	1	-	TBC	TBC
50	Senekal/ Matwabeng: Upgrading of Golf Course outfall sewer	-	-	13 405 014	8 721 754	-	TBC	TBC
51	Phase 1: Number of the Water Treatment Works in Clocolan/Hloholwane Upgraded	-	-	Project Implementation	Retention	-	TBC	TBC

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Details		2021/2022		2022/2023		2023/2024	2024/2025	2025/2026
		Target	Actuals	Target	Actuals	Target	Target	Target
52	Number of Project Management Unit reports generated	-	-	0	2 728 787	-	TBC	TBC
53	Phase 2: Number of the Water Treatment Works in Clocolan/Hloholwane Upgraded	-	-	Project Implementation	Project Implementation	-	TBC	TBC
54	Number of Project Management Unit reports generated	-	-	0	6 369 147	-	TBC	TBC
55	Number of Project Management Unit Section 80 reports	-	-	12	3	-	TBC	TBC
56	Number of Municipal Infrastructure Grant(MIG) monthly reports	-	-	12	3	-	TBC	TBC
57	Number of Municipal Infrastructure Grant(MIG) quarterly reports	-	-	4	1	-	TBC	TBC
58	Number of Municipal Infrastructure Grant (MIG) Annual reports	-	-	1	0	-	TBC	TBC
59	Regional Bulk Infrastructure Grant (RBIG) monthly reports	-	-	12	3	-	TBC	TBC
60	Regional Bulk Infrastructure Grant (RBIG) Quarterly reports	-	-	4	1	-	TBC	TBC
61	Water Services Infrastructure Grant (WSIG) monthly reports	-	-	12	3	-	TBC	TBC
62	Water Services Infrastructure Grant (WSIG) Quarterly reports	-	-	4	1	-	TBC	TBC
63	Number of Department of Water and Sanitation Annual reports	-	-	2	2	-	TBC	TBC
64	Number of site visits	-	-	82	22	-	TBC	TBC
65	Number of site meetings attended	-	-	33	9	-	TBC	TBC
66	Number of business plans submitted for funding	-	-	6	6	-	TBC	TBC
67	Number of Extended Public Works Programme beneficiaries	-	-	300	60	-	TBC	TBC
68	Ficksburg/Meqheleng (Caledon Park): Number of Replaced of Asbestos Water Rising Main (MIS:379615)	-	-	-	-	1	TBC	TBC
69	Senekal WWTW Phase 1: Number of Waste Water Treatment Works Resuscitated in Senekal/Matwabeng	-	-	-	-	Project Implementation	TBC	TBC
70	Senekal/ Matwabeng: Number of Golf Course outfall sewer Upgraded	-	-	-	-	1	TBC	TBC
71	Senekal: Number of new central Water Treatment Works (WTW) (Civil works)	-	-	-	-	Project Implementation	TBC	TBC
72	Senekal: Number of new central Water Treatment Works (WTW) (Mechanical & Electrical works)	-	-	-	-	Project Implementation	TBC	TBC
73	Installation of the internal water and sewer reticulation services in Senekal/Matwabeng (Ext 07)	-	-	-	-	1	TBC	TBC
74	Phase 2: Number of the Water Treatment Works in Clocolan/Hloholwane Upgraded	-	-	-	-	Project Implementation	TBC	TBC
75	Reconstruction of the Laaispruit Dam Wall in Marquard Moemaneng.	-	-	-	-	Project Implementation	TBC	TBC
76	Number of raw water abstraction pump stations constructed in Cyferfontein (Civil works)	-	-	-	-	Project Implementation	TBC	TBC
78	Number of raw water abstraction pump stations constructed in Cyferfontein (Mechanical & Electrical works)	-	-	-	-	Project Implementation	TBC	TBC
79	Clocolan/Hloholwane: Installation of high mast lights (MIS:345766)	-	-	-	-	1	TBC	TBC
80	Marquard/Moemaneng: Installation of high mast lights (MIS:345806)	-	-	-	-	1	TBC	TBC
81	Ficksburg: Number of 1,3km Kilometers of roads surfaced and stormwater drainage constructed	-	-	-	-	1	TBC	TBC
82	Clocolan: Number of 2km Kilometers of roads surfaced and stormwater drainage constructed	-	-	-	-	1	TBC	TBC
83	Ficksburg: Rehabilitation of 1,5 km surface road and storm water drainage (Phase 2) (MIS:443387)	-	-	-	-	Project Implementation	TBC	TBC
84	Patching/Resealing of Potholes and refurbishment of the stormwater channels in Ficksburg/Meqheleng	-	-	-	-	Project Implementation	TBC	TBC
85	Marquard: Number of sports and recreational facilities upgraded(MIS:300023)	-	-	-	-	Project Implementation	TBC	TBC
86	Clocolan/Hloholwane: Upgrading of Sport and Recreational Facility (MIS:422418)	-	-	-	-	Project Implementation	TBC	TBC

T 3.11.1

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3.11.2 EMPLOYEES: PROJECT MANAGEMENT UNIT

Job Level	2021/2022		2022/2023		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	2	2	2	0	0%
4 - 6	2	2	2	0	0%
13 - 15	1	1	1	0	0%
Total	5	5	5	0	0%
					T 3.11.2

3.11.3 FINANCIAL PERFORMANCE: PROJECT MANAGEMENT UNIT

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	2 490	2 685	2 685	2 685	0
Expenditure					
Employees	2 490	2 685	2 685	2 685	0
Repairs and Maintenance	0	0	0	0	0
Other	0	0	0	0	0
Total Operational Expenditure	2 490	2 685	2 685	2 685	0
Net Operational Expenditure	2 490	2 685	2 685	2 685	0
					T 3.11.3

3.11.4 COMMENT ON PROJECT MANAGEMENT UNIT OVERALL

The Project Management Unit is responsible for the implementation of all capital infrastructure projects through conditional grant such as Regional Bulk Infrastructure Grant, Water Services Infrastructure Grant and Municipal Infrastructure Grant.

The Project Management Unit has managed to complete some of the main capital projects that will serve as one of the achievements to address challenges of sewer and water. This was mainly the completion of the Replacement of Old Asbestos Pipeline in Ficksburg and Meqheleng which will ensure sustainable water supply to the community of Ficksburg and Meqheleng.

Also in the list of achievements is the good progress in the implementation of Senekal Bulk Water Scheme with the completion of the Cyferfontein raw water pipeline and the De Put Raw Water Abstraction which already in use serving the community of Senekal and Matwabeng.

Project Management Unit had also provided support to other municipal projects mainly towards operational and maintenance of water, sanitation, and roads. It has also managed to improve its audit opinion on capital projects for the 2022/23 financial year.

T 3.11.4

3.12 INTRODUCTION TO LOCAL ECONOMIC DEVELOPMENT, TOURISM, SPORT AND RECREATION

Like all municipalities in the Republic of South Africa, Setsoto Local Municipality plays a key responsibility that of creating a conducive environment for economic growth and development. Deriving from its Vision statement, the

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Municipality is leader in promotion of local economic development and tourism.

Setsoto local municipality have a strong comparative advantage within the following growth sectors: agriculture, construction, tourism, and manufacturing. This logically impels the municipality to put all its efforts on leveraging on these sectors.

Setsoto promotes local economic empowerment through implementation of the Expanded Public Works Programme and by outsourcing for procurement of services and good. Employment is further targeted through Small Medium Macro Enterprise development, and these have a potential of creating job opportunities.

The purpose of local economic development is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. Local economic development can further be explained as a process by which public, business, and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.

Job creation and eradication of poverty remain some of the highest priorities for South Africa. The problem, however, remains that job creation is occurring in the secondary and tertiary industries, while many people lack the necessary skills and education to benefit from this.

Setsoto municipality has approved and adopted its reviewed Local Economic Development Strategy in May 2023. The municipality has identified that a specific programme targeting Small Medium Macro Enterprise development, such as Contractor Development Programme need to be developed to maximise their potential to create job opportunities.

The Local Economic Development, Tourism, Sport and Recreation Division is inspired by an outcome-driven approach which focuses on the following interventions:

- Investment promotion and business support
- Property and infrastructure development
- Municipal procurement and public-works support
- Small and micro enterprise support including support for the informal sector and
- Support for tourism development initiatives and sports activities

T 3.12

3.12.1 SERVICE STATISTICS: LOCAL ECONOMIC DEVELOPMENT, TOURISM, SPORT AND RECREATION

	Details	2021/2022		2022/2023		2023/2024	2024/2025	2025/2026
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of office Walk-Ins by Small Medium Macro Enterprises, Street Traders, Cooperatives, and Non-Profit Organisations, Non-Governmental Organisations for assistance , advice, referrals for financing, skills development, and registrations.	200	347	200	277	300	320	350
2	Number of Entrepreneurs capacitated through trainings; workshops; awareness campaigns; roadshows, information sharing sessions and seminars conducted	80	662	200	447	450	480	500
3	Number of Informal Trade Plan and Management Policy Developed	1	0	1	0	1	1	1
4	Number of updated Vendor database	1	1	1	1	2	2	2
5	Number of site visits to projects conducted	18	22	18	24	24	24	24
6	Number of people assisted through Agricultural Development initiatives undertaken specifically targeting Youth and women [e.g. provision of agricultural inputs, provision of training, initiating new projects]	40	153	80	276	80	80	80
7	Number of databases for Arts and Crafters updated	1	1	1	1	1	1	1

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8	Number of updated tourism Establishments database	1	1	1	1	1	1	1
9	Number of Crafters assisted to participate in exhibitions and workshops	20	40	80	0	50	50	50
10	Market tourism activities in the municipality	3	3	3	2	3	3	3
11	Percentage of Business Licenses issued in terms of Business Licensing Act	100%	100%	100%	100%	80	200	200
12	Percentage of Hawker permits issued in terms of Business Licensing Act	100%	100%	100%	100%	80	300	300
13	Number of reports on Sports programmes implemented	1	1	1	2	2	N/A	N/A
T 3.12.1								

3.12.2 ECONOMIC ACTIVITY BY SECTOR

R '000			
Sector	2020/2021	2021/2022	2022/2023
Agric, forestry and fishing	179 082	179 082	179 082
Mining and quarrying	111	111	111
Manufacturing	44 450	44 450	44 450
Electricity/Water	7 929	7 929	7 929
Construction	2 769	2 769	2 769
Trade	117 394	117 394	117 394
Transport	22 848	22 848	22 848
Finance	118 939	118 939	118 939
Community	6 574	6 574	6 574
General Government	98 870	98 870	98 870
Other Producers	15 276	15 276	15 276
Total	614 242	614 242	614 242
T 3.12.2			

Source: Statistic South Africa Community Survey 2016

3.12.3 ECONOMIC EMPLOYMENT BY SECTOR

Sector	Jobs		
	2020/2021 No.	2021/2022 No.	2022/2023 No.
Agric, forestry and fishing	70	70	70
Mining and quarrying	17	17	17
Manufacturing	68	68	68
Electricity/Water	12	12	12
Construction	56	56	56
Trade	175	175	175
Transport	43	43	43
Finance	54	54	54
Government, Community and social	190	190	190
Private Households	82	82	82
Total	767	767	767
T 3.12.3			

Setso Local Economic Development Database 2023

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3.12.4 COMMENT ON LOCAL JOB OPPORTUNITIES

Local Economic Development is an outcome of actions and interventions resulting from local good governance and the constant improvement and integration of national priorities and programs in local spaces. Inward investment from the state or private sector will only be effective where the potential and competitive advantages of each area are known and exploited. Promoting robust and inclusive local economies requires the concerted, coordinated action of all spheres and sectors of government-centered on the application and localisation of the principles espoused in the National Spatial Development Perspective.

Locally formulated solutions and strategies must emerge to support national frameworks in both rural and urban local spaces and should promote sustainable development and sustainable human settlements. South Africa competes in a global and increasingly integrated world economy whose threats must be minimised and whose opportunities must be exploited. Private companies, including social enterprises and cooperatives, form the heart of the economy and have a crucial role to play as partnerships with public and community role players that will stimulate robust and inclusive local economies.

T 3.12.5

3.12.6 JOBS CREATED DURING 2022/2023 BY LOCAL ECONOMIC DEVELOPMENT INITIATIVES THROUGH EXTENDED PUBLIC WORKS PROGRAMME COMMUNITY WORKS PROGRAM PROJECTS

Sector	Target	Actual
Social Sector	70	15
Environmental Sector	195	130
Infrastructure Sector	253	203
Community Works Programme	1 200	1 087
Total	1 718	1 435

3.12.7 JOBS CREATED DURING THE YEAR THROUGH LOCAL ECONOMIC DEVELOPMENT INITIATIVES

Total Jobs created	Jobs created	Jobs lost/displaced by other initiatives	Net total jobs created in year	Method of validating jobs created/lost
	No.	No.	No.	
2018/2019	0	0	0	Reports
2019/2020	78	0	78	Reports
2020/2021	0	0	0	Reports
2021/2022	40	0	40	
2022/2023	0	0	0	
Tourism Safety Monitors 2022/2023	40	0	40	Report

T 3.12.7

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3.12.8 EMPLOYEES: LOCAL ECONOMIC DEVELOPMENT, TOURISM, ARTS AND CULTURE

Job Level	2021/2022		2022/2023		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	1	3	1	2	67%
7 - 9	2	6	2	4	67%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	4	10	4	6	60%

T 3.12.8

3.12.9 FINANCIAL PERFORMANCE: LOCAL ECONOMIC DEVELOPMENT, TOURISM, ARTS AND CULTURE

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	70	-75	-75	-51	-46%
Expenditure:					
Employees	1 463	2 265	1 475	1 521	-49%
Repairs and Maintenance	0	0	0	0	0%
Other	1 479	441	19	19	-2229%
Total Operational Expenditure	2 943	2 707	1 493	1 540	-76%
Net Operational Expenditure	2 872	2 782	1 568	1 591	-75%

T 3.12.9

3.12.10 COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL

Setsoto municipality, like any other municipality in South Africa, is confronted with the triple challenges of poverty, inequality, and unemployment. Municipality must utilise its limited resources effectively to stimulate the local economy for its citizens. The Local Economic Development Division should assist the municipality to build local economic capacity to improve its economic potential and the quality of life for all and to the benefit of its citizens. It is a given fact that priority should be given to local communities to explore and take advantage of economic development initiatives in their areas.

The Local Economic Development Division is involved in a myriad of local economic development initiatives. It should however be made clear, that the Local Economic Development Division Office does not have any budget to implement capital projects. The zero budget on Local Economic Development projects makes it difficult to address increasing issues of poverty for the needy communities of Setsoto.

Although the section plays an important role in co-ordinating and facilitating local economic development initiatives, programmes and exposing the existing opportunities to both local communities and private/public sector, it has been noticed that real economic development requires a monetary injection to realise its objectives.

Inter-Governmental Relations

Setsoto local municipality through its Local Economic Development, Tourism and Agriculture division is party to various inter-

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governmental relation structures with the Free State Provincial Department of Economic Development, Tourism and Environmental Affairs) and Thabo Mofutsanyana District Municipality. The relevance of these structures is to share research findings and information on latest trends in Local Economic Development Division programmes, reporting on projects' progress, investment opportunities, bilateral agreements, and mutual co-operation on projects.

With the information obtained, the section tries to realign its thinking and policies with the provincial directives. Various databases of the Small Medium Macro Enterprises have been compiled including a copy of all companies registered on Setsoto municipality's Supply Chain Management office. The Supply Chain Management office often ensures that when there are opportunities, Small Medium Macro Enterprises can also benefit.

Office Activities On Small Medium Macro Enterprises Support And Development

Through our Office Walk-Ins programme, the Local Economic Development division is able to conduct needs analysis and collation process whereby Small Medium Macro Enterprises provide needs that require immediate and urgent response by the municipality. The needs range from procurement processes, access to funding, request for land, interventions by provincial government, marketing, and capacity building needs.

Workshops were arranged to respond to the specific needs such as Business Financial Management, Tendering, Pitching etc. For the financial year under review, the Local Economic Development division with the assistance of partners like Small Enterprise Development Agency, Department of Small Business Development, Tourism and Environmental Affairs, Free State Development Corporation, Thabo Mofutsanyana District Municipality, South African National Road Agency Soc Limited, Construction Sector Education and Training Authority, have trained a total number of 447 Entrepreneurs.

The Local Economic Development division prides itself for the fact that 100 Entrepreneurs in construction under South African National Road Agency Soc Limited Pre-tender training programme, received NQF 2 National Certificate in Construction.

Township Economy Revitalisation

Townships are confronted with lack of economic opportunities resulting in people identifying their own opportunities that are primarily informal and do not conform to municipal by-laws. The Setsoto municipality is aligned with the Free State Provincial Integrated Local Economic Development and Transformation Programme, which seeks to radically transfer businesses such as spaza shops back to local Republic of South Africa citizens within its boundaries.

Mechanisation Programme

The Free State Provincial Department of Agriculture and Rural Development) has established the Farmers Production Support Unit and have provided necessary mechanisation such as tractor, planters, tillers, boom sprayer etc. All agricultural cooperatives who are members of the Farmers Production Support Unit - with lease agreement with government or private landlords - have been grouped and registered as a Secondary cooperative that operates and govern the Farmers Production Support Unit.

Highlights Of Local Economic Development

- Senekal has been selected for the Small-Town Regeneration Programme.
- Extended Public Works Programme and Community Work Programme still continue to spearhead alleviation of poverty.

Challenges Of Local Economic Development

- More Human Resource capacity is needed to assist in the full operational process of programmes as well as the day-to-day operations.

T 3.12.10

3.12.11 MEASURES UNDERTAKEN TO ADDRESS THE UNDER PERFORMANCE

The high unemployment rate will forever haunt the municipality. However, the Local Economic Development will always endeavour to advocate for the establishment of the following key institution in order to address this scourge of unemployment, namely:

1. Establishment of Artisan and Skills Development Centre

This will provide a sound basis for entrepreneurial development and direct employment through self-employment means. Furthermore, we will continue to maintain good inter-governmental relationship with all government economic development clusters to ensure community skills development does not stop.

2. Infrastructure development

Although developments of this nature require huge amounts of money, this is critical service and a prelude to any industrial development. Without the right infrastructure, the economy will remain stagnated.

3. Productive use of municipality agricultural land

The municipality needs to develop and finalise the Land Availability Strategy that spells out principles for more productive use of municipal land.

T 3.15.10

COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.13 INTRODUCTION PARKS, CEMETERIES, SPORT AND RECREATION

Parks service is seasonal, and the following are covered:

- The maintenance of the municipal gardens, pavements, sidewalks, and open space.
- The maintenance of sport facilities.
- The cleaning of the town halls and community halls.
- The maintenance and management of the caravan parks
- Planting and maintaining trees in municipal area.

The service regarding the provision of cemetery management is seen as an important part of the service rendered by the municipality to the community and is done with the necessary sensitivity. The section provides graves to communities to ensure that the burial registers are indicative of a proper grave number. The section also provides the maintenance of cemeteries.

Destitute families are assisted by the municipality to obtain a grave and services by a funeral undertaker as per approved indigent policy upon approved requests. Information was obtained from service providers to investigate the possible areas for the planning of cemeteries in Setsoto to ensure adequate space for cemetery development. Most cemeteries in the municipal area are full and remaining area has underground water and cannot be used for burials., the great challenge is that even the reserved graves cannot be used as when the family members dig to bury, their graves capacity would be 98% full of water from underground.

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We end up allocating them with new graves which will affect its lifespan as well there would not be no further eight feet if the underground water continues. The soil is extremely hard in other areas and graves cannot be dug by hand , yellow plant must be on site for digging graves and graves need to be dug in advance.

Sport and Recreation Unit main objective is to advocate and actively involve community in Sport and recreation activities, while promoting healthy and active lifestyle. Sports and Recreation Office has been able to deliver sports development to the community through partnership with local sports and recreation council and other stakeholders. With participation of relevant stakeholders, we were able to organise, coordinate and provide facilities for sports activities, competitions, and programmes.

T 3.13

3.13.1 EMPLOYEES: PARKS, CEMETERIES, SPORT AND RECREATION

Job Level	2021-2022	2022-2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	0	1	100%
4 - 6	2	6	2	4	67%
7 - 9	3	8	3	5	63%
10 - 12	3	9	3	6	67%
13 - 15	15	27	17	10	37%
16 - 18	38	77	29	48	62%
Total	61	128	54	74	58%

T 3.13.1

3.13.2 FINANCIAL PERFORMANCE: PARKS, CEMETERIES, SPORT AND RECREATION

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-1 128	1 612	2 248	34 410 582	95%
Expenditure					
Employees	14 472	6 459	8 027	7 869	18%
Repairs and Maintenance	473	654	102	133	-392%
Other	525	2 607	3 130	1 152	-126%
Total Operational Expenditure	15 470	9 720	11 258	9 154	-6%
Net Operational Expenditure	16 597	8 109	9 010	-25 256	132%

T 3.13.2

3.13.3 COMMENT ON THE PERFORMANCE OF PARKS, CEMETERIES AND SPORTS OVERALL

Most cemeteries in the municipal area are full and remaining area has underground water and cannot be used for burials., the great challenge is that even the reserved graves cannot be used as when the family members dig to bury, their graves capacity would be 98% full of water from underground.

We end up allocating them with new graves which will affect its lifespan as well there would not be no further eight feet if the underground water continues. The soil is extremely hard in other areas and graves cannot be dug by hand, yellow plant must be on site for digging graves and graves need to be dug in advance.

The unit is working under severe budget constraints and limited sports facilities., In past five years, the municipality through its Project Management Unit has been able to construct one sports facility namely

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Matwabeng Sports Hall and renovate one sports facility namely Moemaneng Stadium. The next phase is to construct sports facility in Hlohlolwane.

Sports and Recreation Office has been able to deliver sports development to the community through partnership with local sports and recreation council and other stakeholders. With participation of relevant stakeholders, we were able to organise, coordinate and provide facilities for sports activities, competitions, and programmes.

In all the towns that makes up Setsoto Local Municipality, Sports and Recreation Office has been challenged with initiating sports activities due to the following financial constraints, lack of participation due to partially existing sports council, lack of equipment to that will fully accommodate sporting codes for the development of sports.

Sports and Recreation Office then engaged the office of the Speaker to assist with public participation through ward committee members in each ward to be part of sports council. This initiative will assist with maximizing the identification of sports activities in our community.

During 2022/2023 financial year, sports and recreation office had limited budget that was mainly used to assist few sports participants and sport teams. The said office managed to host local O.R Tambo Games whereby we were to select teams that would represent Setsoto Local Municipality at regional games. With the challenges that were faced, only Panthers Volleyball team managed to participate in regional O.R Tambo Games 2023.

As part of support into the development of sports, Setsoto Local Municipality also entered Memorandum of Understanding between local teams that participate in South African Football Association Regional League. Memorandum of Understanding was entered between then following teams:

- Mountain Eagles Football Club in Meqheleng
- Golden Warriors Football Club in Meqheleng
- Royal Football Club in Hlohlolwane
- Clocolan Academy Football Club in Hlohlolwane

All the mentioned teams participate in South African Football Association Regional League and the only team that participate in ABC Motsepe League is Dynamos FC from Moemaneng.

National Treasury's cost containment measures make the development and participation into sports difficult because most of youth or sports teams/participants are depended on the municipality to assist in their respective sporting codes to be able to achieve their maximise participation in sports.

T 3.13.3

COMPONENT E: SECURITY, SAFETY AND PROPERTY MANAGEMENT

3.14 INTRODUCTION TO SECURITY SERVICES AND PROPERTY MANAGEMENT

The mandate of the Security Division is to ensure safety of municipal employees and property by means of access control to municipal buildings, implement security measures in the form of counter intelligence and to represent the municipality at broad security forums and participate in all security related matters of local, provincial and national interest. Facilities management section ensures that facilities are maintained to be at the required standard which will enhance the life span off such facilities.

T 3.14

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3.14.1 SERVICE STATISTICS: SECURITY SERVICES AND PROPERTY MANAGEMENT

	Details	2021/2022		2022/2023		2023/2024	2024/2025	2025/2026	2026/2027
		Target	Actuals	Target	Actuals	Target	Target	Target	Target
1	Number of employees submitted for vetting (Security Clearance)	8	10	8	10	10	10	10	10
2	Number of Security Managers Forum meetings attended	4	4	4	0	4	4	4	4
3	Number of properties provided with security	25	33	25	37	25	25	25	25
4	Percentage of Section 4 meetings held	100%	100%	100%	100%	100%	100%	100%	100%
5	Number of maintenance plan developed and approved	1	1	1	1	1	1	1	1
6	Percentage of properties maintained and repaired	100%	100%	100%	100%	100%	100%	100%	100%
7	Number of Disaster Management Fora meeting attended	2	9	4	07	4	4	4	4
8	Number of fire Clearance Certificate issued	3	0	40	38	40	200	200	200
9	Number of Fire Breaks conducted	20	30	46	15	46	50	80	80
10	Number of Public Awareness Campaigns on Public Safety Conducted	12	12	12	22	12	12	12	12
11	Number of Disaster Management Plan reviewed	1	1	1	1	1	1	1	1
T 3.14.1									

3.14.2 EMPLOYEES: SECURITY SERVICES AND PROPERTY MANAGEMENT

Job Level	2021/2022	2022/2023			
	No of Employee	Post	No of Employee	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	1	1	0	1	100%
4-6	0	2	0	2	100%
7-9	34	68	29	39	50%
10-12	0	1	1	0	0%
13-15	0	0	0	0	0%
16-17	0	0	0	0	0%
Total	35	72	30	42	51%
T 3.14.2					

3.14.3 FINANCIAL PERFORMANCE: SECURITY SERVICES AND PROPERTY MANAGEMENT

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	1 339	5 742 3	789	15 420	63%
Expenditure					
Employees	8 334	9 260	10 538	10 974	16%
Repairs and Maintenance	723	0	422	693	100%
Other	158	5 671	734	11 847	52%
Total Operational Expenditure	9 214	14 932	11 694	23 515	37%
Net Operational Expenditure	11 093 172	9189 432	10 905	8 095	-14%
T 3.14.3					

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3.14.4 COMMENT ON THE PERFORMANCE OF SECURITY SERVICES AND PROPERTY MANAGEMENT OVERALL

Due to the high rate of theft and vandalism to municipal properties, we had a challenge to protect municipal facilities by sourcing services of security private companies to guard installations such as stores, water purification plants and wastewater purification plants.

Furthermore, the division managed to conduct security awareness in relation to information and physical security through the assistance of the State Security Agency. Secondly the division has taken for the advertisement of provision of security for a period of three years for safeguarding municipal installations. Security services was able to represent the municipality at the following meetings:

- **Ficksburg South African Police Services Cluster Joints.**

The purpose of the meetings deals with matters relating to security at large such as crime prevention, stock theft and any form of security threats for the well-being of South Africans and Setsoto residents.

- **Cross Border Crime Prevention Forum.**

Cross Border meetings consist of Republic of South Africa and Kingdom of Lesotho along the borders of Free State and Lesotho. The main purpose of the forum is to deal with stock theft, illegal grazing, human trafficking, and undocumented persons. There have been numerous achievements by the forum whereby stolen livestock and vehicles were recovered. The forum is formed by the following government departments, South African Police Service, South African National Defense Force, Department of Home Affairs, Municipalities along the border of Republic of South Africa and Lesotho.

- **Section 4 meetings.**

All Notices for Gatherings received plenary meetings were successfully held relating to marches for handing over of memorandums to different government departments. No incidents of public violence occurred during the proceedings of the marches.

- **Security Operations.**

Access control is conducted on a daily basis where warm bodies are deployed e.g. Head center, stores and water treatment works to ensure safety of municipal assets and employees, new alarm systems were installed

T 3.14.4

3.15 INTRODUCTION TO TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE FIGHTING SERVICES

The objective and function of the Public Safety Division is law enforcement in respect of the National Road Traffic Act and Municipal bylaws. The safety of all road users is paramount in the approach to Road Safety and operations. Vehicle fitness is part of the division strategy to ensure roadworthiness of motor vehicles.

The division ensures that all road users abide by National Road Traffic Acts and Regulations, also ensuring that road markings, road traffic signs are done and clearing of any impediments to road markings are dealt with. The Fire Brigade Service main objective is to save lives, protect property, conduct awareness and to provide relief during and or after the incident of fire had occurred. The municipality has Memorandum of Understanding with Imperani Fire Association to work hand in glove during fire incidents especially felt fire incidents.

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The Disaster Management function is to coordinate effective response, recovery, rehabilitation, risk assessment, institutional arrangements, and measure of mitigation in relation to Disaster Management incidents. Fire Services is currently utilizing the Traffic Officers, Working on Fire Team, Disaster Coordinator and Senior fire Officer to fight the fire on ad hoc basis. Equipment is obsolete so that it does not meet the required standard to fight fire and does not even measure the turnaround time as required.

T 3.15

3.15.1 SERVICE STATISTICS: TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE SERVICES

	Details	2021/2022		2022/2023		2023/2024	2024/2025	2025/2026
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Number of traffic operational plans compiled and approved	1	1	1	1	1	1	1
2	Number of roadblocks conducted	8	16	14	20	40	20	20
3	Percentage on traffic fines issued	100%	100%	100%	100%	400	100%	100%
4	Percentage on point duty and escorts performed	100%	100%	100%	100%	100%	100%	100%
5	Percentage of Rand Received from Escorts Performed	100%	100%	100%	100%	100%	100%	100%
6	Percentage of Emergencies Incidents Reported and attended to	100%	100%	100%	100%	100%	100%	100%
7	Number of Public Awareness Campaigns on Public Safety Conducted	12	12	12	22	12	12	12
8	Number of Disaster Management Fora meeting attended	2	9	4	07	4	4	4
9	Number of fire Clearance Certificate issued	3	0	40	38	200	200	200
10	Number of Fire Breaks conducted	20	30	46	15	80	80	80
11	Number of Disaster Management Plan reviewed	1	1	1	1	1	1	1
T 3.15.2								

3.15.2 EMPLOYEES: TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE SERVICES

Job Level	2021/2022	2022/2023			
	No of Employee	No of Posts	No of Employees	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	2	4	2	2	50%
4-6	3	4	3	1	25%
7-9	10	33	10	23	70%
10-12	0	0	0	0	0%
13-15	0	30	0	30	100%
16-17	8	8	6	2	25%
Total	23	79	21	58	73%
T 3.15.2					

3.15.3 FINANCIAL PERFORMANCE: TRAFFIC MANAGEMENT, DISASTER MANAGEMENT AND FIRE SERVICES

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-34	-360	-470	-10 596	2 255%
Expenditure					
Employees	9 851	358	166	10 219	6 156%
Repairs and Maintenance	65	0	13	21	157%
Other	147	2	304	375	123%
Total Operational Expenditure	10 062	360	483	10 617	2 196%
Net Operational Expenditure	10 096	0	13 456	19 857	148%
T 3.15.3					

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COMPONENT G: CORPORATE OFFICES AND OTHERS

3.16 FINANCIAL SERVICES

The Department is linked to the Integrated Development Plan's objectives through the Key Performance Area of Financial Management. The Department is responsible to provide effective and efficient financial assistance to management and council. This report reflects the performance of the Department for the year 2022/2023.

T 3.16

3.16.1 INTRODUCTION TO FINANCIAL REPORTING AND BUDGET

The Section is linked to the Integrated Development Plan's objectives through the Key Performance Area of Financial Management to:

- Provide budget support to the municipality.
- Provide reporting support to the municipality and its steering committees; and
- Advising the accounting officer and chief financial officer on financial related matters

In this report, a financial snapshot was conducted to assess the financial performance for the financial year 2022/2023. The actual organisational performance will be measured within the service delivery and budget implementation plan for the reporting period, where performance is to be examined against predetermined and defined key performance areas.

T 3.16.1

3.16.2 EMPLOYEES: BUDGET AND REPORTING

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	3	2	1	33%
4 - 6	0	2	0	2	100%
7 - 9	1	5	1	4	80%
Total	3	10	3	7	70%

T 3.16.2

3.16.3 FINANCIAL PERFORMANCE: BUDGET AND REPORTING

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	4 728	3 760	5 877	9 544	0%
Expenditure					
Employees	2 925	3 679	3 285	3 376	-9%
Repairs and Maintenance					
Other	2 758	2 150	3 490	2 322	7%
Total Operational Expenditure	5 683	5 829	6 775	5 698	-2%
Net Operational Expenditure	955	2 069	898	-3 846	154%

T 3.16.3

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3.16.4 COMMENT ON FINANCIAL REPORTING AND BUDGETING PERFORMANCE OVERALL

The section performed as expected and even gone the extra mile specially with the compilation of the Annual Financial Statements 2021/2022 and 2022/2023 where the Municipality receives an Unqualified Audit opinion.

T 3.16.4

3.17 INTRODUCTION TO REVENUE MANAGEMENT

The Revenue Division is linked to the IDP Objective through the Key Performance Area of Financial Viability and Management. The Division is responsible to provide effective and efficient Revenue Management and comprises of three sections in line with the key focus areas, namely Billing Services, Credit Control & Indigent Management and Counter Services that comprises of Cashiers and Customer Care. This report reflects the performance of the Division for the year 2022/2023.

T 3.17

3.17.1 DEBT RECOVERY

Details of the types of account raised and recovered	R' 000						
	2021/2022		2022/2023			2023/2024	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of budget of accounts billed %	Estimated outturn for accounts billed in year	Proportion of budget of accounts billed %
Property Rates	- 66 418	99%	-73 985	- 68 389	92%	76 749	96%
Electricity – Band C	- 84 002	102%	-84 330	- 78 513	93%	110 769	98%
Water – B and C	- 60 419	103%	-68 012	-75 409	111%	72 080	107%
Sanitation	- 35 033	100%	- 39 407	- 40 043	102%	41 708	101%
Refuse	- 45 192	101%	- 51 183	- 51 788	101%	54 253	101%
Other	-	-	-	-	-	-	0%
							T 3.17.1

3.17.2 EMPLOYEES: REVENUE MANAGEMENT

Job Level	2021/2022		2022/2023		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	4	2	2	50%
4 - 6	3	9	1	8	89%
7 - 9	25	35	25	10	29%
10 - 12	4	13	4	9	69%
Total	34	61	32	29	48%
					T 3. 71.2

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3.17.3 FINANCIAL PERFORMANCE: REVENUE MANAGEMENT

R'000					
Details	2020/2021	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	334	-109	-122	-118	0%
Expenditure					
Employees	9 285	11 131	10 262	9 744	95%
Repairs and Maintenance	-	-	70	120	171%
Other	6 535	3 627	7 681	8 795	115%
Total Operational Expenditure	15 820	14 758	18 013	18 659	104%
Net Operational Expenditure	15 486	14 867	18 135	18 777	104%
T 3.17.3					

3.17.4 COMMENT ON REVENUE MANAGEMENT PERFORMANCE OVERALL

Monthly billing was done twelve times within the 2022/2023 financial year. The overall average collection rate was 46% which is a decrease of 2% from the previous financial year 2020/2021. The payment rate is still not at the level that was anticipated. The high unemployment rate in South Africa and even higher in the Free State as well as the historic non-payment of services in the townships influenced the payment rate. The aftermath of the Covid-19 Pandemic is still apparent as some businesses had to close and resulting job losses.

The payment rate is calculated on amounts billed and collected on the billed amounts. Prepaid sales are not part of this calculation. The payment rate reflects the non-payment of services in the townships, as the bulk of the levies of basic water, refuse, sewerage is for the townships with the larger number of sites.

The set target for Indigent registration was 8 000. The target was missed by 814 households and the registered households were 7 186 for the 2022/2023 financial year. The low registration figures of Indigents resulted in consumers forfeiting subsidy and a possible inflation of the outstanding debtors.

With the installation of the prepaid meters in Ficksburg, Senekal, Clocolan and Marquard, electricity is purchased in advance and have a positive effect on daily cash flow. This direct collection is not included in the calculation of the payment rate.

From end January 2020 debt collection via the prepaid system was introduced. Where accounts with arrears 90 days or older an automatic deduction of 50% of prepaid purchases are allocated to the linked service accounts. This measure enhances the cash flow and thus increasing the spending capacity on the core function – service delivery.

Despite a vacancy rate of 46%, the overall performance of the Revenue Division was satisfactory. Positions still need to be filled of employees that resigned or passed away, as these real vacancies have a serious impact on the workload of the remaining employees. Critical positions should be filled as a matter of urgency.

The Debtor Clerk in Senekal had been suspended for five years and all debtor related queries, corrections, finalization of meters for pre-paid installation were referred to Ficksburg. The employee retired at the end of December 2022 and the position was filled.

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Without regular monthly billing and collection of outstanding debt the municipality would not have been able to meet its commitments, which includes payment of salaries and other operational expenses. Debt Collection in the townships remain low in certain wards and serious interventions will have to be implemented in the 2023/2024 financial year. A panel of Debt Collectors and Litigators were appointed in March 2021.

T 3.17.4

3.18 INTRODUCTION TO SUPPLY CHAIN MANAGEMENT

Supply Chain Management Division is within the Treasury Department and is responsible for procurement of goods and services for municipality through the implementation of Supply Chain Management Policy, Supply Chain Management Regulations and all other relevant legislations.

T 3.18

3.18.1 EMPLOYEES: SUPPLY CHAIN MANAGEMENT

Job Level	2021/2022		2022/2023		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	3	1	2	67%
4 - 6	2	4	2	2	50%
7 - 9	8	12	8	4	33%
13 - 15	0	2	0	2	100%
Total	11	21	11	10	48%

T 3.18.1

3.18.2 FINANCIAL PERFORMANCE: SUPPLY CHAIN MANAGEMENT

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure					
Employees	1 982	1 382	1 984	2 070	33%
Repairs and Maintenance	0	0	0	0	0%
Other	162	110	73	99	-11%

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Total Operational Expenditure	2 144	1 492	2 057	2 169	31%
Net Operational Expenditure	2 144	1492	2 057	2 169	31%
					T 3.18.2

3.18.3 COMMENT ON SUPPLY CHAIN MANAGEMENT PERFORMANCE OVERALL

The Supply Chain Management Policy of the municipality was adopted by Municipal Council on 09 June 2022 in terms of Supply Chain Management Regulations. The policy was then reviewed and adopted by Municipal Council on 30 January 2023 due to changes in Preferential Procurement Regulation 2022.

A total of ten competitive bids to the value of R288 million were awarded during the financial year under review and it should also be noted that other bids were rate-based and not included in the R288 million. The average turnaround time on the awarding of bids was three months from closing date to the appointment date. A total of seventy-five formal written price quotations to the value of R7 million were awarded during the financial year under review. The average turnaround time on the awarding of formal written price quotations was one month from closing date to the appointment date.

T 3.18.3

3.19 INTRODUCTION TO ASSET MANAGEMENT

Management of the assets of the municipality, including the safeguarding and the maintenance of those assets. To ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality and that the municipality's assets are valued in accordance with standards of generally recognised accounting practice and that the municipality has and maintains a system of internal control of assets including an asset register as may be prescribed.

T 3.19

3.19.1 EMPLOYEE: ASSET MANAGEMENT

Job Level	20121/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	2	100%
7 - 9	5	7	5	5	71%
Total	7	9	7	7	78%
					T 3.19.1

3.19.2 FINANCIAL PERFORMANCE: ASSET MANAGEMENT

Details	R'000				
	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure					
Employees		3 396	3 463	3 366	-1%
Repairs and Maintenance		0	0	0	0%
Other		76	745	718	89%
Total Operational Expenditure	0	3 472	4 208	4 084	15%
Net Operational Expenditure	0	3 472	4 208	4 084	15%

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T 3.19.2

3.19.3 COMMENTS ON ASSET MANAGEMENT PERFORMANCE OVERALL

Most of the municipality's assets are aging and therefore there are serious backlogs in the delivery of basic services to the community since the municipality has financial constraints and only depending on grants. There is also a high rate of theft and vandalism that seems to be increasing daily.

T 3.19.3

3.20 INTRODUCTION TO EXPENDITURE MANAGEMENT

In terms of the Municipal Finance Management Act, Section 65 (c), the municipality must maintain a system of internal control in respect of creditors and payments to ensure that management and other personnel provide reasonable assurance regarding the achievement of objectives in economy, efficiency and effectiveness of operations and compliance with applicable laws, policies and regulations to accomplish a clean audit report.

Expenditure management is an ongoing function with the aim of improving creditor's efficiency by improving the percentage in respect of creditors paid within 30 days. Currently eighty percent of all invoices are paid within thirty days. The Setsoto Local Municipality do experience a negative cash flow challenge that do have a direct impact on our payment rate in respect of creditors to be paid within thirty days.

The Municipality embarked constantly on revenue enhancement, expenditure reduction strategies to improve the cash flow challenge. Setsoto Local Municipality is one of the municipalities in the Free State Province that was able to pay the Eskom bulk and free basic electricity timeously since December 2022 resulting in no interest charges therefore no fruitless and wasteful expenditure. It also reflects positive on the image of the municipality in the community, suppliers, customers and governmental departments.

T 3.20

3.20.1 EXPENDITURE MANAGEMENT SERVICE DATA

	Details	2021/22	2022/23		2023/24	2024/25	2025/26
		Actual No.	Estimate No.	Actual No.	Estimate No.	Estimate No.	Estimate No.
1	Number of reports on the actual amount of cash on hand in terms of the Cash Flow forecast	12	12	12	12	12	12
2	Percentage of creditors paid within 30 days	80%	65%	84%	80%	80%	80%
3	Percentage of reconciled creditors	83%	75%	82%	80%	80%	80%
4	Number of cashbook (Expenditure) reports to COUNCIL (Payments Made)	12	12	12	12	12	12
5	Number of insurance claims generated	12	12	12	12	12	12
6	Number of section 32 report submitted	12	12	12	12	12	12
7	Number of reports on Irregular, Fruitless and Wasteful Expenditure	12	12	12	12	12	12
8	Percentage of internal audit queries [relating to Expenditure Management Division] responded to and addressed [on/before due date and time]	73%	100%	83%	100%	100%	100%

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9	Number of credible Audit Recovery Plan for all unresolved internal audit queries	12	12	12	12	12	12
10	Percentage of IAU RFIs [relating to Expenditure Management Division] responded to on time [on/before due date and time]	83%	100%	87%	100%	100%	100%
11	Percentage of external audit queries [relating to Expenditure Management Division] responded to and addressed on time [5 working days]	90%	100%	100%	100%	100%	100%
12	Percentage of AGSA RFIs [relating to Expenditure Management Division] responded to on time [on/before the due date and time]	98%	100%	93%	100%	100%	100%
13	Number of expenditure reduction strategies developed	1	1	1	1	1	1
14	Number of bulk purchases reconciliation between the register and the GL/TB	N/A	12	12	12	12	12
15	Number of expenditure reduction strategies developed (For reporting to be incorporated into RES/CCS/LRS)	N/A	1	1	1	1	1
16	Number of Fruitless & Wasteful Expenditure Reduction Strategy developed and incorporated into the UIF Reduction Strategy	N/A	1	1	1	1	1
17	Number of reports / updates on Fruitless & Wasteful Reduction strategy	N/A	12	12	12	12	12
18	Number of RES / CCS / LRS reviewed	N/A	1	1	1	1	1
19	Number of reports on the implementation of the RES / CCS / LRS	N/A	12	12	12	12	12
20	Number of a credible EARP developed to address the root cause of audit exceptions raised by AGSA	1	1	1	1	1	1
21	Number of report on the implementation of the EARP	6	5	5	5	5	5
22	Percentage of unresolved IAU which have an Audit Recovery Plan that addresses the root cause	N/A	100%	100%	100%	100%	100%
23	Number of monthly reports submitted to FINCOM from the Expenditure Management Division on/before the due date	N/A	12	12	12	12	12
24	Number of reports submitted to the CFO on the implementation of the Lower Level SDBIP on/before the due date	N/A	4	4	4	4	4
25	Percentage of FINCOM resolutions that have been implemented within the agreed upon time frame [Resolution Register]	N/A	100%	100%	100%	100%	100%
26	Percentage of MAYCO resolutions that have been implemented within the agreed upon time frame [MAYCO Progress Report]	N/A	100%	100%	100%	100%	100%
27	Percentage of MPAC resolutions that have been implemented within the agreed upon time frame [Resolution Register]	N/A	100%	100%	100%	100%	100%
28	Percentage of MUNICIPAL COUNCIL resolutions that have been implemented within the agreed upon time frame [Council Progress Report]	N/A	100%	100%	100%	100%	100%
29	Percentage of APAC resolutions that have been implemented within the agreed upon time frame [Resolution Register]	N/A	100%	100%	100%	100%	100%
30	'Number of reports on MFMA sec. 116 (2) (b) [Report on Consultant's / Contractor's Performance Monitoring]	N/A	12	12	12	12	12
31	Number of updates on implementation of the Risk Register [risk relating to Expenditure Management Division]	N/A	4	4	4	4	4
T 3.20.1							

3.20.2 EMPLOYEE: EXPENDITURE MANAGEMENT

Job Level	2020/2021	2022/23
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	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	1	1	50%
4 - 6	2	4	2	2	50%
7 - 9	3	7	3	4	57%
Total	7	13	6	7	54%

T 3.20.2

3.20.3 FINANCIAL PERFORMANCE: EXPENDITURE MANAGEMENT

					R'000
Details	2018/2019	2019/2020			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure					
Employees	5170	3567	3110	3032	-18%
Repairs and Maintenance	0	0	0	0	0%!
Other	2864	526	3941	4093	87%
Total Operational Expenditure	8034	4093	7051	7125	43%
Net Operational Expenditure	8034	4093	7051	7125	43%

T 3.20.3

3.20.4 COMMENTS ON EXPENDITURE MANAGEMENT PERFORMANCE OVERALL

The negative cash flow resulted that the Municipality were not able to pay all suppliers within thirty days as required by Municipal Finance Management Act, Section 65 (e), but only eighty percent was paid within thirty days.

Challenges experienced is for suppliers to be tax complaint and to obtain statements from Small Micro Medium Enterprises as they do not have a proper financial software system and the reluctance of other suppliers to submit statements as well as the submission of tax-complaint invoices and end-users not signing for the receipt of goods and services.

The recording of irregular, fruitless and wasteful expenditure is being done monthly and submitted to Municipal Public Accounts Committee through council for investigation in terms of Municipal Finance Management Act, 56 of 2003, Section 32. Insurance claims when submitted to the Expenditure Division are also reported to the municipal broker to prevent losses.

T 3.20.4

3.21 CORPORATE SERVICES

3.21.1 INTRODUCTION TO HUMAN RESOURCES MANAGEMENT

During the financial year 2022/2023 the Division of Human Resources Management was responsible for the overall management of the two functions, which is; Human Resources Management responsible for Human Resource Administration, Benefits Administration, Recruitment and Placement. The second function was the Health and Wellness which is responsible for Employee Wellness and Occupational Health.

T 3.21.1

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3.21.2 EMPLOYEES:HUMAN RESOURCES MANAGEMENT

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	3	3	0	0%
4 - 6	3	4	3	1	25%
7 - 9	4	10	4	6	60%
Total	10	17	10	7	41%
T 3.21.2					

3.21.3 FINANCIAL PERFORMANCE:HUMAN RESOURCES MANAGEMENT

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	6 819	7 687	6 573	-4%
Expenditure					
Employees	125	5 543	4 157 156	4 421	-25%
Repairs and Maintenance	25	0	0	0	0%
Other	45	1 277	3 530	2 151	41%
Total Operational Expenditure	195	6 819	7 687	6 573	-4%
Net Operational Expenditure	75	0	0	0	0%
T 3.21.3					

3.21.4 COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE MANAGEMENT OVERALL

During the financial year 2022/2023, the division, Human Resources Management strived to achieve all its targets. All Senior Manager's positions were filled except for the position of Director Community Services. With regards to recruitment of other staff, priority was given to service delivery positions mostly. The review of the organisational structure was also not yet finalised. This also affected the implementation of the staff regulations as a whole. A new implementation plan was developed for the implementation of Municipal Staff Regulations of 2021.

T 3.21.4

3.22 INTRODUCTION TO HUMAN RESOURCES DEVELOPMENT

The Human Resources Development Division derives its mandate from the Integrated Development Plan. Three top services that are rendered by the Human Resources Development Division are:

- To provide training for Skills Development
- Employment Equity
- To maintain discipline and sound Labour Relations

T 3.22

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3.22.1 SERVICE STATISTICS FOR HUMAN RESOURCE DEVELOPMENT

Details	2021/2022	2022/2023		2023/2024
	Actual No.	Estimate No.	Actual No.	Estimate No.
Percentage of Municipality's budget actually spent on implementing its workplace skills plan	9 %	85%	36%	50%
Number of approved Workplace Skill Plan	1	1	1	1
Percentage of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality approved Employment Equity Plan	2%	20%	2%	20%
Percentage of Reduction in Disciplinary Hearings	30.75%	50%	30.75%	50%
T 3.22.1				

3.22.2 EMPLOYEES: HUMAN RESOURCE DEVELOPMENT DIVISION

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	3	2	1	33%
4 - 6	1	3	1	2	67%
7 - 9	1	1	1	0	0%
Total	4	7	4	3	43%
T 3.22.2					

3.22.3 FINANCIAL PERFORMANCE: HUMAN RESOURCE DEVELOPMENT DIVISION

Details	R'000				
	Year 2021/2022	Year 2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	1 382	1 344	1 474	1 352	1%
Expenditure					
Employees	890	864	924	882	2%
Repairs and Maintenance	0	0	0	0	0%
Other	0	0	0	0	0%
Total Operational Expenditure	2 702	2 288	2 158	2 280	106%
Net Operational Expenditure	4 084	3 632	3 632	3 632	100%
T 3.22.3					

3.22.4 COMMENT ON PERFORMANCE OF HUMAN RESOURCE DEVELOPMENT OVERALL

The Human Resources Development Division has ensured that there are sound relationships with Government Departments, Local Government Sector Education and Training Authority and another Sector Education and Training Authorities'.

This enables the division to obtain strategic partnership with the sectors. These strategic partners provide funding to the programmes that are implemented in the institution. The type of the funding we receive come in the form of the Discretionary Grants that are utilized to implement Learnerships and Internships. These projects require capital but since we receive Grants, all the programmes that are implemented through those conditional grants.

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The compilations of the Employment Equity Plan, Workplace Skills Plan, Annual Training Report, and Policy Development, which can be classified as the Capital Projects, are not outsourced as the Human Resource Development Division has the capacity to do the work internally.

Currently we rely on the Discretionary Grants, and we have secured funds from Sector Education and Training Authorities for implementation of Supply Chain Management Learnership and Graduate Internship Placement Programme and placement of Technical and Vocational Education Training students to acquire workplace experience at the municipality.

Non availability of the presiding officers and prosecutors due to work and South African Local Government Association commitments impact on the timeously finalisation of labour cases and disputes.

T 3.22.4

3.23 INTRODUCTION TO ADMINISTRATION AND SUPPORT SERVICES

The Administration and Support Services Division is within the Corporate Services Departments and is responsible to provide an effective and efficient Administration and Support Services. It comprises of three sections in line with the key focus areas, namely Committee Services, Records and Archive Management as well as the Support Services which also includes the responsibility for Telecommunication and Reprographic Equipment Management, Office Cleaning Services as well as Reception Services. This report reflects the performance of the division for the year 2022/2023.

T 3.23

3.23.1 ADMINISTRATION AND SUPPORT SERVICES DATA

Details		2021/2022	2022/2023		2023/2024
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Percentage of planned Records Management Activities implemented	100%	100%	60%	100%
2	Percentage of planned Committee Services Activities implemented	83%	100%	100%	100%
3	Percentage of planned Telecommunication and Reprographic related activities implemented.	83%	100%	80%	100%
4	Percentage of planned activities in respect of cleaning services implemented	80%	100%	80%	100%
5	Percentage of Planned Activities implemented towards the development and/or review of Bylaws / Administration Policies	75%	100%	100%	100%
					T 3.23.1

3.23.2 EMPLOYEES: ADMINISTRATION AND SUPPORT SERVICES

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	1	11	3	8	73%
10 - 12	8	14	8	6	43%

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13 - 15	21	24	21	3	13%
Total	34	53	36	17	32%
					T 3.23.2

3.23.3 FINANCIAL PERFORMANCE: ADMINISTRATION AND SUPPORT SERVICES

R'000					
Details	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	125	100	95	-32%
Expenditure					
Employees	0	0	0	0	0%
Repairs and Maintenance	7	296	185	15	-1 873%
Other	2 899	4 595	2 706	3 236	-42%
Total Operational Expenditure	2 906	4 891	2 891	3 251	-50%
Net Operational Expenditure	2 906	4 766	2 791	3 156	-51%
					T 3.23.3

3.23.4 CAPITAL EXPENDITURE: ADMINISTRATION AND SUPPORT SERVICES

R' 000					
Capital Projects	2022/2023				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	533	473	222	-140%	473
					T 3.23.4

3.23.5 COMMENT ON THE PERFORMANCE OF ADMINISTRATION AND COUNCIL SUPPORT OVERALL

The division is operating with an overall 32% vacancy rate. At clerical level we have a 56% vacancy rate. As a result, the Manager and Supervisors are dealing with various operational issues on a daily basis to ensure the work gets done and this impacts sufficient monitoring. The vacancies that were budgeted for were not filled during the financial year.

During the year 3 of 5 target were partially achieved and 2 target fully achieved. Targets partially achieved was still in progress at financial year end and related to the Records Policy Review which was not finalized as well as an awareness workshop which was postponed due to another meeting. Furthermore, the Tender Process for the Procurement of Reprographic Equipment still needed to unfold because needs analysis had to be reviewed again. All other targets were fully achieved.

T 3.23.5

3.24 INTRODUCTION TO LEGAL SERVICES AND CONTRACT MANAGEMENT

The Legal Services Division is tasked with the provision of legal and advisory services to both the Administrative and the Political arms of the Municipality. The Division is also tasked with ensuring the effective and efficient management and monitoring of contracts within the Municipality.

T 3.24

3.24.1 LEGAL SERVICES AND CONTRACT MANAGEMENT SERVICES DATA

Details	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
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		Actual No.	Estimate No.	Actual No.	Estimate No.	Estimate No.	Estimate No.
1	Number of updates on litigations and private claims register	4	4	4	4	4	4
2	Percentage of new and existing contracts entered in the contracts register	100%	100%	100%	100%	100%	100%
3	Percentage of applications for renewal of expired contracts processed.	100%	100%	100%	100%	100%	100%
4	Number of Section 80 Committee Reports compiled and submitted	12	12	12	12	12	12
T 3.24.1							

3.24.2 EMPLOYEES: LEGAL SERVICES AND CONTRACT MANAGEMENT

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	3	2	1	33%
7 - 9	1	2	1	1	50%
Total	3	5	3	2	40%
T 3.24.2					

3.24.3 FINANCIAL PERFORMANCE: LEGAL SERVICES AND CONTRACT MANAGEMENT

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-	-	-	-	0%
Expenditure					
Employees	2 363	2 182	1 105	1 486	68%
Repairs and Maintenance	-	-	-	-	0%
Other	91	1 921	634	309	16%
Total Operational Expenditure	2 454	4 103	1 739	1 795	44%
Net Operational Expenditure	2 454	4 103	1 739	1 795	44%
T 3.24.3					

3.24.4 COMMENT ON LEGAL SERVICES AND CONTRACT MANAGEMENT PERFORMANCE OVERALL

Legal Services reached the divisional performance targets in the 2022/2023 financial year. The municipality's contracts register was updated and to date, remains a true reflection of all active contracts between third parties and the municipality.

To control legal costs and curb expenditure, the Division has continued requesting lawyers to submit taxed invoices when claiming for services rendered, this ensures that the Municipality pays costs as approved by the Taxing Master, and that such invoices and payments thereon can withstand the scrutiny of the Auditor General.

T 3.24.5

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3.25 INTRODUCTION TO PAYROLL MANAGEMENT

The Payroll Administration Division is within the Corporate Services Department and is responsible for processing salaries, benefits, deductions, payments to third parties, pay as you earn reconciliations and all other salary related processes. The Payroll System follows set regulations to ensure compliance with national legislation. The Payroll Administration is also responsible for the processing of all leave transactions and maintaining leave records of each employee.

T 3.25.5

3.25.1 PAYROLL ADMINISTRATION DATA

Details		2021/2022	2022/2023		2023/2024
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of payrolls processed on or before 25 th of every month	12	12	12	12
2	Number of months that Third parties are processed on or before the 3 rd of every month	12	12	12	12
3	Percentage of leave processed	100%	100%	100%	100%
T 3.25.1					

3.25.2 EMPLOYEES: PAYROLL ADMINISTRATION

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0%
4 - 6	0	1	1	0	0%
7 - 9	1	1	0	1	100%
10 - 12	1	1	1	0	0%
Total	4	5	4	1	20%
T 3.25.2					

3.25.3 FINANCIAL PERFORMANCE: PAYROLL ADMINISTRATION

Details	2021/2022	2022/2023				R'000
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	0	125	100	95	-32%	
Expenditure						
Employees	23 57	2 679	2 525	2 486	-8%	
Repairs and Maintenance	0	244	250	248	2%	
Other	214	260	80	207	-26%	

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Total Operational Expenditure	2 571	3 183	2 855	2 941	-8%
Net Operational Expenditure	2 571	3 058	2 755	2 846	-7%
					T 3.24.3

3.25.4 COMMENT ON THE PERFORMANCE OF PAYROLL ADMINISTRATION SERVICES OVERALL

The division has achieved all targets and the reports were submitted for all four quarters of the financial year 2022/2023 even though the division was only eighty percent staffed with a vacant position of Salary Clerk.

T 3.25.4

3.26 INTRODUCTION OF THE OFFICE OF THE MUNICIPAL MANAGER

The Municipal Manager is by law the head of the administration and also the municipality's Accounting Officer. A Municipal Manager must possess the necessary skills to perform the functions of the office. The role of a Municipal Manager is primarily threefold in nature, namely:

- Performs procedural duties, re political structure;
- Head of administration;
- Accounting Officer

The Municipal Manager also has some other less prominent roles, e.g. in relation to access to information, elections etc. The Municipal Manager must ensure that the administration of the affairs of the municipality are governed by the democratic values and principles enshrined in the Constitution, namely:

- a) A high standard of professional ethics must be promoted and maintained;
- b) Efficient, economic and effective use of resources must be promoted;
- c) Public administration must be development-oriented;
- d) Services must be provided impartially, fairly, equitably and without bias;
- e) People's needs must be responded to, and the public must be encouraged to participate in policy-making;
- f) Public administration must be accountable.
- g) Transparency must be fostered by providing the public with timely, accessible and accurate information.
- h) Good human-resource management and career-development practices, to maximise human potential, must be cultivated.
- i) Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.

The area of responsibility of the Municipal Manager is geographically limited to the geographical area of the municipality. Due to the municipality's involvement in co-operative governance the influence of the Municipal Manager is wider, e.g. the activities of structures to liaise with National and Province governments, district municipalities, South African Local Government Association, institutes etc.

The Municipal Manager also has extensive statutory and delegated powers and duties as well as powers and duties that are ancillary to such delegated powers and duties. The office is responsible to the following departments and divisions:

Departments

- Office of the Municipal Manager
- Technical Services
- Corporate Support Services

- Community Development
- Finance Services

Divisions

- Office Administration and Unit Support
- Integrated Development Planning and Performance Management and Development Systems
- Internal Audit
- Risk Management
- Information Technologies
- Communication
- Office of the Speaker
- Office of the Executive Mayor

The Municipal Manager's powers and functions are categorised hereunder according to the identified roles. These powers are subject to the policy directions of the municipal council and monitored by the Executive Mayor.

Procedural duties *re* political structure

The Municipal Manager has a number of procedural duties to perform regarding the constitution of the Municipal Council, namely –

- Calls the first meeting of the municipal council within 14 days after the council has been declared elected;
- Presides over the election of the Speaker
- Ensures that every councillor declare his or her financial interests and any future changes;
- Ensures that every councillor declares any gifts received that exceed a prescribed value;
- Calls and set a date for the by-election in a ward after consulting with the Independent Electoral Commission;
- Informs the Chief Electoral Officer of the Independent Electoral Commission when a councillor elected from a party list ceases to hold office;
- Determines the nomination form to be used for the election of a Speaker, and an Executive Mayor;
- Gives notice to the public of the time, date and venue of every ordinary meeting of the municipal council and special or urgent meetings of the council, except when time constraints make this impossible;
- Attends meetings of the municipal council and advises the Speaker and council during proceedings

T 3.26

3.26.1 INTRODUCTION TO THE OFFICE OF THE SPEAKER

The aim of the Office of the Speaker is to structure the two functions of a municipal council, that is, its legislative function and its executive function. The Speaker presides at meetings of the Council and performs the duties and exercises the powers delegated to the Speaker. The Office of the Speaker is staffed with the following officials whose term runs concurrently with the term of office of the Speaker:

- Personal Assistant to the Speaker

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- Senior Administrative Officer
- Public Participation and Outreach Officer
- Petitions and Hearings Officer
- Community Development Workers Coordinator
- Ward Coordinator
- Administrative Secretary
- Driver

The staff in the Office of the Municipal Public Accounts Committee is also assisted administratively by the Office of the Speaker. The Municipal Public Accounts Committee is staffed with the following personnel:

- Municipal Public Accounts Committee Coordinator
- Municipal Public Accounts Committee Researcher
- Municipal Public Accounts Committee Clerk
- Performance Management and Development System-for Secretariat purposes
- Chief Audit Executive-for investigation purposes

The staff report functionally to the Speaker but administratively to the Municipal Manager.

T 3.26.1

3.26.1.1 SERVICE DATA OF THE OFFICE OF THE SPEAKER

	Details	2020/2021	2021/2022		2022/2023
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of Council agendas issued as per council rules and orders	3	3	3	3
2	Number of Council meetings co-ordinated	3	3	3	3
3	Number of quarterly Ward Committees functionality reports submitted to Council	17	17	17	17
4	Number of monthly Ward Committees functionality reports submitted	51	51	51	51
5	Number of constituency report back meetings convened by Councillors for improved communication on service delivery including IDPs, SDBIP	51	51	51	51
6	Establishment of Stakeholders Forums in all units	4	4	3	3
7	Number of Ward Profiles developed and submitted	17	0	0	0
					T 3.26.1.1

3.26.1.2 EMPLOYEES: OFFICE OF THE SPEAKER

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	9	9	9	0	0%
7 - 9	2	2	2	0	0%

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Total	11	11	11	0	0%
					T 3.26.3.2

3.26.1.2 FINANCIAL PERFORMANCE: OFFICE OF THE SPEAKER

R'000					
Details	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Operational Revenue					
Expenditure					
Employees		2 254		2 372	
Repairs and Maintenance		252		34	
Other		50		2 742	
Total Operational Expenditure		2 556		2 681	
Net Operational Expenditure					
					T 3.26.4

3.26.1.3 COMMENT ON THE PERFORMANCE OF THE OFFICE OF THE SPEAKER OVERALL

The Office of the Speaker has achieved 95% of its targets, and the reports were submitted in all quarters of the financial year 2022/2023. There's an improved way of informing, consulting, involving, collaborating and engagement with communities and stakeholders.

T 3.26.1.3

3.26.1.1 INTRODUCTION TO THE OFFICE OF THE EXECUTIVE MAYOR

The Office of the Executive Mayor is the strategic link between administration and political principals. The legislative mandate of this is to: Provide democratic and accountable government for local communities. Ensure sustainable provision of services to communities.

The Office of the Executive Mayor has been responsible for the following programmes and projects during the year under review:

- All legislative functions and responsibilities of the Executive Mayor
- Mayoral Committee coordination
- Special Programmes
- Youth Development Programmes
- Stakeholder Engagements

T 3.26.1.1

3.26.2.2 SERVICE DATA OF THE OFFICE OF THE EXECUTIVE MAYOR

Details	Date	Responsibility
Mayoral Distribution of Groceries and Blankets to Elderly People	18 July 2022	Special Programme Office
16 Minutes of Mandela Day Celebrations-Elderly	18 July 2022	Special Programme Office
Mayoral School Uniform Donation	18 July 2022	Special Programme Office
Groceries Donation	18 July 2022	Special Program Office
Women's Celebration -Working Class Women	12 August 2022	Special Program Office
Women's Month Celebration	20 August 2022	Special Program Office

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Mayoral High Tea Program	27 August 2022	Special Program Office
Mayoral Spelling BEE	6 August 2022	Youth Development Office
South African Capacity Building and Development Indicators	12-13 September 2022	Stakeholder Engagement Unit
Women's Month Celebration- Working class women's and Women in Business	30 August 2022	Special Programme Office
Mayoral Youth Dialogue	15 September 2022	Youth Development Office
National Student Financial Assistance Scheme Recruitment Drive	27 September 2022 to 31 January 2023	Youth Development Unit
Mayoral Youth Information Session	7 and 8 November 2022	Special Program Office
Business forum meetings	16 November 2022	Stakeholder Engagement Unit
Man's Dialogue against Gender Based Violence and Femicide	28 November 2022	Special Programme Office
Gender Based Violence and Femicide and HIV/AIDS Awareness	01 December 2022	Special Program Office
Initiation Schools Awareness Drive	01 December 2022	Special Program Office
Mayoral Prayer and HIV/AIDS Candlelight	7 December 2022	Special Program Office
Mayoral Back to School Program	8 January 2023	Youth Development Office
Back to school launch	18 January 2023	Youth Development Unit
Right to learn campaign	18-31 January 2023	Youth Development Unit
Acknowledgement of matric results	02 February 2023	Youth Development Unit
Mayoral Matric Award Ceremony	2 February 2023	Youth Development Office
Mayoral Registration Fee Program	15 February 2023	Youth Development Office
Drug Free School Campaign	08 March 2023	Youth Development Unit
Senekal Project Steering Committee Meeting	12 April 2023	Stakeholder Engagement Unit
Clocolan Project Steering Committee Meeting	19 April 2023	Stakeholder Engagement Unit
Mayoral Outreach Program	21 st April 2023	Special Program Office
Youth Social Dialogue	26 April 2023	Youth Development Unit
CSF Forum Meeting	29 March 2023	Stakeholder Engagement Unit
Local Football Association Consultation Meeting	19 April 2023	Youth Development Unit
Clap and Tap Consultation meeting	21 April 2023	Youth Development Unit
Meeting with Centre for Community Impact	24 April 2023	Youth Development Unit
Sports Forum meeting	27 April 2023	Youth Development Unit
School Visits Boitumelo	28 April 2023	Youth Development Unit
Setsoto Artist Workshop	29 April 2023	Youth Development Unit
Support with University Online Applications	08-12 May 2023	Youth Development Unit
Artist Workshop-South African Music Board	08 June 2023	Youth Development Unit
Ficksburg Project Steering Committee Meeting	10 May 2023	Stakeholder Engagement Unit
Ficksburg Project Steering Committee Meeting	18 May 2023	Stakeholder Engagement Unit
Clocolan Project Steering Committee Meeting	19 May 2023	Stakeholder Engagement Unit
DESTEA Youth Month Plenary Meeting	25 May 2023	Stakeholder Engagement Unit
Senekal Project Steering Committee Meeting	26 May 2023	Stakeholder Engagement Unit
Ficksburg Project Steering Committee Meeting	15 June 2023	Stakeholder Engagement Unit
Clocolan Project Steering Committee Meeting	28 June 2023	Stakeholder Engagement Unit
T 3.26.2.2		

3.26.2.3 EMPLOYEES: OFFICE OF THE EXECUTIVE MAYOR

Job Level	2021/2022		2022/2023		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0%
4 - 6	4	4	4	0	0%
Total	6	6	6	0	0%

3.26.3.3 COMMENT ON THE PERFORMANCE OF THE OFFICE OF THE EXECUTIVE MAYOR OVERALL

The Office of the Executive Mayor has intensified its role as provider of political direction and oversight on the administration of the municipality. In enhancing the capacity of the municipality to provide sustainable service to the communities, the following were implemented:

- Establishment of War Room where ward councillors, members of the Mayoral Committee, leaders of political parties, senior management, middle management and supervisors came together bi-weekly to address challenges raised on service delivery provision and come up with solutions.
- In addressing the youth unemployment, the office in collaboration with the Department of Agriculture, Rural Development and Land Reform, recruited twenty-three youths through the Extended Public Works Programme to be involved in Agro-processing.
- Furthermore, thirty-four youths, two from each ward were also recruited to undergo training in By-Law Implementation, this program is also a collaboration with the Department of Agriculture, Rural Development and Land Reform, through its National Rural Youth Corps.
- To curb the high levels of crime, in particular the cross border crime between South Africa and Lesotho, the municipality through the Office of the Executive Mayor participate and is a joint secretariat to the Cross Border Crime Prevention Forum for the Northern Region, this forum deals with a spectrum of crimes and involves all law enforcement agencies.
- To further accountability and responsibility, the Executive Mayor ensured that all members of the Mayoral Committee signs the Delivery Agreements, and they play an oversight on their respective departments.

Public participation processes are pivotal in ensuring that communities and stakeholders participate in the municipal planning and budgeting processes of the municipality. The Office of the Executive Mayor has ensured that the Integrated Development Plan Review Process Plan as approved by council is implemented to the latter and all the activities in the plan regarding public participation and consultations are adhered to.

T 3.26.3.3

3.26.3 INTRODUCTION TO INTERNAL AUDIT UNIT

The Internal Audit play a pivotal role in the governance structure, and it has been established in 2001 to conform to section 165(1) of the Municipal Finance Management. The Internal Audit has been in operation since 2001 till to date and it is currently operating with five staff and their operational development has been taken care off through the years. It has been an instrumental in assisting municipality's management to achieve desired goal.

The unit conduct its activities in terms of the International Standards for the Professional Practice of Internal Auditing (ISPPIA), which make emphasis on the internal audit activity to evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach. Furthermore, the unit is an independent objective assurance and consulting function established to examine and evaluate activities and to assist Audit and Performance Audit Committee, the Council, Management in the effective discharging their responsibilities.

The unit partially conform to the standards 1200, 1300, 2000, 2300 and 2400 of the International Standard for the Professional Practice of Internal Auditing however there is an action plan developed to address those areas. Five of the nine activities has been implemented.

T 3.26.3

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3.26.3.1 SERVICE DATA OF THE INTERNAL AUDIT UNIT

	Details	2020/2021	2021/2022		2022/2023
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of approved Audit and Performance Audit Charter, Internal Audit Charter	2	2	2	2
2	Number of Internal Audit Strategic Plans approved	1	1	1	1
3	Number of approved Coverage Plan and implementation of the coverage plan	1	1	1	1
4	Number of Internal Audit Procedural Manual reviewed and approved	1	1	1	1
5	Number of reports on the implementation of the Quality Assurance Improvement Programme	1	1	1	1
					T 3.26.3.1

3.26.3.2 EMPLOYEES: INTERNAL AUDIT

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	4	4	0	100%
4 - 6	1	6	1	5	83%
Total	5	10	11	5	50%
					T 3.26.3.2

3.26.3.3 FINANCIAL PERFORMANCE 2022/2023: INTERNAL AUDIT

Details	R'000				
	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure					
Employees	3 867	4 209	3 903	3 985	-6%
Repairs and Maintenance	0	0	0	0	0%
Other	474	473	206	307	-54%
Total Operational Expenditure	4 341	4 682	4 109	4 292	-9%
Net Operational Expenditure	4 341	4 682	4 109	4 292	-9%
					T 3.26.3.3

3.26.3.4 COMMENT ON THE PERFORMANCE OF INTERNAL AUDIT OVERALL

The unit managed to complete 97% audit activities that were planned as per the approved coverage plan, and approval was granted to roll over the one ad hoc audit that is in progress.

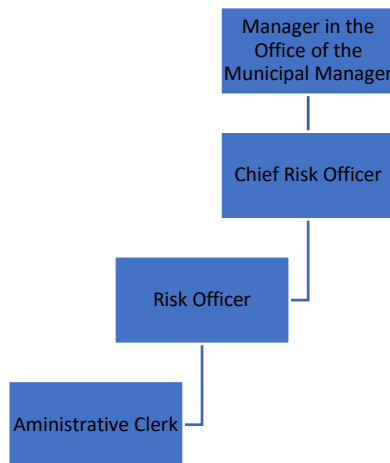
T 3.26.3.4

3.26.4 INTRODUCTION TO RISK MANAGEMENT

The Risk Management Unit of the Municipality is located in the Office of the Municipal Manager, and the

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hierarchy is as follows:



Risk management is central to managing the municipality as a whole and risk management is integral to planning, organising, directing, and coordinating systems aimed at achieving municipality’s goals and objectives. Risk refers to unwanted outcome, actual or potential to the municipality’s services delivery and other performance objectives, caused by the presence of risk factors. Some risk factors also present upside potential, which management must be aware of and be prepared to exploit.

T 3.26.4

3.26.4.1 SERVICE STATISTICS FOR RISK MANAGEMENT

Detailed	2021/2022	2022/2023	2023/2024
Installation of Barn Owl	0	1	0
Conducted trainings	2	2	2
Risk Assessments	1	2	1
T 3.26.4.1			

3.26.4.2 EMPLOYEES: RISK MANAGEMENT SERVICES

Job Level	2021/2022	2022/2023			
	Employees No	Posts No	Employees No	Vacancies (fulltime equivalent) No	Vacancies (as a % of total posts)
0-3	0	1	0	1	100%
4-6	1	1	1	0	N/A
7-9	1	1	1	0	N/A
Total	2	3	2	1	33.33%
T 3.26.4.2					

3.26.4.3 COMMENT ON RISK MANAGEMENT SERVICES PERFORMANCE

The unit has managed to inculcate the risk management culture amongst employees at senior management and middle management, but it is still a long way to go for all the employees to make risk management part of their daily routines.

The unit has proved to perform well in the Province even though faced with challenges of limited resources. It would be advisable that the unit be capacitated fully and allocated budget so that it can function optimally .

T 3.26.4.3

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3.26.5 INTRODUCTION TO INFORMATION TECHNOLOGIES

The municipality is committed to providing a reliable and sustainable information communication technologies environment that supports its goals and objectives, as defined in the Integrated Development Plan. The Information Communication Technologies Section is within the office of the Municipal Managers and is linked to the Integrated Development Plan objective and key performance area off Good Governance, Transparency and Accountability and Public Participation.

The main responsibility of the Information Communication Technologies Section is providing and maintaining Information Systems that responds to the information needs and requirements of the municipality as well as to ensure connectivity of the users at all times by focusing on the following areas;

- Security of all information technology systems and assets;
- Availability of systems;
- High performance of systems;
- Increase service delivery of the municipality to its greater customers through highly effective systems;
- Support and maintain systems used by all departments;
- Ensure information technology systems work according to business requirements;
- Ensure policies and procedures are in place for governance;
- Ensure seamless integration of systems and platforms; and
- To lead delivery of information technology systems and services according to industry best practices and government based procedures.

The municipality has adopted the Municipal Corporate Governance of Information and Communication Technology Policy Framework, together with its Information and Communication Technology Governance Framework, Policies and Information and Communication Technology Charter for establishing the Information and Communication Technology Governance Structures required.

T 3.26.5

3.26.5.1 SERVICE STATISTICS FOR INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

	Details	Quarter 1		Quarter 2		Quarter 3		Quarter 4		2023/2024	2024/2025
		Target	Actuals	Target	Actuals	Target	Actuals	Target	Actuals	Target	Target
1	Percentage effective information communication technologies, communication and customer care relations management systems	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2	Number of information technology governance reports	1	1	1	1	1	1	1	1	4	4
3	Number of software licenses renewed and procured	1	1	0	0	2	2	1	1	4	4
4	Number of disaster recovery test conducted	1	1	1	1	1	1	1	1	4	4
T 3.26.5.1											

3.26.5.2 EMPLOYEES: INFORMATION COMMUNICATION TECHNOLOGIES

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	0	2	0	2	100%
7 - 9	1	2	1	1	50%

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Total	2	5	2	3	60%
					T 3.26.5.2

3.26.5.3 FINANCIAL PERFORMANCE 2022/2023: INFORMATION COMMUNICATION TECHNOLOGIES

Details	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	4 252 904	5 673 912	5 673 912	5 585 003	88 909
Expenditure					
Employees	2 141 275	1 650 312	1 650 312	1 526 490	123 822
Repairs and Maintenance					
Other	2 111 629	4 023 600	4 023 600	4 058 513	-34 913
Total Operational Expenditure	4 252 904	5 673 912	5 673 912	5 585 003	88 909
Net Operational Expenditure	4 252 904	5 673 912	5 673 912	5 585 003	88 909
					T 3.30.3

3.26.5.4 COMMENT ON THE PERFORMANCE OF INFORMATION COMMUNICATION TECHNOLOGIES, OVERALL

The Information Communication Technologies Section within the Information Communication Technology/Customer Relations Management and Communications Division has met 100% of its targets.

T 3.26.5.4

3.26.6 INTRODUCTION TO COMMUNICATION SERVICES

The municipality is committed to providing a reliable, sustainable and effective services to the community as outlined in the Integrated Development Plan. The Communication division is within the Department of the Municipal Manager and is linked to the Integrated Development Plan objective and key performance area of Good Governance & Public Participation.

Effective service delivery is very key in a local government sphere and for the municipality to be able to attend and address all community needs, it must develop a sustainable relationship with the community.

For the community to be adequately informed about municipal projects which are aimed at enhancing their lives the municipality must come up with communication platforms to be used for information transfer and feedback.

We are also governed by the following:

1. Intergovernmental Relations Framework Act of 2005
2. Media Development and Diversity Act of 2002
3. Municipal Finance Management Act 56 of 2003
4. Promotion of Access to Information Act of 2000
5. Municipal Structures Act of 1998
6. Municipal Systems Act of 2000

T 3.26.6

3.26.6.1 SERVICE STATISTICS FOR COMMUNICATION SERVICES

Details	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2023/2024	2024/2025
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		Target	Actuals	Target	Actuals	Target	Actuals	Target	Actuals	Target	Target
1	Number of review of communication Strategy	1	0	1	0	1	0	1	0	1	1
2	Number of scheduled interviews	3		3	7	3		3		12	12
3	Number of media statements	3	3	3	3	3		3		12	12
4	Percentage: Announcement/ Notices	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
5	Percentage on website Uploads done	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
											T 3.26.6.1

3.26.6.2 EMPLOYEES: COMMUNICATION SERVICES

Job Level	2021/2022	2022/2023			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					
4 - 6	0	0	0	0	0
7 - 9	1	1	1	1	100%
Total	1	1	1	1	100%
					T 3.26.6.2

3.26.6.3 FINANCIAL PERFORMANCE 2022/2023: COMMUNICATION SERVICES

Details	2021/2022	2022/2023			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-	-	-	-	0%
Expenditure					
Employees	-	-	-	-	0%
Repairs and Maintenance	-	-	-	-	0%
Other	-	-	-	-	0%
Total Operational Expenditure	-	-	-	-	0%
Net Operational Expenditure	-	-	-	-	0%
					T 3.26.6.3

3.26.6.4 COMMENT ON THE COMMUNICATION SERVICES OVERALL

The office still doesn't have budget dedicated for the division. As much we are able to implement some of the programs of communication, it is rather frustrating to go from pillar to post before the office can be able to implement financial implicated programs. It would be of huge advantage if the office can have its own dedicated budget.

T 3.26.6.4

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COMPONENT H: ORGANISATIONAL PERFORMANCE SCORECARD

3.27 PERFORMANCE MANAGEMENT AND DEVELOPMENT SYSTEM

The first Performance Management and Development System Policy Framework was adopted by the Setsoto Local Municipality in May 2005. The framework was reviewed and amended during 2012/2013 financial year to align with the best practice guidelines suggested by the Department of Corporative Governance and Traditional Affairs. The framework was again reviewed in May 2016 to address the Auditor General finding that the municipality did not have documented and approved internal policies and procedures to address the process of collection, recording, processing, monitoring and reporting of performance information.

The reviewed Performance Management and Development System Framework and Policy has been enhanced to include the National Treasury Communications Directive: Framework for Managing Programme Performance Information. The Local Government Regulations on the appointment and Conditions of Employment of Senior Managers-Regulation 21 of 17 January 2014-were also included in the reviewed framework since it was promulgated after the adoption of the previous Performance Management and Development Policy Framework.

The most recent Performance Management and Development System Policy Framework review was on 09 June 2022, which is aligned to the Municipal Staff Regulations of 2021. On 1 July 2019 the Department of Cooperative Governance and Traditional Affairs issued a revised draft set of indicators with technical indicator descriptions for secondary cities and district municipalities.

The draft set of indicators were developed with respect to the provisions of Section 43 of the Municipal Systems Act, 32 of 2000, which provides for the Minister, after consultation with Member of the Executive Councils for local government and organised local government representing local government nationally, to prescribe and regulate key performance indicators to local government.

The draft indicators for secondary cities and district municipalities were developed through the course of engagements with provincial planning, monitoring and evaluation stakeholders on the 21 February 2019, and representatives of district municipalities and secondary cities whereby Setsoto Local Municipality participated on the 14 March 2019, convened by the Department of Cooperative Governance.

The submissions made via these forums have been considered as formative input to the indicators and are considered part of the process of intended reform of the Local Government: Municipal Planning and Performance Management Regulations of 2001. The document begins by setting out a summary of the proposed indicators for secondary cities and districts differentiated for the respective categories of municipality respectively.

The indicators have used Municipal Finance Management Act, 56 of 2003, Circular No. 88 as their point of departure and have been crafted so that they reflect the differential allocation of powers and functions between the two categories of municipalities. The indicators have been organised in terms of the Back-to-Basics Principles and are informed by reporting reforms initiated with metropolitan municipalities and formalised in Municipal Finance Management Act, 56 of 2003, Circular No. 88.

Technical indicator description for each of the proposed indicators were provided in draft format and municipalities requested to comment on it. It was imperative for Setsoto Local Municipality to prepare for readiness of implementation of the performance indicators together with Technical Indicator Descriptions for secondary cities until such stage that the Regulations are formalised.

The Organisational Performance Management and Development System Scorecard-Top Layer service delivery targets of the Service Delivery and Budget Implementation Plan was subsequently restructured from 2019/2020 financial year in line with the new format by the Department of Cooperative Governance and aligned to the Back-

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to-Basics Pillars. Technical Indicator Descriptions were developed for the Top Layer Service Delivery Targets on basic service delivery in the Service Delivery Budget Implementation Plan and adopted by Council on 31 May 2020 as Phase One of the implementation process with the following objectives:

- to describe the purpose of each indicator, the collection, calculation and interpretation of data;
- to indicate systems used to generate performance information to report on performance indicators;
- to institute a common understanding on the procedures that must be followed to record, collect, collate, verify and report on the actual performance on predetermined objectives outlined in the Top Layer Service Delivery and Budget Implementation Plan;
- to indicate the responsibilities at all organisational levels from the level where the performance information originates, up to the point where it is recorded in the Service Delivery and Budget Implementation Plan quarterly performance reports and finally in the annual performance report;
- to ensure an audit trail; and
- to facilitate effective monitoring and evaluation

The Organisational Performance Management and Development System function of Setsoto Local Municipality is delivered by an internal Performance Management and Development System Section within the Office of the Municipal Manager under the authority of the Head: Integrated Development Planning and Performance Management and Development System.

The Performance Management and Development System Section consists of three permanent employees, i.e., one post of Head: Performance Management and Development System, one post of Performance Management and Development System Officer and one post of Performance and Development System Clerk. The Officer's position is vacant but filled on an acting basis.

T 3.27

3.27.1 LEGISLATIVE REQUIREMENTS

Section 40 of the Municipal Systems Act, 32 of 2000, states that municipalities must establish mechanisms so as to monitor and review its Performance Management and Development System so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels.

Section 34 of the Municipal Systems Act, 32 of 2000, furthermore points out that the integrated development plan has to be reviewed on an annual basis and during the integrated development plan review process the key performance areas, key performance indicators and performance targets be reviewed and this review will form the basis for the review of the organisational performance management and development and performance contracts of senior managers.

The Municipal Planning and Performance Management Regulations of 2001 stipulates that a:

“municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players”-Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001.

Section 46 of the Municipal Systems Act, 32 of 2000, inter alia stipulates the following: -

"Annual reports

46. (1) A municipality must prepare for each financial year an annual report consisting of –

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(a) a performance report reflecting;

- i) the municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;
- ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year;
- iii) measures that were or are to be taken to improve performance;”

Section 32 of the Municipal Staff Regulations of 2021, furthermore, states that:
“Application

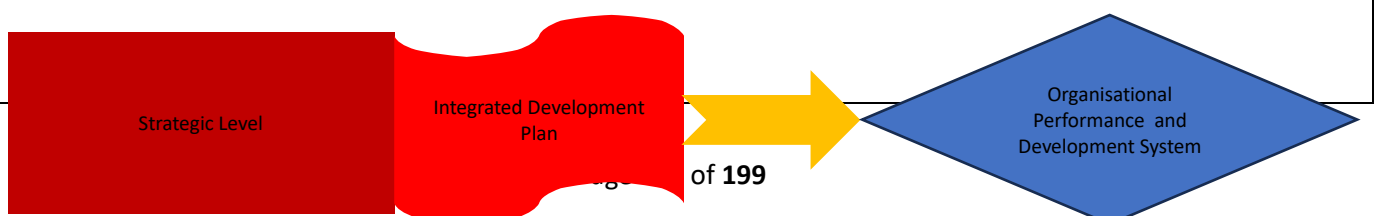
Section 32:-

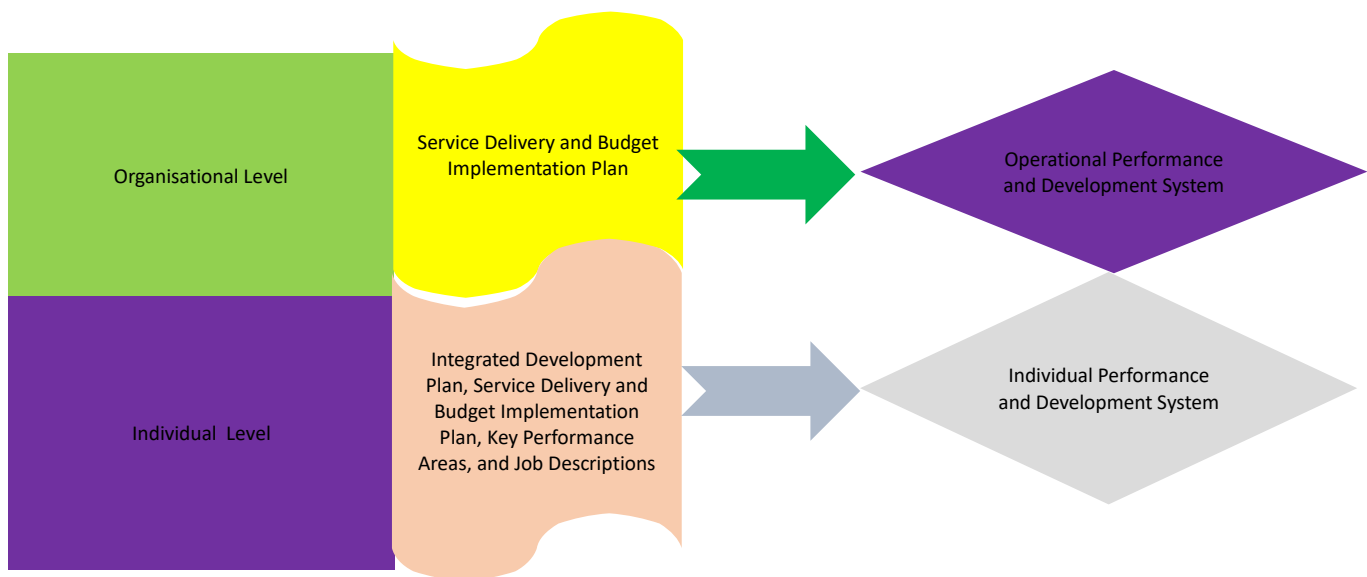
- (2) The performance management and development system must be collaborative, transparent, and fair.
- (3) a municipality shall apply the performance management and development system in a consultative, supportive, and non-discriminatory manner in order to enhance organisational efficiency, effectiveness, and accountability.
- (4) the performance management and development system must be underpinned by open, constructive, and on-going communication between the supervisor and the staff member.
- (5) the performance management and development system must, where reasonably practical, link to-
 - a) The municipality's strategic objectives, integrated development plan and the Service Delivery and Budget Implementation Plan of the relevant municipal department; and
 - b) The senior manager's performance plan and the performance plans of the staff members within that senior manager's department.
- (6) the performance management and development system must be developmental, while allowing for-
 - a) An effective response and relevant measures to manage substandard performance; and
 - b) Recognition and reinforcement of fully effective performance, performance significantly above expectation and outstanding performance
- (7) the performance management and development system must be integrated with other human resource policies and practices contemplated in section 67 of the Act as well as any other organisational development initiatives of the municipality”.

T 3.27.1

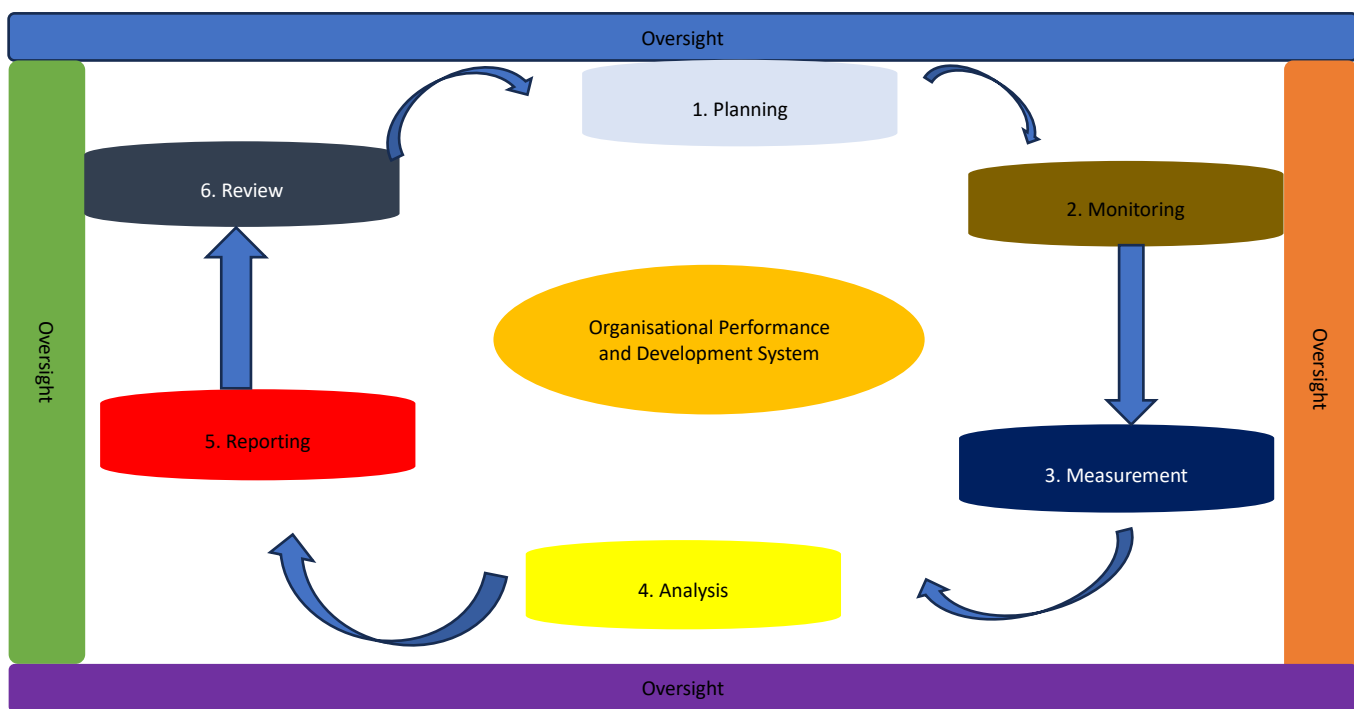
3.27.2 ORGANISATIONAL PERFORMANCE

The legislative framework as set out above provides for performance management and development system at various levels in a municipality including organisational-sometimes also referred to as municipal, corporate or strategic level, operational-also referred to as services, departmental or division and/or section and or team level and lastly, at individual level as. These levels are however integrated and interdependent on each other.





The process of managing performance at organisational level in the municipality involves the stages as set out in the following diagram:



Key performance indicators have been refined in support of the municipality’s development priorities and objectives as set out in the revised Integrated Development Plan aligned with the revised municipal staff establishment for the five-year Integrated Development Plan period to ensure consistency in measuring and reporting on long term strategies and projects.

T 3.27.2

3.27.3 GOVERNANCE FRAMEWORK FOR INTEGRATED DEVELOPMENT PLAN, BUDGET AND PERFORMANCE MANAGEMENT AND DEVELOPMENTS SYSTEMS

The legislative framework as set out above provides for performance management and development system at

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various levels in a municipality including organisational level, operational level and lastly at individual level. These levels are however integrated and interdependent on each other.

Measurable performance targets with regard to each of these development priorities and objectives were established and are reflected in the 2022/2023 Organisational Performance Management and System Scorecard-Top-Layer Service Delivery and Budget Implementation Plan. A process to ensure regular reporting is in place and gets reported quarterly to the council through the Audit and Performance Audit Committee and the Executive Mayor.

Individual performance agreements and performance plans were prepared in line with the provisions prescribed in the Performance Regulations, Notice 805, published on 01 August 2006 in the official gazette, and signed by the Municipal Manager, all Directors, and Middle Managers. These agreements are fully implemented and aligned with the Service Delivery and Budget Implementation Plan as required in terms of the Municipal Finance Management Act, 56 of 2003.

Performance monitoring underpins the municipality's Integrated Development Plan in terms of reviewing progress regularly in achieving the priorities and delivering value for money services. Early investigation into variances enables remedial action taken where appropriate.

The Organisational Performance Management and Development System Scorecard-Top-Layer of the Service Delivery Budget Implementation Plan has been developed in complying with stipulations in terms of Section 41 of the Municipal Systems Act, 32 of 2000, and has been included as an annexure to the municipal Integrated Development Plan review on approved on 30 May 2022.

The Top-Layer service delivery targets of the Service Delivery and Budget Implementation Plan included in the Draft Annual Performance Report is therefore the monitoring and reporting mechanism on measurable performance targets detailing developmental priorities and objectives as set out in the municipality's Integrated Development Plan.

The Top-Layer basic service delivery targets of Service Delivery and Budget Implementation Plan is reporting the achievements of the municipality on a strategic level which is in line with strategic key performance areas directly aligned to the six national key performance areas. The Annual Performance Report highlights the key performance measures included in the Integrated Development Plan review for the 2022/2023 financial year in the newly adopted format.

These priority measures constitute the Organisational Performance and Development System Scorecard-Top-Layer of the Service Delivery and Budget Implementation Plan on basic service delivery targets for 2022/2023 financial year. The annual performance reporting on the 2022/2023 financial year has been completed and presented in the Top-Layer of Service Delivery Targets set in the Service Delivery Budget Implementation Plan in a table format.

The Top-Layer Service Delivery Budget Implementation Plan consolidated service delivery targets as contemplated in National Treasury Municipal Finance Management Act, 56 of 2003, Circular 13 guide has been included following the review from the Auditor General since the 2020/2021 financial year auditing process.

Technical Indicator Descriptions were developed for the Top-Layer service delivery targets of the Service Delivery and Budget Implementation Plan for the 2022/2023 financial year and enhanced at mid-year and approved by council on 28 February 2023 as part of the continued implementation process.

The Annual Performance Report Top-Layer of Service Delivery Targets set in the Service Delivery Budget Implementation Plan should be read in conjunction with the Setsoto Local Municipality Annual Report, including

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the Annual Financial Statements as well as Auditor General Report on the Annual Financial Statements and Performance on Predetermined Objectives Information for the 2022/2023 financial year.

T 3.27.3

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3.27.4 THE MUNICIPAL SCORECARD-TOP-LAYER SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

This component was submitted to the Auditor General of South Africa for regulatory audit.

3.27.4.1 MUNICIPAL MANAGER'S SCORECARD

National Development Chapter		3. Infrastructure is poorly located, inadequate and under-maintained													
National Outcome		3. All people in South Africa													
Back to Basic Principle		2. Supporting the delivery of municipal services to the high standards													
Free State Growth and Development Strategies 6 Pillars		3. Improved Quality of Life													
Predetermined Objective		Supporting the delivery of municipal services to the right quality and standard													
Key Performance Area		Service Delivery													
Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Outcome 1.1	Supporting the delivery of municipal services to the right quality and standard	Improved access to electricity	Percentage of households with access to electricity	Number of dwellings provided with connections to mains electricity supply by the municipality	Percentage of households with access to electricity	Target	Percentage	94%	100%	100%	96%	96%	Target Almost Met Eskom only electrify settlement with 80% occupancy	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	Reports from Electricity Division
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.2	Supporting the delivery of municipal services to the right quality and standard	Increased access to refuse removal	Percentage of households with basic refuse removal services or better	Percentage of known informal settlements receiving basic refuse removal	Percentage of households with access to refuse removal	Target	Percentage	91%	91%	91%	92%	101%	Target Well Met	Continue monitoring	Reports from Waste Management Division
						Budget	Rand	0	777 457	1 531 000					
Outcome 1.3	Supporting the delivery of municipal services to the right quality and standard	Increased access to and utilisation of social and community facilities	Percentage utilisation rate of sports facilities	Number of sport facilities utilised	Number of sport facilities utilised	Target	Number	New	5	5	7	140%	Target Well Met	Continue monitoring	Reports from LED, Tourism, Sport, and recreational Division Job cards
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.4	Supporting the delivery of municipal services to the right quality and standard	Increased access to and utilisation of social and community facilities	Percentage utilisation of community halls	Number of halls utilised	Number of community halls utilised	Target	Number	New	8	8	10	125%	Target Well Met	Continue monitoring	Reports Job cards
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.5	Supporting the delivery of municipal services to the right quality and standard	Mitigated effects of fires and disasters	Number of fire related deaths per 100 000 population	Percentage compliance with require attendance time for structural firefighting incidents	Percentage of fire incidents attended to within 24 hours	Target	Percentage	100%	100%	100%	59%	59%	Target Not Met At times there is no equipment and vehicles to attend to fires	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	Reports Job cards
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.6	Supporting the delivery of municipal services to the right quality and standard	Improved quality of municipal road network	Percentage of total fatal crashes attributed to road and environmental factors	Percentage of unsurfaced road graded	Kilometers of road surface graded	Target	Kilometers	New	40	40	0	0%	Target Not Met The department have not submitted the lower layer service delivery and budget implementation plan at the time of finalisation of the report	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	Reports Job cards
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.7	Supporting the delivery of municipal services to the right quality and standard	Improved quality of municipal road network	Percentage of total fatal crashes attributed to road and environmental factors	Percentage of surfaced municipal road lanes which has been resurfaced and resealed	Percentage of surfaced municipal road lanes which has been resurfaced and resealed	Target	Percentage	New	100%	100%	0%	0%	Target Not Met The department have not submitted the lower layer service delivery and budget implementation plan at the time of finalisation of the report	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	Reports Job cards
						Budget	Rand	0	840 040	1 531 000					

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Outcome 1.8	Supporting the delivery of municipal services to the right quality and standard	Improved quality of municipal road network	Percentage of total fatal crashes attributed to road and environmental factors	Kilometers of new municipal road lanes built	Kilometers of new municipal road lanes built	Target	Kilometers	New	40	40	0	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	The Director to ensure that Managers reports on their respective lower-layer service delivery and budget implementations plan	Reports Job cards
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.9	Supporting the delivery of municipal services to the right quality and standard	Improved quality of municipal road network	Number of potholes reported per 10 Kilometers of municipal road network	Percentage reported potholes complaints resolved within standard municipal response time	Percentage reported potholes complaints resolved within 24 hours	Target	Percentage	New	100%	100%	0%	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	To ensure that the file contains all the information reported on	Reports Job cards
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.10	Supporting the delivery of municipal services to the right quality and standard	Improved access to sanitation	Percentage of households with access to basic sanitation	Number of new sewer connections meeting basic minimum standards	Percentage of households with access to basic sanitation	Target	Percentage	74%	100%	74%	0%	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	To ensure that the file contains all the information reported on	Reports from Water and Sanitation-Operations and Maintenance Division
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.11	Supporting the delivery of municipal services to the right quality and standard	Improved quality of water and sanitation services	Frequency of sewer blockages per 100 Kilometers of pipeline	Percentage of callouts responded to within 24 hours for sanitation	Percentage of callouts responded to within 24 hours for sanitation	Target	Percentage	New	100%	100%	0%	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	To ensure that the file contains all the information reported on	Complaints Register Reports Job cards
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.12	Supporting the delivery of municipal services to the right quality and standard	Improved quality of water and sanitation services	Percentage of wastewater samples complying to SANS241	Percentage green drop	Percentage green drop compliance	Target	Percentage	New	0%	30%	0%	%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	To ensure that the file contains all the information reported on	Reports from Water and Sanitation-Bulk Services Division
						Budget	Rand								
Outcome 1.13	Supporting the delivery of municipal services to the right quality and standard	Improved access to water	Percentage of household with access to basic water supply	Number of new water connections meeting minimum standards	Percentage of household with access to basic water supply	Target	Percentage	80.46%	100%	100%	0%	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	To ensure that the file contains all the information reported on	Reports from Water and Sanitation-Operations and Maintenance Division
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.14	Supporting the delivery of municipal services to the right quality and standard	Improved access to water	Frequency of water mains failure per 100 Kilometers	Percentage of callouts responded to within 24 hours for water	Percentage of callouts responded to within 24 hours for water	Target	Percentage	New	100%	100%	0%	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	To ensure that the file contains all the information reported on	Complaints Register Reports Job cards
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.15	Supporting the delivery of municipal services to the right quality and standard	Improved access to water	Frequency of unplanned water services interruptions	Percentage of callouts on unplanned water services interruption responded to within 24 hours	Percentage of callouts on unplanned water services interruption responded to within 24 hours	Target	Percentage	New	100%	100%	0%	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	To ensure that the file contains all the information reported on	Complaints Register Reports Job cards
						Budget	Rand	0	840 040	1 531 000					

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Outcome 1.16	Supporting the delivery of municipal services to the right quality and standard	Improved access to water	Percentage of drinking water samples complying to SANS241	Percentage blue drop	Percentage blue drop compliance	Target	Percentage	New	0%	70%	0%	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	To ensure that the file contains all the information reported on	Reports from Water and Sanitation-Bulk Services Division
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.17	Supporting the delivery of municipal services to the right quality and standard	Improved water sustainability	Percentage electricity losses	Infrastructure leakage index	Percentage electricity losses	Target	Percentage	12.5%	12%	12%	8%	67%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	To ensure that the file contains all the information reported on	Reports from Water and Sanitation-Electricity Division
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.18	Supporting the delivery of municipal services to the right quality and standard	Improved water sustainability	Percentage water losses	Infrastructure leakage index	Percentage water losses	Target	Percentage	32.38%	30%	30%	43%	143%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	Derive mechanisms to reduce theft, and illegal connections	Reports from Water and Sanitation-Bulk Services Division
						Budget	Rand	0	840 040	1 531 000					
Outcome 1.19	Supporting the delivery of municipal services to the right quality and standard	Improved water sustainability	Percentage water losses	Percentage of total water connections metered	Percentage of total water connections metered	Target	Percentage	New	100%	100%	0%	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	Connect all households with meters	Reports from Water and Sanitation-Bulk Services Division
						Budget	Rand	0	840 040	1 531 000					

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National Development Chapter			3. Infrastructure is poorly located, inadequate and under-maintained												
National Outcome			3. All people in South Africa												
Back to Basic Principle			2. Supporting the delivery of municipal services to the high standards												
Free State Growth and Development Strategies 6 Pillars			3. Improved Quality of Life												
Predetermined Objective			Creating a conducive environment for local economic development												
Key Performance Area			Local Economic Development												
Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Outcome 2.1	Creating a conducive environment for local economic development	Growing inclusive local economies	Gross Value Added by the municipality per capita	Percentage of total municipal budget operating expenditure spent on contracted services physically residing within the municipal area	Percentage of total municipal budget operating expenditure spent on contracted services physically residing within the municipal area	Target	Percentage	0%	5%	5%	0%	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	Supply Chain Management to provide monthly reports on tenders awarded to locally based contractors	Procurement Reports from Supply Chain Management Division Expenditure Reports from Expenditure Management Division C-Schedules
						Budget	Rand	0	840 040		1 531 000				
Outcome 2.2	Creating a conducive environment for local economic development	Growing inclusive local economies	Gross Value Added by the municipality per capita	Percentage of total municipal budget operating expenditure spent on contracted services physically residing within the municipal area	Percentage of total municipal budget capex expenditure spent on contracted services physically residing within the municipal area	Target	Percentage	0%	30%	30%	0%	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	Supply Chain Management to provide monthly reports on tenders awarded to locally based contractors	Procurement Reports from Supply Chain Management Division Expenditure Reports from Expenditure Management Division C-Schedules
						Budget	Rand	0	840 040		1 531 000				
Outcome 2.3	Creating a conducive environment for local economic development	Growing inclusive local economies	Employment rate in the municipal area	Number of work opportunities created through Public Employment Programmes, including EPWP, CWP, and other related employment programmes	Number of work opportunities created through Public Employment Programmes, including EPWP, CWP, and other related employment programmes	Target	Number	1 473	1 500	1 500	1 398	93%	Target Almost Met Target not in line with the approved EPWP, CWP and Others Implementation Plan	Revise the target to be in line with the approved implementation plan	Extended Public Works Programme Reports Community Works Programme Reports Other Related Employment Programmes Reports
						Budget	Rand	0	840 040		1 531 000				
Outcome 2.4	Creating a conducive environment for local economic development	Improved levels of economic activity in municipal economic space	Rates revenue as a percentage of total revenue of the municipality	Percentage of the municipality's operating budget spent on indigent relief for free basic services	Percentage of the municipality's operating budget spent on indigent relief for free basic services	Target	Percentage	2%	2%	2%	0%	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	Calculate the percentage provided for indigent subsidy against the total operating expenditure and report on	Revenue Management Reports C-Schedules
						Budget	Rand	0	840 040	1 531 000					
Outcome 2.5	Creating a conducive environment for local economic development	Improved ease of doing business within the municipal area	Average cost of business to apply for a business permit in the municipality	Average time taken to finalise business license application	Percentage business license applications and permits processes and approved within the required timeframe	Target	Percentage	180%	100%	100%	100%	100%	Target Met	Continue monitoring	Business Application Forms Reports
						Budget	Rand	0	840 040	1 531 000					
Outcome 2.6	Creating a conducive environment for local economic development	Improved ease of doing business within the municipal area	Rand value of investment inflows	Average number of days from the point of advertising to the letter of award per 80/20 procurement process	Average number of days from the point of advertising to the letter of award per 80/20 procurement process	Target	Days	New	90	90	0	0%	To develop and approve a Standard Operating Procedure on the Development of the Service Delivery and Budget Implementation Plan and the compilation of the Portfolio of Evidence	Supply Chain Management to provide information on the indicator	Advertisements Appointment Letters
						Budget	Rand	0	840 040	1 531 000					
Outcome 2.7	Creating a conducive environment for local economic development	Improved ease of doing business within the municipal area	Rand value of investment inflows	Percentage of municipal payments made to service providers who submitted complete forms within 30 days of invoice submission	Percentage of municipal payments made to service providers who submitted complete forms within 30 days of invoice submission	Target	Percentage	44%	65%	55%	87%	158.18%	Target Extremely Met	Increase the collection rate to ensure that there are enough funds to meet the financial obligations in time	C-Schedule Expenditure Reports
						Budget	Rand	0	840 040	1 531 000					

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National Development Chapter			9. South Africa remains a divided society												
National Outcome			9. A responsive, accountable, effective and efficient local government system												
Back to Basic Principle			5. Building institutional resilience and administrative capability												
Free State Growth and Development Strategies 6 Pillars			6. Good Governance												
Predetermined Objective			Building institutional resilience and administrative capability												
Key Performance Area			Institutional Capacity												
Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
						Target	Percentage	0.77%	1%	1%	0.69%	0.69%			
Outcome 3.1	Building institutional resilience and administrative capability	Improved municipal capability	Percentage of municipal skills development levy recovered	Percentage skills development levy against the municipal operating expenditure	Percentage skills development levy against the municipal operating expenditure	Budget	Rand	0	840 040	1 531 000			Target Not Met Slow implementation of training interventions and other Departments not budgeting for training	Training interventions to be conducted in line with the skills audit report and benefit all employees	Calculation of 1% of Payroll Budget vs Actual Expenditure on Skills Development
						Target	Percentage	0.77%	1%	1%	0.69%	0.69%			
Outcome 3.2	Building institutional resilience and administrative capability	Improved municipal capability	Top management stability	Staff vacancy rate	Number of days taken to fill vacant positions	Budget	Rand	0	840 040	1 531 000			Target Not Met One vacancy at Senior Management Level	Council and Management to ensure that vacant senior managers position are filled within the legislated timeframe	Advertisements Appointment Letters
						Target	Number	251	60	60	123	205%			
Outcome 3.3	Building institutional resilience and administrative capability	Improved municipal capability	Top management stability	Percentage of vacant posts filled within three months	Percentage of critical vacant posts filled within three months	Budget	Rand	0	840 040	1 531 000			Target Not Met Indicator could not be traced to the department concerned	This indicator should be covered in the lower-layer service delivery and budget implementation plan of the human resources division Management to ensure that critical vacant positions are filled within the required timeframe	Advertisements Appointment Letters
						Target	Percentage	100%	100%	100%	53%	53%			

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National Development Chapter			8. Corruption Levels are High (9)												
National Outcome			9. A responsive, accountable, effective, and efficient system of local government												
Back to Basic Principle			Good governance, transparency, and accountability												
Free State Growth and Development Strategies 6 Pillars			Good Governance												
Predetermined Objective			Promoting good governance, transparency, and accountability												
Key Performance Area			Good governance, transparency, and accountability												
Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Outcome 5.1	Promoting good governance, transparency, and accountability	Improved municipal capability	Percentage of municipal skills development levy recovered	Percentage of municipal skills development levy recovered.	Percentage of municipal skills development levy recovered	Target	Percentage	0.77%	1%	1%	1%	100%	Target Met	Continue monitoring	Workplace Skills Plan Report C-Schedule
						Budget	Rand	0	840 040	1 531 000					
Outcome 5.2	Promoting good governance, transparency, and accountability	Improved municipal administration	Audit Outcome	Number of repeat audit findings	Percentage of repeat audit findings addressed and finalised	Target	Percentage	0%	100%	100%	51%	51%	Target Not Met The audit action plan was not implemented to the latter	Ensure that the Audit Action Plan is implemented, and that progress is reported on quarterly to council and on monthly basis to management	Audit Action Plan Request for Information Responses Communication Findings Responses Annual Financial Statements Annual Report
						Budget	Rand	0	840 040	1 531 000					
Outcome 5.3	Promoting good governance, transparency, and accountability	Improved municipal administration	Audit Outcome	Percentage of councillors who have declared their financial interests	Percentage of councillors who have declared their financial interests	Target	Percentage	100%	100%	100%	100%	100%	Target Met	Continue monitoring	Signed Declaration of Interests Forms
						Budget	Rand	0	840 040	1 531 000					
Outcome 5.4	Promoting good governance, transparency, and accountability	Improved municipal administration	Audit Outcome	Percentage of administrative staff who have declared their financial interests	Percentage of administrative staff who have declared their financial interests	Target	Percentage	100%	100%	100%	100%	100%	Target Met	Continue monitoring	Signed Declaration of Interests Forms
						Budget	Rand	0	840 040	1 531 000					
Outcome 5.5	Promoting good governance, transparency, and accountability	Improved council functionality	Percentage of councillors attending council meetings	Number of agenda items deferred to next meeting	Percentage of agenda items deferred to next meeting	Target	Percentage	New	100%	100%	0%	0%	Target Met	Continue monitoring	Council resolutions Council Meeting Minutes Attendance Registers
						Budget	Rand	0	840 040	1 531 000					
Outcome 5.6	Promoting good governance, transparency, and accountability	Improved council functionality	Functionality of the Municipal Public Accounts Committee	Number of Municipal Public Accounts Committee Meetings held	Number of Municipal Public Accounts Committee Meetings held	Target	Number	New	19	19	15	78%	Target Almost Met There was instability in committee as members were not satisfied by the work of the chairperson	Peaker to ensure that council committees functions properly and there is always stability in committees	Municipal Public Accounts C Meeting Notices Attendance Registers Reports
						Budget	Rand	0	840 040	1 531 000					
Outcome 5.7	Promoting good governance, transparency, and accountability	Zero tolerance of fraud and corruption	Number of alleged fraud and corruption cases reported per 100 000 population	Number of active suspensions longer than three months	Percentage of active suspensions finalised within three months	Target	Percentage	95%	100%	100%	0%	0%	Target Not Met Matters takes longer than anticipated due to presiding officers and prosecutors non-availability	Management to train more managers and supervisors on disciplinary matters to ensure that there is internal capacity to handle cases	Charge Sheet Letter of Suspension
						Budget	Rand	0	840 040	1 531 000					

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Outcome 5.8	Promoting good governance, transparency, and accountability	Zero tolerance of fraud and corruption	Number of alleged fraud and corruption cases reported per 100 000 population	Quarterly salary bill of suspended officials	Percentage of quarterly salary bill officials suspended for a period longer than three months	Target	Percentage	95%	100%	100%	0%	0%	Target Not Met Target Not reported on	Director Corporate Services to monthly report on the salaries of the employees on suspension	Charge Sheet Letter of Suspension Salary run
						Budget	Rand	0	840 040	1 531 000					
Outcome 5.9	Promoting good governance, transparency, and accountability	Improved municipal administration	Risk Management	Risks mitigated	Number of Strategic Risks Register updated and mitigated	Target	Number	4	4	4	4	100%	Target Met	Continue monitoring	Updated Strategic Risk Register
						Budget	Rand	0	840 040	909 000					
Outcome 5.10	Promoting good governance, transparency, and accountability	Improved municipal administration	Risk Management	Risks mitigated	Number of Operational Risks Register updated and mitigated	Target	Number	4	4	4	4	100%	Target Met	Continue monitoring	Updated Operational Risk Register
						Budget	Rand	0	840 040	1 531 000					
Outcome 5.11	Promoting good governance, transparency, and accountability	Improved municipal administration	Performance Management Systems	Effective Performance Management processes	Number of Appraisal reports concluded	Target	Number	0	4	4	0	0%	Target Not Met The Appraisal Committee did not sit	Municipal Manager to ensure that at least two formal appraisals are held to review the work of the senior managers in a financial year	Invitations Attendance Registers Reports Council Resolutions
						Budget	Rand	0	840 040	1 531 000					

National Development Chapter					8. Corruption Levels are High (9)											
National Outcome					9. A responsive, accountable, effective, and efficient system of local government											
Back to Basic Principle					Public Participation											
Free State Growth and Development Strategies 6 Pillars					Good Governance											
Predetermined Objective					Putting people first											
Key Performance Area					Public Participation											
Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence	
Outcome 6.1	Putting people first	Improved municipal responsiveness	Percentage of ward committees that are functional (meet four times a year, are quorate, and have action plan)	Percentage of ward committees with six or more ward committee members, excluding ward councillors	Percentage of ward committees with six or more ward committee members, excluding ward councillors	Target	Percentage	0%	100%	100%	0%	0%	Target Not Met No reports were submitted by the Office of the Speaker on the functionality of the ward committees	Speaker to ensure that ward committees reports as required	Ward Committee Reports Meeting Notices Attendance Registers	
						Budget	Rand	0	840 040	1 531 000						
Outcome 6.2	Putting people first	Improved municipal responsiveness	Protest incidents reported per 10 000 population	Percentage of official complaints responded to through the municipal complaints management systems	Percentage of official complaints responded to through the municipal complaints management systems	Target	Percentage	New	100%	100%	52%	52%	Target Met Relevant section did not submit reports	Relevant section to submit report monthly on complaints lodged by members of the community	Complaints Register Reports Job cards	
						Budget	Rand	840 040	1 531 000	382 000						

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3. 27.4.2 DIRECTOR COMMUNITY SERVICES' SCORECARD

NATIONAL DEVELOPMENT PLAN CHAPTERS				9. South Africa remains a divided society											
NATIONAL OUTCOMES				9. A responsive, accountable, effective and efficient local government system											
BACK TO BASIC PRINCIPLES				5. Building institutional resilience and administrative capability											
FREE STATE GROWTH AND DEVELOPMENT STRATEGIES				6. Good Governance											
PREDETERMINED OBJECTIVES				Supporting the delivery of basic services to the right quality and standard											
KEY PERFORMANCE AREA (KPA)				Basic Services											
Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
1	Supporting the delivery of basic services to the right quality and standard	Basic Services	Ficksburg, Senekal, Marquard, Clocolan	Percentage of known informal settlements receiving basic refuse removal	Percentage of households with access to basic level of solid waste removal	Target	Percentage	91%	90%	90%	92%	102%	Target Well Met	Continue monitoring	Daily schedules, monthly Supervisors' reports
						Budget	Rand			5 248					
2	Supporting the delivery of basic services to the right quality and standard	Basic Services	Ficksburg, Senekal, Marquard, Clocolan	Number of operational plan developed to manage and maintain landfill sites	Number of operational plan developed to manage and maintain landfill sites	Target	Number	0	1	1	1	100%	Target Met	Continue monitoring	Approved Operational Plan
						Budget	Rand			5 248					
3	Supporting the delivery of basic services to the right quality and standard	Basic Services	Ficksburg, Senekal, Marquard, Clocolan	Number of security awareness workshops conducted to employees	Number of security awareness workshops conducted to employees	Target	Number	0	0	1	1	100%	Target Met	Continue monitoring	Invitations, Report and attendance register
						Budget	Rand			5 248					
4	Supporting the delivery of basic services to the right quality and standard	Basic Services	Ficksburg, Senekal, Marquard, Clocolan	Number of greening plan developed	Number of greening plans developed	Target	Number	0	0	1	0	0%	Target Not Met Only a draft was developed but not approved	Ensure that the draft is approved by council	Approved Greening Plan Council Resolution
						Budget	Rand			5 248					
5	Supporting the delivery of basic services to the right quality and standard	Basic Services	Ficksburg, Senekal, Marquard, Clocolan	Visibility of law enforcement officers	Number of roadblocks & projects conducted	Target	Number	10	14	14	23	164%	Target Extremely Met Additional work involving external stakeholders	Continue monitoring	Photos, and attendance register and Senior Traffic Officers' Monthly reports
						Budget	Rand			5 248					
6	Supporting the delivery of basic services to the right quality and standard	Basic Services	Ficksburg, Senekal, Marquard, Clocolan	Percentage of emergencies incidents reported and attended to	Percentage of compliance with the required attendance time for structural and veld firefighting incidents	Target	Percentage	100%	100%	100%	59%	59%	Target Not Met Only a draft was developed but not approved	Ensure that the draft is approved by council	Photos, Monthly reports
						Budget	Rand			5 248					
7	Supporting the delivery of basic services to the right quality and standard	Good Governance, Transformation and Accountability	Ficksburg, Senekal, Marquard, Clocolan	Coordinated cross border activities/matters	Percentage of Cross border meetings attended	Target	Percentage	100%	100%	100%	100%	100%	Target Met	Continue monitoring	Invitations, attendance register and Minutes/ report
						Budget	Rand								

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
8	Supporting the delivery of basic services to the right quality and standard	Good Governance, Transformation and Accountability	Ficksburg, Senekal, Marquard, Clocolan	Reports and minutes of the departmental meeting held	Number of Departmental meetings attended	Target Budget	Number Rand	4	4	4 5 248	5	125%	Target Well Met	Continue monitoring	Invitations, attendance register and Minutes/ report
9	Building institutional resilience and administration	Local Economic Development	Ficksburg, Senekal, Marquard, Clocolan	Number of people assisted in Agriculture development	Number of people assisted through Agricultural Development initiatives undertaken specifically targeting Youth and women [e.g. provision of agricultural inputs, provision of training, initiating new projects]	Target Budget	Number Rand	120	80	80 5 248	275	343.75%	Target Extremely Met Number of the beneficiaries exceeded the target	Continue Monitoring	Registers and reports
10	Building institutional resilience and administration	Local Economic Development	Ficksburg, Senekal, Marquard, Clocolan	Number of entrepreneurs assisted, advised and provided with accurate information in developing their businesses	Number of office Walk-ins by SMME's, Street Traders, Cooperatives, and NPO/NGO for assistance, advice, referrals for financing, skills development and registrations.	Target Budget	Number Rand	454	200	200 5 248	276	138%	Target Well Met More visits to office were experience due to enquiries on additional programmes brought by external stakeholders	Continue Monitoring	Office Visits Record
11	Building institutional resilience and administration	Local Economic Development	Ficksburg, Senekal, Marquard, Clocolan	Average time taken to finalise business license application	Percentage of Business Licences issued in terms of Business Licensing Act within 21 days	Target Budget	Percentage Rand	100%	100%	100% 5 248	100%	100%	Target Met	Continue Monitoring	Register of Business issued with Licences
12	Facilitate provision of conducive environment to accelerate local economic development	Institutional	Ficksburg, Senekal, Marquard, Clocolan	Number of updates on the operational risk register	Number of updates on the operational risk register	Target Budget	Number Rand	4	4	4 5 248	4	100%	Target Met	Continue Monitoring	Invitations, Attendance Register & updated Risk Register
13	Building institutional resilience and administration	Good Governance, Transformation and Accountability	Ficksburg, Senekal, Marquard, Clocolan	Percentage of Internal audit queries responded to	Percentage of Internal audit queries responded to	Target Budget	Percentage Rand	100%	100%	100% 5 248	100%	100%	Target Met	Continue Monitoring	Internal Audit findings & responses

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
14	Promoting good governance transparency and accountability	Good Governance, Transformation and Accountability	Ficksburg, Senekal, Marquard, Clocolan	Percentage of External audit queries responded to	Percentage of External audit queries responded to	Target	Percentage	100%	100%	100%	100%	100%	Target Met	Continue Monitoring	External Audit findings & responses
						Budget	Rand			5 248					
15	Promoting good governance transparency and accountability	Good Governance, Transformation and Accountability	Ficksburg, Senekal, Marquard, Clocolan	Number of Quarterly Performance Reports developed	Number of appraisal conducted	Target	Number	4	4	4	1	25%	Target Not Met	Ensure that targets are achieved within the required timeframes	Invitations, Report and attendance register
						Budget	Rand								

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3. 27.4.3 DIRECTOR FINANCIAL SERVICES' SCORECARD

National Development Chapter				5. The economy is unstable (resource intensive)											
National Outcome				9. A responsive, accountable, effective and efficient local government system											
Back to Basic Principle				4. Ensuring sound financial management and accounting											
Free State Growth and Development Strategies 6 Pillars				Good Governance											
Predetermined Objective				Ensuring sound financial management and accounting											
Key Performance Area				Financial Management											
Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Output 4.1	Ensuring sound financial management and accounting	More effective poverty alleviation	Number of household within the municipal area qualifying as indigent	Number of registered indigent household within the municipal area	Number of indigent household registered households in the indigent register for the bi-annual registration: 1/07/2021 to 30/6/2023	Target Budget	Number Rand	5 954	8 000	8 000 3 323 000	7 186	89.82%	The target is 90% achieved due to household that do not come forth to register as indigent despite their low household income	Engage Executive Mayor; Speaker and Ward Councillors to assist with ward profile and encouraging household to come for the and register as indigent. Set a realistic target for 2023/24 financial year	Munsoft Indigent Report for the respective period
Output 4.2	Ensuring sound financial management and accounting	More effective poverty alleviation	Percentage of all qualifying indigent households in the municipal area benefiting from free basic services	Percentage of the municipality's free basic services budget spent on free basic services to registered indigent households	Percentage of the municipality's FBS budget spent on free basic services to indigent households	Target Budget	Percentage Rand	100%	100%	100% 3 323 000	0%	0%	Target Not Met The expenditure on indigent subsidy was not disclosed	Management to report on expenditure in providing free basic services subsidy	Monthly Financial Report C-Schedule
Output 4.3	Ensuring sound financial management and accounting	Improved financial management	Percentage of the total operating expenditure budget spent against the approved operating expenditure budget	Percentage deviation on the approved operating expenditure budget	Percentage spending on the approved operating expenditure budget	Target Budget	Percentage Rand	75%	75%	75% 3 323 000	0%	0%	Target Not Met No information was provided in the file	Evidence to be provided in the audit file to substantiate the reported information	Monthly Financial Report C-Schedule
Output 4.4	Ensuring sound financial management and accounting	Improved financial management	Percentage of the total revenue collected against the approved revenue budgeted	Percentage revenue collection against billed revenue	Percentage payment rate on debt collection	Target Budget	Percentage Rand	55%	75%	75% 3 323 000	0%	0%	Target Not Met No information was provided in the file	Evidence to be provided in the audit file to substantiate the reported information	Monthly Financial Report C-Schedule
Output 4.5	Promoting good governance, transparency, and accountability	To mitigate risk to the minimum	Number of strategic risk evaluated quarterly on a quarterly basis	To control risk	Percentage of strategic risks mitigated	Target Budget	Percentage Rand	100%	100%	100% 3 323 000	100%	100%	None. Target achieved/exceeded	None. Targets achieved/exceeded	Risk Register

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Output 4.6	Promoting good governance, transparency, and accountability	To mitigate risk to the minimum	Number of operational risk evaluated quarterly on a quarterly basis	To control risk	Percentage of operational risks mitigated	Target Budget	Percentage Rand	100%	100%	100%	100%	100%	None. Target achieved/exceeded	Continue monitoring	Risk Register
Output 4.7	Promoting good governance, transparency, and accountability	Improved communication regarding audit process	To ensure that audit findings are kept to the minimum	Attending to any audit findings within prescribe time frame	Percentage external audit queries responded to and addressed within timeframe	Target Budget	Percentage Rand	100%	100%	100%	100%	100%	Target Met	Continue monitoring	AGSA CoA Register
Output 4.8	Ensuring sound financial management and accounting	Reduction of audit queries of the submitted FAR	GRAP compliant FAR for submitted to AGSA for audit purposes	Compile a GRAP compliant FAR for submission to AGSA for audit purposes	Number of GRAP compliant FAR [including mSCOA requirements] submitted to the AGSA within the prescribed time frame	Target Budget	Number Rand	1	1	1	1	100%	Target Met	Continue monitoring	Proof of submission 2022 AFS to AGSA / Acknowledgment Letter from AGSA
Output 4.9	Ensuring sound financial management and accounting	Reduction of audit queries of the submitted AFS	GRAP compliant AFS submitted to AGSA for audit purposes	Compile Annual Financial Statements for submission to AGSA within the legislated period	Number of GRAP compliant Annual Financial Statements compiled and submitted	Target Budget	Number Rand	1	1	1	1	100%	Target Met	Continue monitoring	Proof of submission 2022 AFS to AGSA / Acknowledgment Letter from AGSA
Output 4.10	Ensuring sound financial management and accounting	Reduction of unallocated deposits in the records of the municipality	Policy dealing with Unallocated Deposits developed for implementation by the municipality	Compile and develop a policy that deals with Unallocated Deposits	Number of Unallocated Deposit Policy revised	Target Budget	Number Rand	0	1	1	0	0%	Target Not Met No information was provided in the file	Evidence to be provided in the audit file to substantiate the reported information	
Output 4.11	Ensuring sound financial management and accounting	Implementation of the cost containment strategies	Revised expenditure reduction strategy	Review the existing expenditure reduction strategies [cost containment strategies]	Number of Expenditure Reduction Strategies developed and approved by Council	Target Budget	Number Rand	0	1	1	0	0%	Target Not Met No information was provided in the file	Evidence to be provided in the audit file to substantiate the reported information	FINCOM Agenda where the ERS is tabled
Output 4.12	Ensuring sound financial management and accounting	Implementation of the revenue enhancement strategies	Revised revenue enhancement strategy	Review the existing RES	Number of Revenue Enhancement Strategies reviewed and approved	Target Budget	Number Rand	1	1	1	0	0%	Target Not Met No information was provided in the file	Evidence to be provided in the audit file to substantiate the reported information	FINCOM Agenda where the RES is tabled

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Output 4.13	Ensuring sound financial management and accounting	Detailed policy on the treat of the UIF expenditure	Policy on treatment of UIF expenditure	Develop a policy [including Standard Operating Procedures] on the treatment of Irregular Expenditure, Fruitless & Wasteful Expenditure and Unauthorised Expenditure	Number of policies developed on treatment of UIF [including the SOPs] and approved	Target Budget	Number Rand	0	1	1 3 323 000	0	0%	Target Not Met No information was provided in the file	Evidence to be provided in the audit file to substantiate the reported information	FINCOM Agenda where the UIF Policy is tabled
Output 4.14	Supporting good governance within the municipality	Effective communication of the strategic objectives and departmental objective on regular basis	Regular departmental meetings held to communicate the objectives timeously	Convene departmental meetings with Divisional Managers	Number of departmental meetings held with Divisional Managers	Target Budget	Number Rand	4	4	4 3 323 000	1	25%	Target Not Met Only report for one quarter was submitted	Submit reports for all quarters	Minutes of the Dept. meeting
Output4.15	Supporting good governance within the municipality	Effective management and functional supervision of the Treasury Department	Signed performance agreement between CFO and Divisional Managers	Conclude signed performance agreements with Divisional Managers	Number of PA signed between CFO and Divisional Managers	Target Budget	Number Rand	0	5	5 3 323 000	0	0%	Target Not Met No performance agreements were signed between the chief financial officer and the divisional managers	Ensure that, as required by legislation, performance agreements between chief financial officer and divisional managers	Signed Performance Agreements
Output4.16	Supporting good governance within the municipality	Monitoring and evaluation of performance management system within the department	Performance appraisals conducted on quarterly basis	Performance appraisals conducted on quarterly basis	Number of performance appraisals conducted	Target Budget	Number Rand	0	20	20 3 323 000	0	0%	Target Not Met No PA signed by Sec. 56 Managers [CFO], thus no baseline for concluding PA of Managers reporting to Sec 56 Managers/CFO	Employer should conclude PA with Sec. 56 Managers to which such will inform the PA of Managers reporting to Sec 56 Managers	Performance Appraisals Report

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National Development Chapter				5. The economy is unstable (resource intensive)												
National Outcome				9. A responsive, accountable, effective, and efficient local government system												
Back to Basic Principle				4. ensuring sound financial management and accounting												
Free State Growth and Development Strategies 6 Pillars				6. Good Governance												
Predetermined Objective				Ensuring sound financial management and accounting												
Key Performance Area				Financial Management												
Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence	
						Target	Percentage	New	20%	20%	0%	0%				
Outcome 4.1	Ensuring sound financial management and accounting	Sound financial management	Financial Position	Assets Management	Percentage capital expenditure to total expenditure	Budget	Rand	0	840 040	909 000			Target Not Met No information in the evidence file	Chief Financial Officer to provide expenditure on the total capital expenditure against total expenditure	C-Schedule-SC8: Performance Indicators and Benchmarks	
						Target	Percentage <td>New</td> <td>20% <td>20% <td>0% <td>0% </td></td></td></td>	New	20% <td>20% <td>0% <td>0% </td></td></td>	20% <td>0% <td>0% </td></td>	0% <td>0% </td>	0%				
Outcome 4.2	Ensuring sound financial management and accounting	Sound financial management	Financial Position	Assets Management	Percentage impairment of property, plant and equipment, investment property and intangible assets (carrying value)	Budget	Rand		840 040	909 000			Target is achieved as there is no impairment done as at 30 June 2023 but rather this will be considered / applicable during the asset verification	The Chief Financial Officer should provide the unaudited figures during the fourth quarter	C-Schedule-SC8: Performance Indicators and Benchmarks	
						Target	Percentage <td>New</td> <td>0% <td>0% <td>0% <td>0% </td></td></td></td>	New	0% <td>0% <td>0% <td>0% </td></td></td>	0% <td>0% <td>0% </td></td>	0% <td>0% </td>	0%				
Outcome 4.3	Ensuring sound financial management and accounting	Sound financial management	Financial Position	Assets Management	Repairs and maintenance as a percentage property, plant and equipment, investment property and intangible assets (carrying value)	Budget	Rand			909 000	203 382 464		The target was incorrectly forecast at the performance planning stage. The SMART principle was not considered at planning stage as focus was more on norms and standards. When the 2022/23 MTREF was approved, it was already clear that the budget for repairs and maintenance is below 8% as the municipality wanted to produce a funded budget. FAR has a CV of R2,5 billion and repairs & maintenance would need to be R203 million which would have resulted in deficit budget.	Management to set realistic targets as per the current spending trends and financial constraints and report spending accordingly	C-Schedule-SC8: Performance Indicators and Benchmarks	
						Target	Percentage <td>New</td> <td>8% <td>8% <td>0% <td>0% </td></td></td></td>	New	8% <td>8% <td>0% <td>0% </td></td></td>	8% <td>0% <td>0% </td></td>	0% <td>0% </td>	0%				
Outcome 4.4	Ensuring sound financial management and accounting	Sound financial management	Debtor Management	Bad debts	Bad debt written off as a percentage of bad debt provision	Budget	Rand		840 040	909 000			Target Not Met There is provision of R326 million in the budget and bad debt write of is R71 million, which means the entire bad debt is fully provided for	Spending as provided in the budget should be reported on and evidence submitted in the evidence file to substantiate the reported performance information	C-Schedule-SC8: Performance Indicators and Benchmarks	
						Target	Percentage <td>New</td> <td>100% <td>100% <td>100% <td>0% </td></td></td></td>	New	100% <td>100% <td>100% <td>0% </td></td></td>	100% <td>100% <td>0% </td></td>	100% <td>0% </td>	0%				
Outcome 4.5	Ensuring sound financial management and accounting	Sound financial management	Debtor Management	Net debtors days	Number of days required to receive payment from consumers for bills/invoices issued to them to them for service	Budget	Rand		840 040	909 000	0		The target was incorrectly set at performance planning stage. The SMART principle was not considered at planning stage as focus was more on norms and standards. As at 30 June 2022, the baseline was 388 days and therefore it was unrealistic for the target to be at 45 days by 30 June 2023.	To intensify the implementation of Revenue Enhancement Strategy to ensure that there is enough funds to pay creditors in time	C-Schedule-SC8: Performance Indicators and Benchmarks	
						Target	Days <td>New</td> <td>45</td> <td>45</td> <td>0</td> <td>0% </td>	New	45	45	0	0%				

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
						Target	Months	New	3	3	0%	0%			
Outcome 4.6	Ensuring sound financial management and accounting	Sound financial management	Liquidity Management	Operating commitments	Period in months within which the municipality will be able to meet at least its monthly fixed operating commitments from cash and short-term investments without collecting any additional revenue, during the month	Budget	Rand	0	840 040	909 000			The preliminary results where shows a negative amount due to the fact that the General Ledger has not been finalised as at 30 June. For example, the GL shows unspent grants of R156 million while the grant reconciliation shows R54 million. Thus, the figure would be realistic once AFS has been finalised and having posted all the year-end journals. Target Not Met	The general ledger should be updated on a monthly basis to ensure that accurate performance information is provided in the evidence file	C-Schedule-SC8: Performance Indicators and Benchmarks
Outcome 4.7	Ensuring sound financial management and accounting	Sound financial management	Liquidity Management	Creditor management	Range within which the municipality is able to payback it's short-term liabilities (Debt and Payables) with short-term assets (cash, inventory and receivables)	Budget	Rand		840 040	909 000				Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks
Outcome 4.8	Ensuring sound financial management and accounting	Sound financial management	Liability Management	Borrowing	Capital Cost (Interest Paid and Redemption) as percentage to total Operating Expenditure	Budget	Percentage	New	8%	8%	0%			The target was incorrectly set at performance planning stage. The SMART principle was not considered at planning stage as focus was more on norms and standards. A 1% indicates that the municipality is in a much better position to can fulfil its existing borrowing commitment, thus only 1% of its budget is required [rather than 8% which was planned]. The 1% percent further indicates that the municipality is in a better position can take additional loans for infrastructure	

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Outcome 4.9	Ensuring sound financial management and accounting	Sound financial management	Liability Management	Debt	Extend of total borrowing in percentage in relation to total operating revenue	Target	Percentage	New	45%	45%	0%	0%	Target Not Met	Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand		840 040	909 000					
Outcome 4.10	Ensuring sound financial management and accounting	Sound financial management	Sustainability	Cash Reserves	Extend in percentage, to which other reserves, which are required to be cash-backed are backed by cash reserves	Target	Percentage	New	100%	100%	0%	0%	The target is not reported on as the other factors are yet to be done when AFS are completed. For example, fair value adjustments are yet to be calculated post year end physical verifications,		C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand	New	840 040	909 000					
Outcome 4.11	Ensuring sound financial management and accounting	Financial Performance	Efficiency	Operating Surplus	Percentage operating surpluses generated	Target	Percentage	New	0%	0%	0%	0%	Target Not Met	Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand		840 040	909 000					
Outcome 4.12	Ensuring sound financial management and accounting	Financial Performance	Efficiency	Electricity surplus/deficit	Percentage electricity surplus generated	Target	Percentage	New	15%	15%	0%	0%	The target was incorrectly set at the performance planning stage. The SMART principle was not considered at planning stage as focus was more on norms and standards. The norm is that electricity as trading service should not operate at loss/deficit. Considering that at 30 June 2022, the percentage was at 4%, a target of 15% is not achievable considering that it was impossible to collect an additional 11% without the Cost of Supply. The target of 9% is within the norm recommended by NT	Management to set a realistic target given the current collection trends and the actuals achieved be reported in the evidence file	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand	0	840 040	909 000					

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Outcome 4.13	Ensuring sound financial management and accounting	Sound financial management	Efficiency	Water surplus/deficit	Percentage water surplus generated	Target Budget	Percentage Rand	New 0	0% 840 040	0% 909 000	0%	0%	Target Not Met	Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks
Outcome 4.14	Ensuring sound financial management and accounting	Sound financial management	Efficiency	Refuse surplus/deficit	Percentage refuse surplus generated	Target Budget	Percentage Rand	New 0	0% 840 040	0% 909 000	0%	0%	Target Not Met	Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks
Outcome 4.15	Ensuring sound financial management and accounting	Sound financial management	Efficiency	Sanitation and Wastewater surplus/deficit	Percentage sanitation and wastewater surplus generated	Target Budget	Percentage Rand	New 0	0% 840 040	0% 909 000	0%	0%	Target Not Met	Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks C-Schedule-SC8: Performance Indicators and Benchmarks
Outcome 4.16	Ensuring sound financial management and accounting	Sound financial management	Revenue Management	Customer Base Growth	Percentage in actual growth in the revenue base of the municipality brought by an increase in consumer base rather than in tariff increase	Target Budget	Percentage Rand	New 0	5% 840 040	5% 909 000	5%	0%	The target was incorrectly set at the performance planning stage. The SMART principle was not considered at planning stage as focus was more on norms and standards. This revenue growth can only be realised when there is an increase in number of consumers. Therefore, Housing/Human Settlement Divisions must allocate site to residents, get the areas formalised; service connections should be undertaken. Post these, Treasury Services will start billing these additional sites/consumers which will bring about additional revenue.	Management to set a realistic target given the current collection trends and the actuals achieved be reported in the evidence file	C-Schedule-SC8: Performance Indicators and Benchmarks C-Schedule-SC8: Performance Indicators and Benchmarks

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
						Target	Budget	Percentage	Rand	6%	0	840 040			
Outcome 4.17	Ensuring sound financial management and accounting	Sound financial management	Revenue Management	Revenue Growth	Percentage revenue growth	Target	Percentage	6%	6%	6%	2%	0%	Ratio is below the target as revenue foregone was not considered when setting the target	Management to consider revenue foregone and bring it into the formula when setting up the target	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand	0	840 040	909 000					
Outcome 4.18	Ensuring sound financial management and accounting	Sound financial management	Revenue Management	Revenue Growth (excluding capital grants)	Percentage revenue growth (excluding capital grants)	Target	Percentage	6%	6%	6%	8%	0%	Target Not Met	Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand	0	840 040	909 000					
Outcome 4.19	Ensuring sound financial management and accounting	Sound financial management	Expenditure Management	Creditor payment period	Number of days taken to pay trade creditors	Target	Days	44	45	45	0	0%	The target was incorrectly set at the performance planning stage. The SMART principle was not considered at planning stage as focus was more on norms and standards. As at 30 June 2022, the payment period was at 110 days. Thus, impossible or not realistic to set a target at 45 days from 110 days	Management to set a realistic target given the current collection trends and the actuals achieved be reported in the evidence file	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand	0	840 040	909 000					
Outcome 4.20	Ensuring sound financial management and accounting	Sound financial management	Expenditure Management	Irregular, fruitless and wasteful and unauthorised expenditure	Percentage of irregular, fruitless and wasteful and unauthorised expenditure disclosed	Target	Percentage	New	0%	0%	0%	0%	The target was incorrectly set at the performance planning stage. The SMART principle was not considered at planning stage as focus was more on norms and standards. There is Irregular expenditure arising from prior periods thus to set a target at 0% is unrealistic. Furthermore, unauthorised can only be correctly determined by year-end.	Management to set a realistic target given the current collection trends and the actuals achieved be reported in the evidence file	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand	0	840 040	909 000					
Outcome 4.21	Ensuring sound financial management and accounting	Sound financial management	Expenditure Management	Workforce expenditure	Percentage employee cost to total operating expenditure	Target	Percentage	42%	33%	33%	0%	0%	Target Not Met	Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand	0	840 040	909 000					

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Outcome 4.22	Ensuring sound financial management and accounting	Sound financial management	Expenditure Management	Contracted services expenditure	Percentage contracted services expenditure to total operating expenditure	Target	Percentage	New	2%	2%	0%	0%	Target Not Met	Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand	0	840 040	909 000					
Outcome 4.23	Ensuring sound financial management and accounting	Sound financial management	Grant dependency	Own funded capital expenditure	Percentage of internally generated funds for capital expenditure to total operating expenditure	Target	Percentage	0%	20%	20%	0%	0%	The target was incorrectly set at the performance planning stage. The SMART principle was not considered at planning stage as focus was more on norms and standards. There was no alignment between the MTREF/IDP and SDBIP. When the SDBIP was approved, it was already clear that provision of 10% has been made to ensure a funded budget but the PMS Division put a target of 20% which is not aligned to IDP/MTREF	Management to set a realistic target given the current collection trends and the actuals achieved be reported in the evidence file	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand	0	840 040	909 000					
Outcome 4.24	Ensuring sound financial management and accounting	Sound financial management	Grant dependency	Own source revenue	Percentage own source revenue to total operating revenue	Target	Percentage	New	55%	55%	%	%	Target Not Met	Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand	0	840 040	909 000					
Outcome 4.25	Ensuring sound financial management and accounting	Sound financial management	Budget Implementation	Capital expenditure	Percentage capital expenditure spent	Target	Percentage	100%	100%	100%	0%	0%	Target Not Met	Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget	Rand	0	840 040	909 000					

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
						Target									
Outcome 4.26	Ensuring sound financial management and accounting	Sound financial management	Budget Implementation	Operating expenditure	Percentage operating expenditure incurred	Target	Percentage	100%	100%	100%	0%	0%	Target Not Met	Reasons for the variance and performance information should be provided in the evidence file to enable the department to report on the actuals achieved	C-Schedule-SC8: Performance Indicators and Benchmarks
						Budget									Rand
Outcome 4.27	Ensuring sound financial management and accounting	Sound financial management	Budget Implementation	Operating revenue	Percentage operating revenue sourced	Target	Percentage	100%	100%	100%	0%	0%	Target Not Met		
						Budget									Rand

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3. 27.4.4 DIRECTOR TECHNICAL SERVICES' SCORECARD

National Development Chapter				7. Public services are uneven and often of poor quality (10)												
National Outcome				10. Environmental assets and natural resources that are well protected and continually enhanced												
Back to Basic Principle				2. supporting the delivery of municipal services to the high quality and standards												
Free State Growth and Development Strategies 6 Pillars				3. Improved Quality of Life												
Predetermined Objective				Supporting the delivery of municipal services to the right quality and standard												
Key Performance Area				Service Delivery												
Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence	
1.1	Supporting the delivery of municipal services to the right quality and standard	Electricity Services	Ficksburg, Senekal, Marquard and Clocolan Towns.	Currency in rand and cents of the electricity losses against the total bulk purchases	Percentage of electricity losses reduced in Ficksburg, Clocolan, Marquard and Senekal towns not to exceed target annually.	Target	Percentage	7%	14%	12%	8%	80%	Target Almost Met	Ensure that targets are met within required timeframe	Portfolio of Evidence: Monthly Reports on Electricity Losses.	
						Budget	Rand			17 296						
1.2	Supporting the delivery of municipal services to the right quality and standard	Water Services	Ficksburg, Senekal, Marquard and Clocolan Towns.	Currency in rand and cents of the total water losses	Percentage of water losses reduced in line with the Water Demand Management (WDM) Plan per annum.	Target	Percentage	40%	45%	43%	43%	100%	Target Met	Continue monitoring	Portfolio of Evidence: Monthly Reports on Water Losses.	
						Budget	Rand			17 296						
1.3	Supporting the delivery of municipal services to the right quality and standard	Sanitation Services	Ficksburg, Senekal, Marquard and Clocolan Towns.	Number of new sewer connections meeting the minimum standards	Percentage of households with access to basic sanitation	Target	Percentage	71%	71%	72%	0%	0%	Target Almost Met	Ensure that targets are met within required timeframe	Portfolio of Evidence: Reports on the Percentage of households that are billed. (Access to Basic Services = Billed).	
						Budget	Rand			17 296						
1.4	Supporting the delivery of municipal services to the right quality and standard	Water Services	Ficksburg, Senekal, Marquard and Clocolan Towns.	Number of new water connections meeting minimum standards	Percentage of household with access to basic water supply	Target	Percentage	100%	100%	100%	0%	0%	Target Almost Met	Ensure that targets are met within required timeframe	Portfolio of Evidence: Reports on the Percentage of households that are billed. (Access to Basic Services = Billed).	
						Budget	Rand			17 296						
1.5	Supporting the delivery of municipal services to the right quality and standard	Electricity Services	Ficksburg, Senekal, Marquard and Clocolan Towns.	Number of new electricity connections meeting minimum standards	Percentage of household with access to basic electricity supply in four towns.	Target	Percentage	100%	100%	100%	96%	96%	Target Almost Met	Ensure that targets are met within required timeframe	Portfolio of Evidence: Reports on the Percentage of households that are billed. (Access to Basic Services = Billed).	
						Budget	Rand			17 296						

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National Development Chapter			9. South Africa remains a divided society												
National Outcome			9. A responsive, accountable, effective and efficient local government system												
Back to Basic Principle			5. Building institutional resilience and administrative capability												
Free State Growth and Development Strategies 6 Pillars			6. Good Governance												
Predetermined Objective			Building institutional resilience and administrative capability												
Key Performance Area			Institutional Capacity												
5.1	Building institutional resilience and administrative capability	Performance Management	Ficksburg Head Office	Conduct of performance on all managers in Engineering	Number of performance assessment of all managers	Target	Number	0	20	20	20	0	Target Not Met	Ensure that targets are met within the required timeframe	Monthly reports, attendance register and invitation
						Budget	Rand			17 296					
5.2	Supporting the delivery of municipal services to the right quality and standard	Administration	Ficksburg Head Office	Conduct monthly departmental meeting to deal with service delivery issues	Number of engineering departmental meetings conducted	Target	Number	0	8	8	4	50%	Target Not Met	Ensure that targets are met within required timeframe	Minutes, Attendance register and invitation
						Budget	Rand			17 296					
5.3	Supporting the delivery of municipal services to the right quality and standard	Risk Management	Ficksburg Head Office	To control risk	Number of risk registers developed, updated and reported on (Strategic Risk Register)	Target	Number	4	4	4	4	100%	Target Met	Continue monitoring	Portfolio of evidence: Quarterly updated Strategic Risk Register
						Budget	Rand			17 296					
5.4	Supporting the delivery of municipal services to the right quality and standard	Risk Management	Ficksburg Head Office	To control risk	Number of risk registers developed, updated and reported on (Operational Risk Register)	Target	Number	4	4	4	4	100%	Target Met	Continue monitoring	Portfolio of evidence: Quarterly updated Operational Risk Register
						Budget	Rand			17 296					
5.5	Supporting the delivery of municipal services to the right quality and standard	Internal Audit	Ficksburg Head Office	Attending to any audit findings within prescribe time frame	Percentage external and internal audit queries responded to and addressed within timeframe	Target	Percentage	100%	100%	100%	0%	0%	Target Not Met	Ensure that targets are met within the required timeframe	Portfolio of evidence: Audit queries response register
						Budget	Rand			17 296					
AM13	Ensuring sound financial management and accounting	Internal and External Audit	Ficksburg Head Office	Attending to any audit findings within prescribe time frame	Number of a credible EARP developed to address the root cause of audit exceptions raised by AGSA	Target	Number	1	1	1	2	200%	Target Extremely Met	Continue monitoring	Audit Recovery Plan
						Budget	Rand			17 296					
AM14	Ensuring sound financial management and accounting	Internal Audit	Ficksburg Head Office	Attending to any audit findings within prescribe time frame	Number of report on the implementation of the EARP [2021/22 audit findings-EARP]	Target	Number	5	5	5	0	0%	Target Not Met	Ensure that targets are met within required timeframe	Report on Audit Recovery Plan
						Budget	Rand			17 296					
AM17	Ensuring sound financial management and accounting	Internal Audit	Ficksburg Head Office	Attending to any audit findings within prescribe time frame	Percentage of unresolved IAU which have an Audit Recovery Plan that addresses the root cause	Target	Percentage	100%	100%	100%	100%	100%	Target Met	Continue monitoring	Internal Audit Queries Register
						Budget	Rand			17 296					

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
2.1	Promoting good governance, transparency, and accountability	Roads and Stormwater	Ficksburg, Senekal, Marquard and Clocolan Towns.	80% of the KPI of sub-directorate roads and stormwater must be met	Percentage of overall KPI met by Roads and Stormwater	Target	Percentage	90%	90%	80%	53%	66%	Target Not Met	Ensure that targets are met within required timeframe	Portfolio of evidence: Second Tier Scorecard
						Budget	Rand			17 296					
2.2	Promoting good governance, transparency, and accountability	Water and Sanitation: Operation and Maintenance	Ficksburg, Senekal, Marquard and Clocolan Towns.	70% of the KPI of sub-directorate Water and Sewer O&M must be met	Percentage of overall KPI met by Water and Sewer O&M	Target	Percentage	60%	90%	70%	41%	58%	Target Not Met	Ensure that targets are met within required timeframe	Portfolio of evidence: Second Tier Scorecard
						Budget	Rand			17 296					
2.3	Promoting good governance, transparency, and accountability	Water and Sanitation: Bulk Services	Ficksburg, Senekal, Marquard and Clocolan Towns.	70% of the KPI of sub-directorate Water and Sewer Bulk, must be met	Percentage of overall KPI met by Water and Sewer Bulk	Target	Percentage	60%	90%	70%	40%	57%	Target Not Met	Ensure that targets are met within required timeframe	Portfolio of evidence: Second Tier Scorecard
						Budget	Rand			17 296					
2.4	Promoting good governance, transparency, and accountability	Planning and Property Management	Ficksburg, Senekal, Marquard and Clocolan Towns.	60% of the KPI of sub-directorate Planning and Property Management, must be met	Percentage of overall KPI met by Planning and Property Management	Target	Percentage	60%	90%	80%	34%	42.50%	Target Not Met	Ensure that targets are met within required timeframe	Portfolio of evidence: Second Tier Scorecard
						Budget	Rand			17 296					
2.5	Promoting good governance, transparency, and accountability	Electricity Services	Ficksburg, Senekal, Marquard and Clocolan Towns.	90% of the KPI of sub-directorate Electricity, must be met	Percentage of overall KPI met by Electricity	Target	Percentage	90%	90%	90%	93%	100%	Target Met	Continue monitoring	Portfolio of evidence: Second Tier Scorecard
						Budget	Rand			17 296					
2.6	Promoting good governance, transparency, and accountability	Project Management Unit	Ficksburg, Senekal, Marquard and Clocolan Towns.	90% of the KPI of sub-directorate PMU, must be met	Percentage of overall KPI met by PMU	Target	Percentage	59.49%	90%	90%	35%	39%	Target Not Met	Ensure that targets are met within required timeframe	Portfolio of evidence: Second Tier Scorecard
						Budget	Rand			17 296					
2.7	Promoting good governance, transparency, and accountability	Fleet Management Services	Ficksburg, Senekal, Marquard and Clocolan Towns.	60% of the KPI of sub-directorate Fleet Management, must be met	Percentage of overall KPI met by Fleet Management	Target	Percentage	New KPI	60%	60%	0%	0%	Target Not Met	Ensure that targets are met within the required timeframe	Portfolio of evidence: Second Tier Scorecard
						Budget	Rand			17 296					
6.1	Promoting good governance, transparency, and accountability	Electricity Services	Ficksburg, Senekal, Marquard and Clocolan Towns.	Conduct public awareness on energy savings and efficiency strategies	Number of public awareness on energy savings and efficiency conducted	Target	Number	1	3	3	1	33%	Target Not Met	Ensure that targets are met within the required timeframe	Portfolio of evidence: Awareness Pamphlets
						Budget	Rand			17 296					

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3. 27.4.5 DIRECTOR CORPORATE SERVICES' SCORECARD

NATIONAL OUTCOMES				9. A responsive, accountable, effective and efficient local government system											
BACK TO BASIC PRINCIPLES				5. Building institutional resilience and administrative capability											
FREE STATE GROWTH AND DEVELOPMENT STRATEGIES				6. Good Governance											
PREDETERMINED OBJECTIVES				Building institutional resilience and administrative capability											
KEY PERFORMANCE AREA (KPA)				Institutional Capacity											
Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
						Target	Budget	Percentage	Rand	1%	1 463 118.00	1%	0.69%	69%	
Output 3.1	Building institutional resilience and administrative capability	Improved Municipal capability	Percentage of skills development levy against the Municipal operating expenditure	Percentage of municipal budget allocated to skills development	Percentage actual spending of the municipal budget on skills development	Target	Percentage	1%	1%	1%	0.69%	69%	Target not Achieved due to slow Implementation of training interventions and other Departments not budgeting for training	Management to ensure that all departments budget for training as it is required by law to capacitate the workforce	Calculation of 1% of Payroll Budget vs Actual Expenditure on Skills Development
						Budget	Rand	2 480 264	1 463 118.00	3 544 000					
Output 3.2	Building institutional resilience and administrative capability	Improved Municipal capability	Top Management Stability (% of days in a year that all s56 positions are filled by fulltime, appointed staff not in an acting capacity)	Senior Manager's vacancy rate	Percentage of fulltime appointed s56 Managers	Target	Days	100%	100%	100%	80%	80%	Targett Almost Met One vacancy of Director Community Services. Position advertised, shortlisting done, Interviews to be conducted	Council and management to ensure that strict adherence to legislative timeframes are followed so as to not compromise service delivery	Number of Senior Manager positions vs Number of filled senior Manager Positions
						Budget	Rand	2 480 264	1 463 118.00	3 544 000					
Output 3.3	Building institutional resilience and administrative capability	Improved Municipal capability	Employees stability	Staff vacancy rate	Percentage of critical vacant posts filled within three months	Target	Days	100%	100%	100%	53%	53%	Target not Achieved. Filling of vacancies dependent on the approval of the Organisational structure.	Management to ensure that funded vacant positions on the organisational structure are filled within the legislated timeframes	Advertisements and appointment letters
						Budget		2 480 264	1 463 118.00	3 544 000					
Output 3.4	Building institutional resilience and administrative capability	Improved Municipal capability	Top Management Stability (% of days in a year that all s56 positions are filled by fulltime, appointed staff not in an acting capacity)	Average time taken by the municipality to make an appointment	Number of days taken by the municipality to make an appointment	Target	Number	499	60	60	123	205%	Target Not Achieved One vacancy at Senior Management Level	Council and management to ensure that strict adherence to legislative timeframes are followed so as to not compromise service delivery	Number of days post is vacant until filled
						Budget	Rand	2480264	1 463 118.00	3 544 000					
Output 3.5	Building institutional resilience and administrative capability	Improved Municipal capability	Percentage of effectiveness o the implementation of the Health and Safety Programmes in the workplace	Percentage towards awareness made of Health and safety programmes at the workplace	Percentage towards awareness made on Health and safety programmes at the workplace	Target	Percentage	100%	100%	100%	100%	100%	Target Met	Continue monitoring	Attendance registers, Presentations and Emails of Health and Safety Programmes implemented
						Budget	Rand	2 480 264	1 463 118.00	3 544 000					

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Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Output 3.6	Building institutional resilience and administrative capability	Improved Municipal capability	Human Resources Management	Percentage of the effectiveness on the Human Resources Administration	Percentage of the effectiveness on the Human Resources Administration	Target	Percentage	100%	100%	100%	100%	100%	Target Achieved	Continue monitoring	Human Resource Management Evidence file
						Budget	Rand	2 480 264	7 577 160.00	3 544 000					
Output 3.7	Building institutional resilience and administrative capability	Improved Municipal capability	Effectiveness of Human Resources Development	Percentage of the effectiveness on the Human Resources Development	Percentage of the effectiveness on the Human Resources Development	Target	Percentage	100%	100%	100%	29%	29%	Target Not Met	To speed-up recruitment processes and ensure that delegates attend, and submissions are made	Portfolio of evidence of Human Resources Development
						Budget	Rand	2 480 264	4 084 080.00	3 544 000			Due to slow recruitment of personnel in the highest 3 levels of management, due to non-availability of delegates and non-submission of		
Output 3.8	Building institutional resilience and administrative capability	Improved Municipal capability	Legal Services and Contract Management	Percentage of the effectiveness on the Legal Services and Contract Management	Percentage of the effectiveness on the Legal Services and Contract Management	Target	Percentage	20%	100%	100%	100%	100%	Continue Monitoring	Continue monitoring	Portfolio of evidence of Legal Services and Contract Management
						Budget	Rand	2 480 264	4 093 440.00	3 544 000					
Output 3.9	Building institutional resilience and administrative capability	Improved Municipal capability	Effectiveness of Payroll Administration	Percentage of the effectiveness on the Payroll Administration	Percentage of the effectiveness on the Payroll Administration	Target	Percentage	100%	100%	100%	100%	100%	Continue Monitoring	Continue monitoring	Portfolio of evidence of Payroll Administration
						Budget	Rand	2 480 264	2 939 172.00	3 544 000					
Output 3.10	Building institutional resilience and administrative capability	Improved Municipal capability	Effectiveness of Administration and Support Services	Percentage of the effectiveness on the Administration and Support Services	Percentages of the effectiveness on the Administration and Support Services	Target	Percentage	100%	100%	100%	85%	85%	Target Almost Met	To finalise the adoption of the records policy and workshops held as scheduled.	Portfolio of evidence of Administration and Support Services
						Budget	Rand	2 480 264	4 891 368.00	3 544 000			Records Policy still in progress, Awareness Workshop postponed due to another meeting scheduled for the day, Tender for equipment to unfold and PPE allocation still pending,	Provision of PPPE to be finalise in order for the workforce to be protected when executing their duties	

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SECTION 1: KEY PERFORMANCE AREA (SDBIP)															
NATIONAL DEVELOPMENT PLAN CHAPTERS				8. Corruption levels are high (9)											
NATIONAL OUTCOMES				9. A responsive, accountable, effective and efficient local government system											
BACK TO BASIC PRINCIPLES				Good Governance, transparency, and accountability											
FREE STATE GROWTH AND DEVELOPMENT STRATEGIES				6. Good Governance											
PREDETERMINED OBJECTIVES				Promoting good governance, transparency, and accountability											
KEY PERFORMANCE AREA (KPA)				Good Governance, transparency, and accountability											
Outcome Number	Planning Statement	Outcome	Outcome Indicator	Output Indicator	Key Performance Indicator	Type	Unit of Measure	Baseline Indicator	Original Target	Adjusted Target	Actual	Percentage Against Adjusted Target	Reasons For Variance	Corrective Action For Annual Target Not Met	Evidence
Output 5.1	Promoting good governance, transparency, and accountability	To mitigate risk to the minimum	Risk evaluated quarterly	To control risk	Number of strategic risk registers developed, updated, and reported on	Target	Number	100%	100%	100%	100%	100%	Target Met	Continue Monitoring	Quarterly Updated Risk Register
						Budget	Rand	2 480 264	1 463 118.00	3 544 000					
Output 5.2	Promoting good governance, transparency, and accountability	To mitigate risk to the minimum	Risk evaluated quarterly	To control risk	Number of operational risk registers developed, updated, and reported on	Target	Number	4	4	4	4	100%	Target Met	Continue Monitoring	Quarterly Updated Risk Register
						Budget	Rand	2 480 264	1 463 118.00	3 544 000					
Output 5.3	Promoting good governance, transparency, and accountability	Improved communication regarding audit process	To ensure that audit findings are kept to the minimum	Attending to any audit findings within prescribe time frame	Percentage external communication of audit findings responded to and addressed within timeframe	Target	Percentage	100%	100%	100%	100%	100%	Target Almost Met	The progress report on the implementation of the audit action plan be submitted on a monthly basis and a report on those issues addressed and resolved be submitted on monthly basis	Request for Information Responses Communication Findings Responses Annual Financial Statements Annual Report
						Budget	Rand	2 480 264	1 463 118.00	3 544 000					
Output 5.4	Promoting good governance, transparency, and accountability	Improved communication regarding audit process	To ensure that audit findings are kept to the minimum	Attending to any audit findings within prescribe time frame	Percentage internal communication of audit findings responded to and addressed within timeframe	Target	Percentage	100%	100%	100%	53%	53%	Target Not Met	The progress report on the implementation of the audit action plan be submitted on a monthly basis and a report on those issues addressed and resolved be submitted on monthly basis	Request for Information Responses Communication Findings Responses Annual Financial Statements Annual Report
						Budget	Rand	2 480 264	1 463 118.00	3 544 000					
Output 5.5	Promoting good governance, transparency, and accountability	Improved Municipal Administration	Performance Management System	Effective Performance Management System	Number of appraisal reports developed and submitted	Target	Number	100%	20	20	0	0%	Target Not Met	Management to established performance moderation committees as per legislation and these committees to sit as required to ensure that performance in reviewed	Reports Registers Council Resolutions
						Budget	Rand	2 480 264	1 463 118.00	3 544 000					

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3.28 AMENDMENT OF THE TOP-LAYER SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The Service Delivery and Budget Implementation process is guided by the Municipal Finance Management Act, 56 of 2003, section 72(1), states:

The accounting officer of the municipality must by 25 January of each year;

- a. Assess the performance of the municipality during the first half of each year; taking into account-
 - (i) The monthly statements referred to in section 71 for the first half of the financial year;
 - (ii) The municipality’s service delivery performance for the first half of the financial year;
 - (iii) The past year’s annual report, and progress on resolving problems identified in the annual report;
 - (iv) The performance of every municipal entity under the sole or shared control of the municipality taking into account reports in terms of section 88 from such activities.

Section 54(1) of the Municipal Finance Management Act, 56 of 2003 states:

On receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 or 72, the mayor must-

- (c) consider and, if necessary, make revision to the Service Delivery And Budget Implementation Plan, provided that the revision to the service delivery targets and performance indicators in the plan may only be made with the approval of council of the adjustment

The Service Delivery and Budget Implementation Plan therefore may be revised after consideration of, among others:

1. Financial performance as per sections 71 and 72;
2. Service delivery performance as per the Mid-year Budget and Performance Assessment;
3. Annual performance assessment of the previous financial year; and
4. Performance of the municipal entities.

Process followed in the revision of the Service Delivery and Budget Implementation Plan 2021/2022 took into consideration the AGSA criteria on assessment as per the following:

Consistency	Objectives, performance measures/indicators and targets are consistent between planning and reporting documents
Reported strategic or developmental objectives are consistent or complete when compared to planned objectives	Section 121(3)(f) of the Municipal Finance Management Act, 56 of 2003 Section 41 (a)-(c) and 46 of the Municipal Systems Act, 32 of 2000
Changes to strategic or developmental objectives are approved	Section 25(2) of the Municipal Systems Act, 32 of 2000
Reported measures or indicators are consistent or complete when compared to planned measures or indicators	Section 121(3)(f) of the Municipal Finance Management Act, 56 of 2003 Section 41 (a)-(c) and 46 of the Municipal Systems Act, 32 of 2000
Changes to measures are approved	Section 25(2) of the Municipal Systems Act, 32 of 2000
Reported targets are consistent or complete compared to planned targets	Section 121(3)(f) of the Municipal Finance Management Act, 56 of 2003 Section 41 (a)-(c) and 46 of the Municipal Systems Act, 32 of 2000

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	2000
Changes to targets are approved	Section 25(2) of the Municipal Systems Act, 32 of 2000
Reported achievement is consistent with planned and reported indicator and target	Section 121(3)(f) of the Municipal Finance Management Act, 56 of 2003
Measurability	Performance measures/indicators are well defined and verifiable, and target
A performance measure or indicator is well defined when it has a clear definition so that data will be collected consistently and is easy to understand and use	Framework for the Managing of Programme Performance Information; Chapter 3
A performance measure or indicator is verifiable when it is possible to validate or verify the process and systems that produce the indicator	Framework for the Managing of Programme Performance Information; Chapter 3
A target is specific when the nature and required level of performance of the target is clearly identifiable	Framework for the Managing of Programme Performance Information; Chapter 3
A target is measurable when the required performance can be measured	Framework for the Managing of Programme Performance Information; Chapter 3
A target is time bound when the timeframes for achievement of targets are indicated	Framework for the Managing of Programme Performance Information; Chapter 3
Relevance	Performance measures/indicators relate logically and directly to an aspect of the entity's mandate and realisation of its strategic goals and objectives
The performance measure or indicator and target relates logically and directly to an aspect of the entity's mandate and realisation of its strategic goals and objectives	Framework for the Managing of Programme Performance Information; Chapter 3
Presentation and disclosure	Performance information in the annual performance report is presented and disclosed in accordance with the requirements contained in the legislation, frameworks, circulars, and guidance
Actual performance compared to planned targets and prior year performance disclosed	Section 46 of the Municipal Systems Act, 32 of 2000
Measures taken to improve performance are disclosed	Section 46 of the Municipal Systems Act, 32 of 2000
Measures taken to improve performance are supported by corroborating source documentation	Section 46 of the Municipal Systems Act, 32 of 2000
Reliability	Recording, measuring, collating, preparing and presenting information on actual performance or target achievements is valid, accurate and complete
Reported performance occurred and pertains to reporting entity (valid)	Section 45 of the Municipal Systems Act, 32 of 2000 Chapter 5 of the Framework for the Managing of Programme Performance Information
Reported performance is recorded and reported accurately (accurate)	Section 45 of the Municipal Systems Act, 32 of 2000 Chapter 5 of the Framework for the Managing of Programme Performance Information

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All actual performance is recorded and included in the reported performance information (complete)

Section 45 of the Municipal Systems Act, 32 of 2000
Chapter 5 of the Framework for the Managing of Programme Performance Information

The process followed in the revision of the Service Delivery And Budget Implementation Plan 2022/2023 took into consideration the legislative requirements of the Municipal Finance Management Act, 56 of 2003. To ensure the credibility of the information the following processes were undertaken:

- Engagement with departments on the current performance and proposed revisions;
- Engagement with the Audit and Performance Audit Committee on the current performance and proposed revisions at the meeting held on the 22 January 2023; and
- Sign-off by the Directors of all the revisions and inclusion in their departmental scorecards which formed the basis of their revised performance agreements.

T 3.28

3.29 MONITORING OF THE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The Municipal Finance Management Act, 56 of 2003 and the Municipal Planning and Performance Management Regulations of 2001, require that the municipal council establish an audit committee consisting of a minimum of three members, where the majority of members are not employees of the municipality. No councillor may be a member of an audit committee.

Council shall also appoint a chairperson who is not an employee of the municipality. The Regulations give municipalities the option to establish a separate Performance Audit Committee whereas the Municipal Finance Management Act, 56 of 2003, provides for a single Audit Committee as further being recommended by National Treasury in terms of their Municipal Finance Management Act, 56 of 2003, Circular 65 of November 2012.

The municipal council has however taken a decision to continue with a combined Audit and Performance Audit Committee. The Audit and Performance Audit Committee relies on the work done by Internal Audit Unit and the Performance Management and Development Systems Section in terms of the Audit Committee Charter and receives and considers reports and minutes of meetings presented to it by these unit and section at its scheduled meetings.

In carrying out its mandate, the Audit and Performance Audit Committee have a good understanding of the strategic goals of the municipality, strategic focus areas as outlined in the Integrated Development Plan and the Service Delivery Budget Implementation Plan and should perform the following functions:

- Review and comment on compliance with statutory requirements and performance management best practices and standards.
- Review and comment on the alignment of the Integrated Development Plan, the Budget, Service Delivery and Budget Implementation Plan and performance agreements.
- Review and comment on relevance of indicators to ensure they are measurable and relate to services performed by the Municipality.
- Review compliance with in-year reporting requirements.
- Review the quarterly performance reports submitted by internal audit.
- Review and comment on the municipality's annual reports within the stipulated timeframes.
- Review and comment on the municipality's performance management system and make recommendations for its improvement at least twice a year.

Quarterly during a financial year submit an audit report to the municipal council concerned. In reviewing the municipality's performance management and development system the Audit and Performance Audit Committee

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focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.

The Internal Audit function within the municipality is co-ordinated and managed by an Internal Audit Executive within the office of the Municipal Manager. As part of their scope, auditing of the Performance Management and Development System and Predetermined Objectives are performed and reported on for each quarter in terms of the following internal audit plan.

Quarter	Audit Project	Focus Area
Quarter 1	Review Performance Information	<ul style="list-style-type: none"> • Consistency in reporting • Measurability and reliability • Performance reports review • Performance score verification • Compliance with relevant laws and regulations
Quarter 2	Review Performance Information	<ul style="list-style-type: none"> • Consistency in reporting • Measurability and reliability • Performance reports review • Performance score verification • Compliance with relevant laws and regulations
Quarter 3	Review Performance Information	<ul style="list-style-type: none"> • Consistency in reporting • Measurability and reliability • Performance reports review • Performance score verification • Compliance with relevant laws and regulations
Quarter 4	Review Performance Information	<ul style="list-style-type: none"> • Consistency in reporting • Measurability and reliability • Performance reports review • Performance score verification • Compliance with relevant laws and regulations

The Auditor General have audit the information submitted in this report, together with all achievements reported in the Organisational Performance Management and Development System Scorecard-Top layer of the Service Delivery Budget Implementation Plan and the findings in their management letter was included in the Final 2022/2023 Audit Report. The information reported therefore was validated for relevance, reliability, completeness, accuracy and correctness by the Internal Auditors as well as the Auditor General.

The Audit and Performance Audit Committee has been established since 2004 in terms of Section 14(2)(a) of the Local Government: Municipal Planning and Performance Regulations of 2001 and membership changed overtime. The current Audit and Performance Audit Committee was appointed on the 13 October 2022 for a period of five years until 12 October 2027. Below are the previous and current members of the Audit and Performance Audit Committee:

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Previous Audit and Performance Audit Committee members term end 16 July 2022 extended to 11 October 2022		Newly Audit and Performance Audit Committee members	
Initials and Surname	Designation	Initials and Surname	Designation
Mr H B Mathibela	Chairperson	Mrs S J Masite	Chairperson
Mr T Zororo	Ordinary Member	Mr L S Mofokeng	Ordinary Member
Mr L S Mofokeng	Ordinary Member	Ms F M N Kobo	Ordinary Member
Ms F M N Kobo	Ordinary Member	Mrs M Ramutsheli	Ordinary Member
Mrs S J Masite	Ordinary Member	Ms T Monare	Ordinary Member

The Audit and Performance Audit Committee is meeting on a quarterly basis during each financial year as follows:

Meeting Scheduled as per Year Plan	Meeting Held
14 July 2022	14 July 2022
26 August 2022	26 August 2022
	29 August 2022 – Special meeting
18 November 2022	25 November 2022
13 January 2023	25 January 2023
17 February 2023	22 and 29 February 2023
19 April 2023	19 April 2023
23 May 2023	23 May 2023
19 July 2023	19 July 2023

Attendance of the previous committee and the new committee members over to the financial year 2022/2023

Name	Number of meetings scheduled	Meetings attended
Mr. H B Mathibela	3	3
M. T Zororo	3	3
Mr. L S Mofokeng	8	8
Ms F Kobo	8	8
Mrs. S Masite	8	8
Mrs. M Ramutsheli	6	6
Ms T Monare	6	6

The Draft Annual Performance Report is submitted to the Audit and Performance Audit Committee on the 25 August 2023 and to Mayoral Committee and Council on the 31 August 2023 to note and consider the annual performance achievements reported in the Organisational Performance Management and Development Systems Scorecard-Top-layer Service Delivery and Budget Implementation Plan for the completed 2022/2023 financial year.

Performance Assessment Panels for the assessment of Section 57 employees were established as follows:

For purposes of evaluating the annual performance of the Municipal Manager (section 54A), an Evaluation Panel Constituting of the following persons was established:

- (i) Executive Mayor or Mayor;
- (ii) Chairperson of the Audit and Performance Audit Committee;
- (iii) Member of the Mayoral Committee;

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- (iv) Mayor and/or Municipal Manager from another municipality; and
- (v) Member of a Ward Committee as nominated by the Executive Mayor.”

B) For purposes of evaluating the annual performance of managers directly accountable to the Municipal Manager-Section 56 managers, an Evaluation Panel constituted of the following persons was established:

- (i) Municipal Manager;
- (ii) Chairperson of the Audit and Performance Audit Committee;
- (iii) Member of the Mayoral Committee; and
- (iv) Municipal Manager from another municipality.”

Performance Evaluation sessions are supposed to be conducted quarterly. The first and the third quarter assessment are informal assessments. Formal assessments are conducted for the mid-year and full year. The final and formal performance evaluation sessions of the Municipal Manager and Managers Directly accountable to the Municipal Manager covering the 2022/2023 financial year will be performed once the auditing of the Annual Financial Statements and the Predetermined Objectives has been finalised by the Auditor General. The final performance evaluation will commence once the Annual Report 2022/2023 has been adopted by the Council for consideration of possible performance bonuses in terms of the Regulations.

T 3.29

3.30 OVERAL PERFORMANCE PER MUNICIPAL PERFORMANCE AREA

During the regulatory audit process, the Auditor General of South Africa issued communication of audit findings on the reported performance information and portfolio of evidence. The municipality felt that some of these findings should have necessitated the amendment of the annual performance report, but Auditor General of South Africa did not afford the municipality this opportunity on the predetermined objectives, although the opportunity was afforded adjustments of the annual financial statements.

The Auditor General of South Africa did not consider the household figures as provided by the Statistics South Africa Community Survey 2016 to use as a denominator to calculate the percentage access for the following service:

- Number of households with access to basic water
- Number of household with access to basic sanitation
- Number of households with access to basic refuse removal
- Number of households with access to basic electricity

Instead the Auditor General of South Africa needed layout plans of the various towns within the municipality to try and identify the number of households provided with these services. This request was done a couple of days before the draft audit report was to be discussed and the Auditor General of South Africa then said the information was submitted late and if they were to look at the information it was to delay them meeting their deadlines.

Had the Auditor General of South Africa used the information in the Integrated Development Plan as a basis for calculating the percentage of households with access to basic services, this could not have led to them concluding that the information provided led to a limitation of scope.

The municipality has approved the Standard Operating Procedure For The Compilation And Storage Of Performance Information-Portfolios Of Evidence-On The Service Delivery And Budget Implementation Plan And Operational Plan to assist management to compile useful, accurate, valid, reliable and complete performance information going forward.

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This Standard Operating Procedure For The Compilation And Storage Of Performance Information-Portfolios Of Evidence-On The Service Delivery And Budget Implementation Plan And Operational Plan have been implemented from the 01 July 2023.

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CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4. INTRODUCTION

During the financial year 2022/2023, the Department of Corporate Services continued rendering the support services to the institution in terms of Human Resources Management and Human Resources Development. At the end of the financial year, we had a total number of 613 employees. At the level of Senior Managers, all positions were occupied except for the position of the Director Community Services which was still vacant at the end of the financial year, however, the position was re-advertised.

During the last financial year, the process of reviewing the organisational structure was still not finalised. Departments were further requested to give further inputs and it is intended that this process should be finalised in the next financial year.

T 4.

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COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	2021/2022	2022/2023			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Municipal Manager's Office	8	12	8	4	33%
Integrated Development Planning and Performance Management and Development Systems	2	14	10	4	29%
Internal Audit	4	5	4	1	20%
Information Technologies and Communication	4	10	4	6	60%
Treasury Administration	4	11	4	7	64%
Expenditure	1	1	-	1	100%
Budget and Reporting	9	13	9	4	31%
Supply Chain Management	2	10	2	8	80%
Revenue Services	10	21	10	11	52%
Assets Management	32	53	31	22	42%
Admin and Support	8	10	7	3	30%
Human Resources Management	34	51	33	18	35%
Payroll Administration	10	17	10	7	41%
Legal Services	4	5	4	1	20%
Human Resources Development	3	5	3	2	40%
Community Admin	4	7	4	3	43%
Cemetries	1	1	1	-	0%
Local Economic Development	5	24	5	19	79%
Sport and Recreation	4	6	3	3	50%
Traffic	59	124	56	68	55%
Fire Services	20	41	20	21	51%
Disaster Management	1	36	1	35	97%
Security Services	1	3	1	2	67%
Waste Management	30	70	29	41	59%
Engineering Administration	63	143	63	80	56%
Project Management Unit	3	1	3	-2	-200%
Road and Storm Water	4	8	4	4	50%
Electricity	54	125	55	70	56%
Water Maintenance	24	40	23	17	43%
Waste Management	65	103	68	35	34%
Housing	118	162	116	46	28%
Fleet Management	17	44	18	26	59%
Totals	4	18	4	14	78%
Totals	572	1 194	613	581	49%

T 4.1.1

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4.1.2 VACANCY RATE: 2022/2023

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
Chief Financial Officer	1	0	0.00
Other S57 Managers (excluding Finance Posts)	3	1	33.33
Other S57 Managers (Finance posts)	4	1	25.00
Police officers	12	3	25.00
Fire fighters	33	3	9.09
Senior management: Levels 13-15 (excluding Finance Posts)	19	6	31.58
Senior management: Levels 13-15 (Finance posts)	24	2	8.33
Highly skilled supervision: levels 9-12 (excluding Finance posts)	38	8	21.05
Highly skilled supervision: levels 9-12 (Finance posts)	52	1	1.92
Total	187	25	13.37
			T 4.1.2

4.1.3 TURN-OVER RATE

Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
2020/2021	25	23	92%
2021/2022	7	21	300%
2022/2023	19	23	121%
			T 4.1.3

4.1.4 COMMENT ON VACANCIES AND TURNOVER

During the financial year 2022/2023, all Section 56 positions were filled, except for the position of Director Community Services which was still vacant at the end of the financial year. We also had 23 terminations, and only 19 positions were filled during the financial year.

T 4.1.4

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COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.2 INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Municipality has developed and adopted appropriate systems, policies and practice to ensure that there are fair, efficient, effective and transparent personnel administration. Effective human resource management practices enhance performance by contributing to employees’ productivity and development of favourable reputation in the municipality and community.

With the adoption of the Municipal Staff Regulations 2022, the municipality also started the process of aligning policies to the regulations. The organizational structure was reviewed again, and submissions were made to the office of the Municipal Manager, reflecting compliance issues in terms of regulations. The municipality intends finalizing this process before the end of the new financial year which is 2023/2024. The division also conducted various road shows during the financial year, where presentations were made to employees to keep them abreast with changes in the sector.

T 4.2

4.2.1 HUMAN RESOURCE POLICIES

	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Bereavement Policy	100%	100%	Version 1 adopted on 24 February 2011
2	Dress Code Policy	100%	0%	Version 1 adopted on 28 February 2011
3	Employment Equity Policy	100%	0%	Version 1 adopted on 30 May 2013
4	Employee Performance Appraisal Policy	100%	0%	Version 1 adopted on 30 August 2008
5	Employee Assistance Programme	100%	0%	Version 1 adopted on 30 May 2013
6	HIV/AIDS Policy	100%	0%	Version 1 adopted on 30 May 2013
7	Occupational Health and Safety Policy	100%	0%	Version 1 adopted on 10 February 2007
8	Promotion., Demotion and Transfer Policy	100%	0%	Version 1 adopted on 24 January 2013
9	Staff Retention Policy	100%	0%	Version 1 adopted on 30 October 2012
10	Remuneration Policy for all Employees	100%	0%	Version 1 adopted on 10 December 2007
11	Remuneration Policy for Senior Managers	100%	0%	Version 1 adopted on 10 December 2007
12	Placement Policy	100%	0%	Version 1 adopted on 27 March 2003
13	Training and Development Policy	100%	100%	Version 2 adopted on 16 October 2014
14	Sexual Harassment Policy	100%	0%	Version 1 adopted on 10 December 2007
15	Recruitment, Selection and Appointment Policy	100%	0%	Version 1 adopted on 10 December 2007
16	Relocation Policy	100%	0%	Version 1 adopted on 10 December 2007
17	Labour Relations and Discipline Policy	100%		Version 1 adopted on 10 December 2007
18	Travelling Allowance Scheme	100%		Version 1 adopted on 10 December 2007
19	Policy on Employee Benefits	100%		Version 1 adopted on 10 December 2007
20	Legal Aid to Employees and Cession Action	100%		Version 1 adopted on 10 December 2007
21	Smoking Policy	100%		Version 1 adopted on 10 December 2007
22	Induction Policy	100%		Version 1 adopted on 10 December 2007
23	Use of Municipal Vehicles and Equipment	100%		Version 1 adopted on 10 December 2007

T 4.2.1

4.2.2 COMMENT ON WORKFORCE POLICY DEVELOPMENT

The process of reviewing policies was started during the financial year, and there are three policies that were reviewed but not yet submitted to council for approval. The division has also drafted a process plan to review out-dated polices.

T 4.2.2

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4.3.1 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	0	10	100%	0	0
Temporary total disablement	0	0	0	0	0
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
Total	0	10	100%	0	0

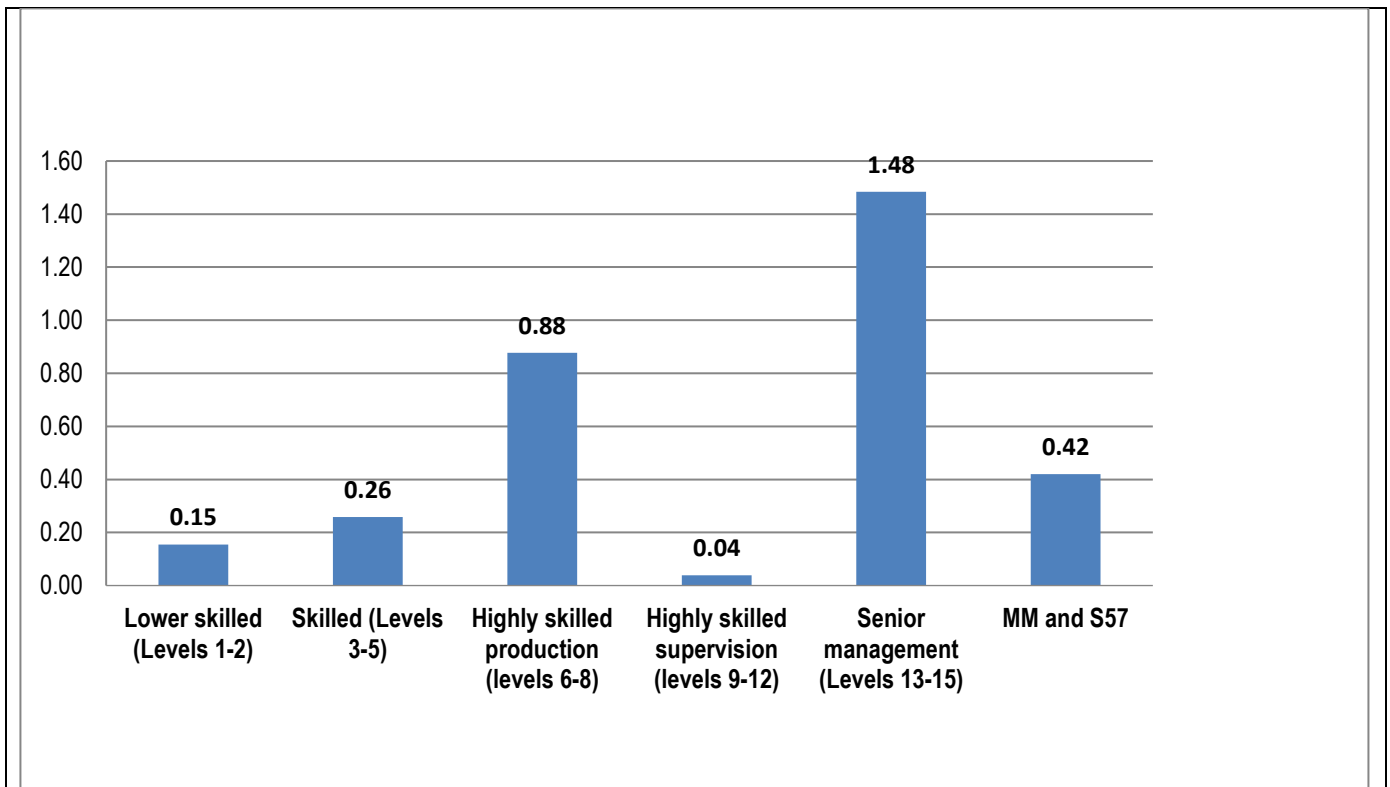
T 4.3.1

4.3.2 NUMBER OF DAYS AND COST OF SICK LEAVE-EXCLUDING INJURIES ON DUTY: JULY 2022 TO JUNE 2023

Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	24	90%	10	30	0.15	30
Skilled (Levels 3-5)	40			22	0.26	
Highly skilled production (levels 6-8)	136			58	0.88	
Highly skilled supervision (levels 9-12)	6	95%	2	26	0.04	31
Senior management (Levels 13-15)	230			11	1.48	
MM and S57	65			8	0.42	
Total	501	93%	12	155	3.23	61

T 4.3.2

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T 4.3.3.

4.3.4 COMMENT ON INJURY AND SICK LEAVE

All injury on duty cases occurred during the financial year were reported timeously to Department of Employment and Labour. Employees were also provided support by the division in their journey of recovery.

T 4.3.4

4.3.5 NUMBER AND PERIOD OF SUSPENSIONS

Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken, or Status of Case and Reasons why not Finalised	Date Finalised
Housing Clerk	Misinterpretation	17/03/2023	<ul style="list-style-type: none"> The matter was partially heard on 6th June 2023, and it was partially resolved. Both the Presiding Officer and Prosecutor have recused themselves from the proceedings. New Disciplinary Committee has been established and Disciplinary Hearing is scheduled for 23rd November 2023 	Pending
Housing Clerk	Misinterpretation	17/03/2023	<ul style="list-style-type: none"> The matter was partially heard on 7th June 2023, and it was partially resolved. Both the Presiding Officer and Prosecutor have recused themselves from the proceedings. New Disciplinary Committee has been established and Disciplinary Hearing is scheduled for 24th November 2023 	Pending

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Process Controller	Allegation of theft	14/07/2021	<ul style="list-style-type: none"> Parties signed the Settlement Agreement and finalized the matter on 27th September 2022. 	Finalized
General Worker	Rude and abusive	10/05/2023	<ul style="list-style-type: none"> The Disciplinary Hearing was held on 1st September 2023. The Sanction for dismissal was issued 22nd September 2023. 	Finalized
				T 4.3.5

4.3.6 DISCIPLINARY ACTION TAKEN ON CASES OF FINANCIAL MISCONDUCT

Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised	
Housing Clerk	It is alleged that the employee displayed an act of gross dishonesty when executing his duties.	The Employee was suspended, and disciplinary actions were instituted.	Disciplinary Hearing scheduled for 23 rd November 2023.	
Housing Clerk	It is alleged that the employee displayed an act of gross dishonesty when executing his duties.	Employee currently on suspension. Investigation Report is still outstanding. Employee still to be formally charged.	Disciplinary Hearing scheduled for 24 th November 2023.	
				T 4.3.6

4.3.7 COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

2x Housing Clerks were charged for allegedly displaying an act of gross dishonesty when executing his duties. They were suspended on 17th March 2023. Disciplinary Hearings scheduled for 23rd and 24th November 2023 respectfully.

T 4.3.7

4.4 PERFORMANCE REWARDS BY GENDER

Designations	Beneficiary profile								
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards 2022/2023	Proportion of beneficiaries within group				
				R' 000	%				
Lower skilled (Levels 1-2)	Female	No performance bonus were paid out as no performance appraisals were performed.							
	Male								
Skilled (Levels 3-5)	Female								
	Male								
Highly skilled production (levels 6-8)	Female								
	Male								
Highly skilled supervision (levels 9-12)	Female								
	Male								
Senior management (Levels 13-15)	Female								
	Male								
MM and S57	Female								
	Male								
Total									
						T 4.4.1			

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4.4.1 COMMENT ON PERFORMANCE REWARDS

No performance rewards were paid during the financial year 2022/2023.

T 4.4.1

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.5 VACANCY RATE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The Municipality has submitted the Workplace Skills Plan on the 28th April 2023 subsequent consultation with the Organized Labour component. The Training And Development Policy introduced the legal framework for Study Grant Regulations for Employees from all Employment Categories.

The challenges that were encountered were some employees are not attending skills audit processes and that implies they do not complete Personal Development Plans. They are not captured as beneficiaries in the Workplace Skills Plan and there are no budget allocations for the training. The Department has also under-budgeted for the training that are required to fill the identified skills gap. The internship programmes were introduced for the undergraduates in collaboration with Bank Seta is still commencing and it will be completed on the 11th July 2024.

The Municipality have registered employees with accredited Institutions of Higher Learning through Distance Learning. The other improvements that were made was that the Human Resources Development managed to enrol Senior Managers and other Finance Officials in order to acquire "Minimum Competency Level".

T 4.5.0

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4.5.1 SKILLS MATRIX

Management level	Gender	Employees in post as at 30 June 2023	Number of skilled employees required and actual as at 30 June 2023											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual: End of 2021	Actual: End of 2022	2022 Target	Actual: End of 2021	Actual: End of 2022	2022 Target	Actual: End of Year 2021	Actual: End of 2022	2022 Target	Actual: End of 2021	Actual: End of 2022
MM and s57	Female	1	-	-	-	-	-	-	-	-	1	-	-	1
	Male	3	-	-	-	1	1	-	-	1	2	1	2	2
Councillors, senior officials and managers	Female	24	-	-	-	2	2	-	-	3	3	2	5	3
	Male	42	-	-	-	4	4	-	-	4	4	4	8	4
Technicians and associate professionals	Female	46	-	-	-	6	6	-	-	2	2	6	8	2
	Male	57	-	-	-	6	6	-	-	8	9	6	14	9
Professionals	Female	14	-	-	-	2	2	-	-	6	6	2	8	6
	Male	11	-	-	-	4	4	-	-	2	2	4	6	2
Sub total	Female	119	-	-	-	10	10	-	-	11	12	10	21	12
	Male	327	-	-	-	15	15	-	-	15	17	15	30	17
Total		644	-	-	-	50	50	-	-	52	58	50	102	58

T 4.5.1

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4.5.2 FINANCIAL COMPETENCY DEVELOPMENT

Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1	N/A	1	1	1	1
Chief financial officer	1	N/A	1	1	1	1
Senior managers	3	N/A	3	0	3	0
Any other financial officials	5	N/A	5	0	5	0
Supply Chain Management Officials						
Heads of supply chain management units	1	N/A	1	0	1	0
Supply chain management senior managers	0	N/A	0	0	0	0
TOTAL	11	N/A	11	2	11	2
T 4.5.2						

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4.5.3 SKILLS DEVELOPMENT EXPENDITURE

R'000										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development 2022/2023							
			Learnerships		Skills programmes and other short courses		Other forms of training		Total	
			No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget
MM and S57	Female	1	0	0	0	0	0	0	0	0
	Male	3	0	0	0	0	50	25	50	25
Legislators, senior officials and managers	Female	24	0	0	0	0	35	39	35	39
	Male	42	0	0	0	0				
Professionals	Female	14	0	0	0	0				
	Male	11	0	0	0	0	50	48	50	48
Technicians and associate professionals	Female	46	0	0	0	0				
	Male	57	0	0	0	0				
Clerks	Female	43	0	0	0	0	35	59	35	59
	Male	29	0	0	0	0				
Service and sales workers	Female	10	0	0	0	0				
	Male	6	0	0	0	0				
Plant and machine operators and assemblers	Female	10	0	0	0	0				
	Male	70	0	0	0	0				
Elementary occupations	Female	56	0	0	0	0	25	10	25	10
	Male	222	0	0	0	0	20	244	20	244
Sub total	Female	204	0	0	0	0	70	98	70	98
	Male	440	0	0	0	0	20	93	20	93
Total		664	0	0	0	0	90	191	90	191

T 4.5.3

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

The municipality has long embarked on the strategies to ensure that the employees achieve minimum competency level as enshrined in the Regulation Municipal Finance Management Act, 56 of 2003. Challenges were encountered in the past whereby have not acquired Minimum Competency Levels.

In 2022/2023 one senior manager was enrolled for Municipal Financial Management Programme in order to ensure that they are competent as per the registrations of the Municipal Finance Management Act, 56 of 2003. The financial officials were also identified for the competency training for those employees who are still not developed are still to receive training, their training interventions are reflected within the 2022/2023 Workplace Skills Plan.

Section 4.5.3 of the Skills Matrix has total number of 644 Employees inclusive of 33 Councillors and 5 Municipal Financial Management Programme Treasury Interns; therefore, as a result the staff compliment does not tally because the financial year of reporting to the Local Government Sector Education and Training Authority is from 01 May 2022 to 30 April 2023 contrary to the financial year of the municipality. The discrepancies are as a result of attrition.

T 4.5.4

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COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

4.6.0 INTRODUCTION TO THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the Municipal Systems Act, No. 32 of 2000 states that the Accounting Officer of a Municipality must report to the Council an expenditure incurred by the Municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations of 2002 as well as the National Treasury Budget and Reporting Regulations SA22 and SA23. Below is a summary of staff and Councillors benefits for the year under review.

Financial Year	2022/2023		
	Original Budget	Adjusted Budget	Actual
	R	R	R
Councillors (Political Office Bearers plus Others)			
Salary	12 535 056	14 282 200	10 396 770
Cell phone Allowance	0	0	1 434 987
Travelling Allowance	0	0	2 240 281
Sub-Total	12 535 056	14 282 200	14 072 038
Senior Managers			
Basic Salary and Wages	6 465 168	5 232 164	4 388 687
Bonus	0	140 604	299 297
Service-related Benefits	0	335 916	342 411
Allowance	0	834 844	1 124 673
Unemployment Insurance	0	0	9 032
Sub-total	6 465 168	6 543 528	6 164 100
Other Municipal Staff			
Basic Salary and Wages	151 684 692	147 428 136	127 929 889
Bonus	11 651 148	12 251 640	10 526 501
Service-related Benefits	6 071 268	14 735 032	18 661 097
Allowance	16 508 844	16 232 768	15 371 390
Bargaining Council	7 008	6 628	78 939
Group Life insurance	901 980	884 420	935 483
Medical Aid Contributions	17 199 552	16 028 976	16 330 658
Pension Contributions	24 298 704	22 087 152	22 894 089
Post-Retirement benefit Medical	0	0	842 659
Post-Retirement benefit Long service	0	0	918 434
Unemployment Insurance	0	0	1 269 643
Sub-Total	228 323 196	229 654 752	214 073 464
Total Municipality	247 323 420	250 480 480	234 309 602

T 4.6.0

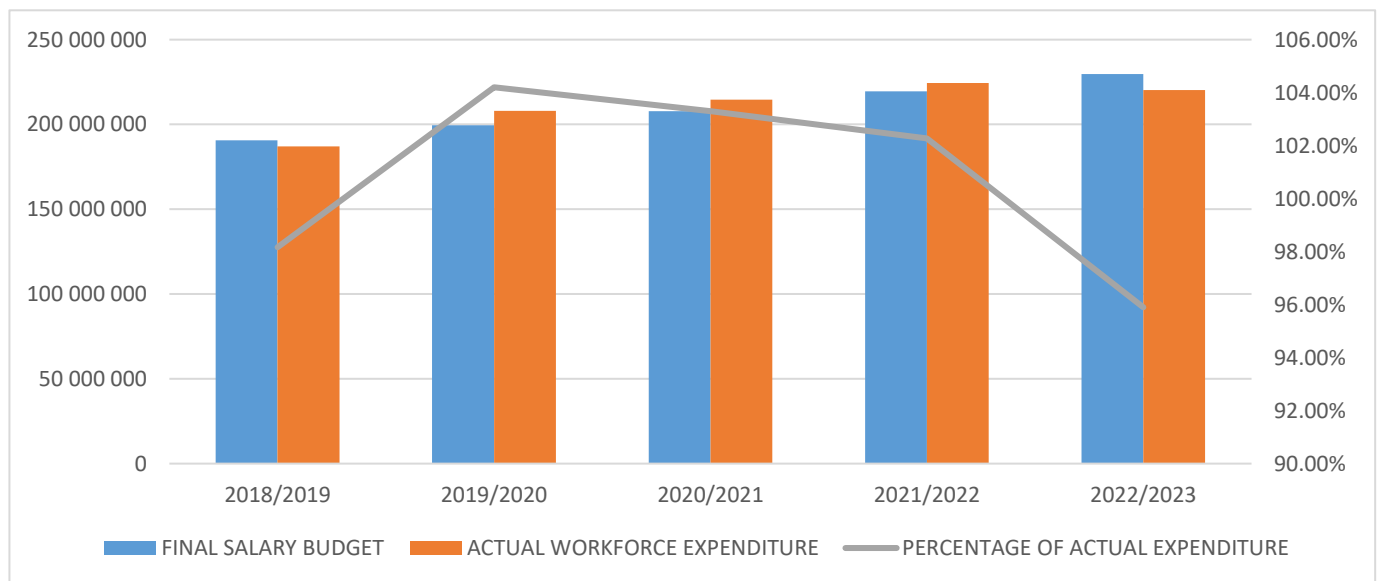
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4.6.1 WORKFORCE EXPENDITURE TRENDS

The Municipality is required to manage all its resources, be they financial or human in most effective and efficient way. To ensure prudent management of the financial resources which include the workforce expenditure, the management ensures that there's strict adherence to policy and procedure when dealing with issues that have direct bearing on the workforce expenditure such as standby allowance, acting allowance, overtime allowance and filling of vacant positions. Consequently, the following measures are undertaken:

- Budgets are strictly controlled and over and /or under expenditure is reported on a regular basis.
- Acting, overtime and standby are preplanned unless it is on urgent and emergency basis.
- Overtime and standby allowances payments are reported on regularly.
- No personnel appointments are made without the necessary labour requisition forms.
- All personnel appointments are made as per the relevant legislative requirements.

Year	Final Salary Budget	Actual Workforce Expenditure	Percentage Of Actual Expenditure
2018/2019	190 597 341	187 091 940	98,16%
2019/2020	199 527 765	207 911 862	104,20%
2020/2021	207 761 024	214 610 185	103,30%
2021/2022	219 521 480	224 507 229	102,27%
2022/2023	229 654 752	220 237 564	95,90%



T 4.6.1

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4.6.1.1 COMMENT ON THE WORKFORCE EXPENDITURE

During the year under review, the actual workforce expenditure was R220 237 564.00 as compared to the R224 507 229.00 in the previous financial year. This represented a significant decrease of R 4 269 665.99. This decrease can be attributed to the following factors:

- There was no permanent Municipal Manager for three (3) months of the year under review.
- There was no permanent Director Development Planning and Social Security for six (6) months of the year under review.

T 4.6.1.1

4.6.2 NUMBER OF EMPLOYEES WHOSE SALARIES WERE INCREASED DUE TO THEIR POSITIONS BEING UPGRADED

Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	0
Highly skilled production (Levels 6-8)	Female	0
	Male	0
Highly skilled supervision (Levels 9-12)	Female	0
	Male	0
Senior management (Levels 13-16)	Female	0
	Male	0
Municipal Manager and S 57	Female	0
	Male	0
Total		0

T 4.6.2

4.6.3 EMPLOYEES WHOSE SALARY LEVELS EXCEEDED THE GRADE DETERMINED BY JOB EVALUATION

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

T 4.6.3

4.6.4 EMPLOYEES APPOINTED TO POST NOT APPROVED

Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
Engineering	5	05 July 2015	1	Commission for Conciliation, Mediation and Arbitration Award
Engineering	5	01 September 2007	1	Post was existing in the previous structure
Engineering	2	15 Marh 2015	1	Promoted
Development Planning and Social Security	5	01 September 2007	1	Post was existing in the previous structure
Development Planning and Social Security	5	01 Jun 2013	1	Transferred
Treasury	6	01 Mar 2013	4	Positions were existing in the previous structure
Engineering	8	01 Jun 2013	2	Positions were existing in the previous structure
Office of the Municipal Manager	9	01 Jun 2013	1	Transferred

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Engineering	1	Amalgamation	1	Positions were existing in the previous structure
Development Planning and Social Security	17	Amalgamation	1	Positions were existing in the previous structure
Development Planning and Social Security	9	Amalgamation	2	Positions were existing in the previous structure
				T 4.6.4

4.6.5 COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE

No positions were upgraded during the financial year 2022/2023	T 4.6.5
--	----------------

4.6.6 DISCLOSURE OF FINANCIAL INTERESTS

Period 1 July to 30 June of 2022/2023		
Position	Name	Description of Financial interests* (Nil / Or details)
Executive Mayor	S.J Mbiwe	<ul style="list-style-type: none"> Bold Moves 198 – Coordinating Cherry Jazz Festival = R0,00 Land at 40 Koppie Street = R150 000,00 House at 32 Koppie Street = R1 100 000.00
Member of Mayoral Committee	T.E Makae	<ul style="list-style-type: none"> ERF 88 Zone 3 in Meqheleng Ficksburg = R130 000.00
	T. Ancell	<ul style="list-style-type: none"> Wife is part of Qalo Bocha Trading and have requested land from the Municipality = R0,00 House at 58 Bloem Street in Ficksburg = R1 200 000.00
	K.E Koalane	<ul style="list-style-type: none"> Hospital Board Member at Department of Health = R 1 400 per sitting House in Hlohlolwane = R 0,00 Site in Hlohlolwane = R0,00
	M.W Selasi	<ul style="list-style-type: none"> House at 5489 in Matwabeng Senekal = R 250 000 Wife owns Construction Company – Lucia and Pitso Creation LTD = R0,00
	T.I Mthimkhulu	<ul style="list-style-type: none"> 9 room house at 1st South Clocolan = R280 000,00 Open site at 2nd South Clocolan = R60 000,00 Open site at 861 Tinie Van Rooyen = R17 000,00
Speaker	P.I Mavaleliso	<ul style="list-style-type: none"> None
Other Councillors	T.L Langa	<ul style="list-style-type: none"> Local Taxi Operator = R2000,00
	N.P Khatlake	<ul style="list-style-type: none"> NPK Glasses and Aluminum Private Company = R 0, Manyora Trading Close Corporation = R 0 Chozaza Trading Close Corporation = R 0 Tswellang Farming Private Company = R 0
	L.E Mohanoe	<ul style="list-style-type: none"> None
	T.S Manako	<ul style="list-style-type: none"> None
	M.E Letube	<ul style="list-style-type: none"> Morake Letube Builders – Not operating Rich Kings Investments – Cash Loan – Not operating
	S.M Mokheseng	<ul style="list-style-type: none"> None
	M.C Heymans	<ul style="list-style-type: none"> House measuring 730 = R 475 000,00
	L.G Mokoakoe	<ul style="list-style-type: none"> Kwacyen Properties = R 0
	T.P Motsoane	<ul style="list-style-type: none"> Land at Moemaneng = R 30 000,00 Macha Papa's Catering and Construction Company = R0,00
	I.E Oberholzer	<ul style="list-style-type: none"> Director at No Oelofse Law Firm = R 15 000,00 Attorney at NO Oelofse Inc = R 15 000,00 Erf 504 in Senekal = R 70 000,00 Erf 628 in Senekal = R390 000,00
	M.F Odendaal	<ul style="list-style-type: none"> Estate Agent at N.O. Oelofse Attorneys = On Commission Erf 230 and 231 in Senekal = R 500 000,00
	J.M Janssonius	<ul style="list-style-type: none"> Shares at ADC Development Corp = R 15 000,00 Director at ADC Development Corp – Not in business with state Thepang Carriers and Rentals PTY LTD = R 483 989.15
	M.J Mokhobo	<ul style="list-style-type: none"> None
	M.J Maleke	<ul style="list-style-type: none"> Land at 3535 in Moemaneng = R0,00
	L.E Motloenya	<ul style="list-style-type: none"> Local Food Vendor Lapeng Monate Foods = ± R 3 000 - Nwetseta Foundation Non-profit Organisation
H. Dell	<ul style="list-style-type: none"> 50 % Shares SBA Cattle Company = R 500 25 % Shares Nebo Estate CC = R 25 SBA Cattle Company (PTY) Agriculture = R 0 	

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	M.M Mokhele	<ul style="list-style-type: none"> • 7 Roomed House = R 700 000
	P.E Koqo	<ul style="list-style-type: none"> • 1 Share at Waste Management General Green Setsoto Recycling Scrap and Metal = 100% • RDP House in Senekal = R 60 000
Other Councillors	M.D Mofokeng	<ul style="list-style-type: none"> • None
	I. Vries	<ul style="list-style-type: none"> • 50% share in Vries Enterprises • 6 roomed house = R250 000,00
	S.M Constable	<ul style="list-style-type: none"> • House at erf 10 Semonia Street Caledon Park = R 400 000,00
	M.A Ponya	<ul style="list-style-type: none"> • Holder of Taxi operating license and member of SANTACO = R10 000,00
	T.G Makhalanyane	<ul style="list-style-type: none"> • Site 1413 at Meqheleng = R 50 000 • House at 1413 = R 500 000
	L.D Thamae	<ul style="list-style-type: none"> • AFASA Farmer Association • Grain SA member • Hambury Ranch • Ficksburg TAXI Association • House at 2084 in Ficksburg = R203 000,00 • Empty stand 5665 in Ficksburg = R 90 000,00 • Hanbury Ranch (Leasing) 428ha = R 2 900 000.00
	P.J Vermeulen	<ul style="list-style-type: none"> • Shares at Macv Liquor = R 0 • Bottle Store Owner at Macv Liquor = R 0 • Steyn Strfo House in Marquard = R 680 000
	C.D Moipatli	<ul style="list-style-type: none"> • None
Municipal Manager	N.F Malatjie	<ul style="list-style-type: none"> • Shares at Sasol = R 6 000,00 • House in Boksburg 982sqm = R2 300 000,00
Chief Financial Officer	L. Moletsane	<ul style="list-style-type: none"> • 100% Ownership of Mhlekezi Inv. Holdings • Director of Mhlekezi PTY LTD • Residence at Riebeeckstad= R 900 000,00 • Residence at Riebeeckstad = R 200 000,00 • Residence at Ficksburg = R 350 000,00
Director Engineering	T. Marotholi	<ul style="list-style-type: none"> • 50% share in Pinnacle Invest Holdings • 50% share in Pinnacle Global Group • 100% share in TA Group • 10% share in Delimopumo Enterprise • House at 455 Zone 2 Meqheleng = R 283 000,00 • House at 13 Bonkebok24 = R1 100 000.00
Director Corporate Services and Director Community Services did not disclose their financial interests		
T 4.6.6		

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CHAPTER 5: FINANCIAL PERFORMANCE

5.0.1 INTRODUCTION TO FINANCIAL PERFORMANCE

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

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

T 5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

5.1.0 INTRODUCTION TO FINANCIAL STATEMENTS

The Annual financial Statements are done with the assistance of an external service provider and review by external service providers before submission to the Office of the Auditor General of South Africa.

T 5.1.0

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

5.1.1 STATEMENT OF FINANCIAL STATEMENTS

Description R thousands	2022/2023											2021/2022			
	Original Budget	Budget Adjustments (i.t.o s28 and s31 of the Municipal Finance Management Ac, 56 of 2003)	Final adjustments budget	Shifting of funds (i.t.o s31 of the Municipal Finance Management Ac, 56 of 2003)	Virement (i.t.o Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of Municipal Finance Management Ac, 56 of 2003)	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Financial Performance															
Property rates	73 985	–	73 985			73 985	68 402		(5 583)	92%	92%				64 828
Service charges	258 092	(4 758)	253 334			253 334	256 570		3 236	101%	99%				241 889
Investment revenue	3 700	2 100	5 800			5 800	9 597		3 797	165%	259%				4 765
Transfers recognised - operational	238 854	–	238 854			238 854	239 156		302	100%	100%				217 482
Other own revenue	37 536	12 591	50 127			50 127	64 467		14 341	129%	172%				36 487
Total Revenue (excluding capital transfers and contributions)	612 167	9 933	622 099	–	–	622 099	638 192	–	16 093	103%	104%	–	–	–	565 451
Employee costs	228 323	1 332	229 655			229 655	220 238		(9 417)	96%	96%				224 507
Remuneration of councillors	12 535	1 747	14 282			14 282	14 072		(210)	99%	112%				12 871
Depreciation and asset impairment	120 865	(23)	120 842			120 842	208 381		87 539	172%	172%				286 969
Finance charges	1 555	(381)	1 174			1 174	3 397		2 223	289%	218%				4 661
Materials and bulk purchases	117 320	(2 737)	114 583			114 583	100 140		(14 442)	87%	85%				105 187
Transfers and grants	14 776	8 884	23 659			23 659	42 271		18 612	179%	286%				22 699
Other expenditure	117 012	727	117 739			117 739	185 653		67 914	158%	159%				174 218
Total Expenditure	612 385	9 549	621 934	–	–	621 934	774 153	–	152 219	124%	126%	–	–	–	831 112
Surplus/(Deficit)	(219)	383	165	–	–	165	(135 961)	–	(136 126)	-82519%	62168%	–	–	–	(265 661)
Transfers recognised - capital	221 001	(2 000)	219 001			219 001	208 904		(10 097)	95%	95%				141 107
Contributions recognised - capital and contributed assets	–	–	–			–	69		69						–
Surplus/(Deficit) after capital transfers and contributions	220 782	(1 617)	219 166	–	–	219 166	73 011	–	(146 154)	33%	33%	–	–	–	(124 554)
Share of surplus/ (deficit) of associate															
Surplus/(Deficit) for the year	220 782	(1 617)	219 166	–	–	219 166	73 011	–	(146 154)	33%	33%	–	–	–	(124 554)
Capital expenditure and funds sources															
Capital expenditure															
Transfers recognised - capital			–			–									
Public contributions and donations			–			–									
Borrowing			–			–									
Internally generated funds			–			–									
Total sources of capital funds															
Cash flows															
Net cash from (used) operating			–			–									
Net cash from (used) investing			–			–									
Net cash from (used) financing			–			–									
Cash/cash equivalents at the year end															

T 5.1.1

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5.1.2 FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES

Description	R '000					
	2021/2022	2022/2023			2022/2023 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Executive and council	1 329	(20 210)	(38 090)	(38 090)	46.94%	0.00%
Finance and administration	(23 493)	5 232	24 284	24 284	78.45%	0.00%
Internal audit	(4 252)	(4 682)	(4 109)	(4 109)	-13.94%	0.00%
Component A: sub-total	(26 415)	(19 660)	(17 916)	(17 916)	-9.74%	0.00%
Community and social services	(30 304)	(5 257)	(17 626)	(17 626)	70.17%	0.00%
Sport and recreation	(10 877)	(10 058)	(10 742)	(10 742)	6.36%	0.00%
Public safety	(8 178)	(9 037)	(9 155)	(9 155)	1.29%	0.00%
Housing	(25 402)	(10 792)	(15 496)	(15 496)	30.36%	0.00%
Health	-	-	-	-		
Component B: sub-total	(74 761)	8 455	8 624	9 554	11.50%	9.73%
Planning and development	56 756	137 115	142 386	142 386	3.70%	0.00%
Road transport	(134 954)	(88 221)	(44 204)	(44 204)	-99.58%	0.00%
Environmental protection	-	-	-	-		
Component C: sub-total	(78 198)	48 894	98 182	98 182	50.20%	0.00%
Energy sources	(7 147)	14 888	11 021	11 021	-35.09%	0.00%
Water management	52 974	121 651	99 192	99 192	-22.64%	0.00%
Waste water management	(7 223)	42 960	35 154	35 154	-22.20%	0.00%
Waste management	16 217	47 194	46 551	46 551	-1.38%	0.00%
Component D: sub-total	54 821	226 693	191 918	191 918	-18.12%	0.00%
Total Expenditure	(124 554)	264 382	280 809	281 739	6.16%	0.33%
T 5.1.2						

5.1.3 COMMENT ON FINANCIAL PERFORMANCE

In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

The total expenditure variance is above the budgeted figures on both the original budget and the adjusted budget. It should be noted that in trading services such as water, electricity, sanitation and refuse removal and roads that is where the large portion of assets is kept as well as debt impairment therefore their expenditure is likely to exceed the budget due to depreciation and debt impairment.

T 5.1.3

5.2.1 GRANTS PERFORMANCE

Description	R '000					
	2021/2022	2022/2023			2022/2023 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:	358 214	459 855	457 855	457 855	100%	100%
Equitable Share	213 018	234 466	234 466	234 466	100%	100%
Expanded Public Works Programme Integrated Grant	1 989	2 188	2 188	2 188	100%	100%
Local Government Financial Management Grant	2 100	2 200	2 200	2 200	100%	100%
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]	2 000	2 000	-	-	-	-
Municipal Infrastructure Grant	35 189	53 700	53 700	53 700	100%	100%
Regional Bulk Infrastructure Grant	63 822	150 000	150 000	150 000	100%	100%
Water Services Infrastructure Grant	40 096	15 301	15 301	15 301	100%	100%
Total Operating Transfers and Grants	358 214	459 855	457 855	457 855	100%	100%
T 5.2.1						

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5.2.2 COMMENT ON OPERATING TRANSFERS AND GRANTS

All grants were received as scheduled, however R 58 million was offset to pay unspent grant in the previous year. The conditional grants allocations for the current year, remained constant over the last three years. There has been significant under spending of conditional grants for the year under review. The underspending is expected to curb in the 2022/23 financial year.

T 5.2.2

5.2.3 GRANTS RECEIVED FROM SOURCES OTHER THAN DIVISION OF REVENUE ACT 2022/2023

None

T 5.2.3

5.2.4 COMMENT ON CONDITIONAL GRANTS RECEIVED FROM OTHER SOURCES

None

T 5.2.4

5.3 INTRODUCTION TO ASSET MANAGEMENT

Management of the assets of the municipality, including the safeguarding and the maintenance of those assets. To ensure that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality and that the municipality's assets are valued in accordance with standards of generally recognised accounting practice and that the municipality has and maintains a system of internal control of assets including an asset register as may be prescribed

T 5.3

5.3.1 TREATMENT OF THE THREE LARGEST ASSETS REQUIRED: 2022/2023

Asset 1			
Name	Construction of 400mm Diameter Pipeline from Cyferfontein to Water Treatment Works in Senekal		
Description	Distribution		
Asset Type	Water Infrastructure		
Key Staff Involved	Project Management Unit Water and Sanitation Division Asset Management Division		
Staff Responsibilities	Maintenance and Safeguard		
Asset Value	2020/2021	2021/2022	2022/2023
	40 413 075	57 985 382	64 672 067
Capital Implications	Monetary Value of Capital Projects		
Future Purpose of Asset	Water Distribution		
Describe Key Issues	Service Delivery to Community		
Policies in Place to Manage Asset	Yes		
Asset 2			
Name	Upgrading of Water Treatment Works in Clocolan and Hlohlolwane		
Description	Distribution		
Asset Type	Water Infrastructure		
Key Staff Involved	Project Management Unit Water and Sanitation Division Asset Management Division		
Staff Responsibilities	Maintenance and Safeguard		
Asset Value	2020/2021	2021/2022	2022/2023
	14 522 155	49 279 234	54 367 681

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Capital Implications	Monetary Value of Capital Projects		
Future Purpose of Asset	Water Distribution		
Describe Key Issues	Service Delivery to Community		
Policies in Place to Manage Asset	Yes		
Asset 3			
Name	Construction Of De Put Abstraction Works-Mechanical and Electrical (Senekal/ Matwabeng)		
Description	Distribution		
Asset Type	Water Infrastructure		
Key Staff Involved	Project Management Unit Water and Sanitation Division Asset Management Division		
Staff Responsibilities	Maintenance and Safeguard		
Asset Value	2020/2021	2021/2022	2022/2023
	24 410 795	35 502 909	37 966 457
Capital Implications	Monetary Value of Capital Projects		
Future Purpose of Asset	Water Distribution		
Describe Key Issues	Service Delivery to Community		
Policies in Place to Manage Asset	Yes		
T 5.3.1			

5.3.2 COMMENT ON ASSET MANAGEMENT

Most of the municipality's assets are aging and therefore there are serious backlogs in the delivery of basic services to the community since the municipality has financial constraints and only depending on grants. There is also a high rate of theft and vandalism that seems to be increasing daily.

T 5.3.2

5.3.3 REPAIR AND MAINTENANCE EXPENDITURE 2022/2023

	R' 000			
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	2 987	2 027	1 883	7%
T 5.3.3				

5.3.3.1 COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE

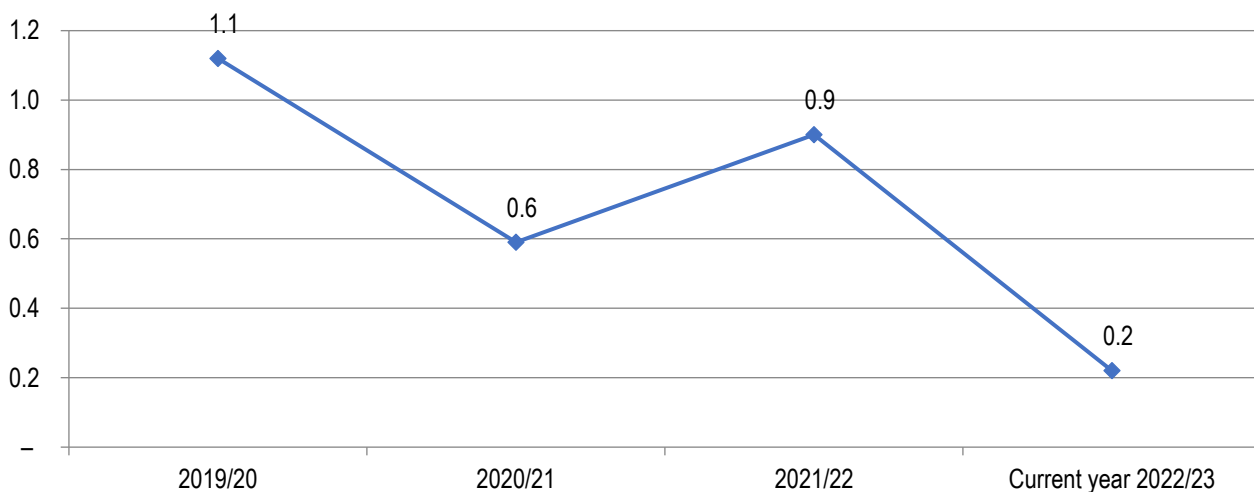
The municipality's performance against the budget is at 7% lower than budgeted. Due to the financial difficulties that the municipality is undergoing it is impossible to service all assets however those that need urgent attention are attended to.

T 5.3.3.1

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5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

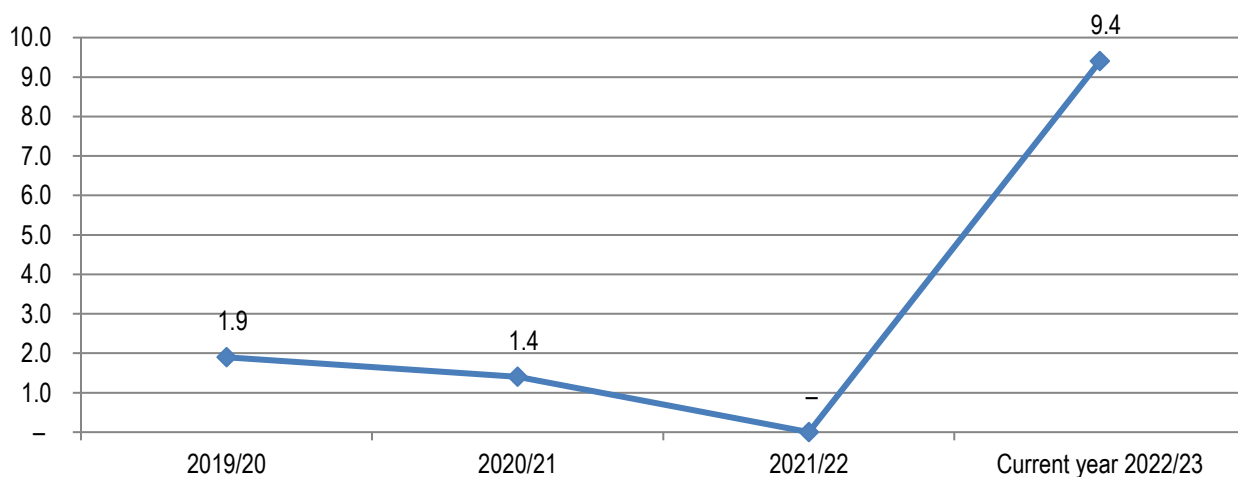
5.4.1 LIQUIDITY RATIO



Liquidity Ratio – Measures the municipality’s ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality’s current liabilities. A higher ratio is better.

Data used from MBRR SA8

5.4.2 COST COVERAGE

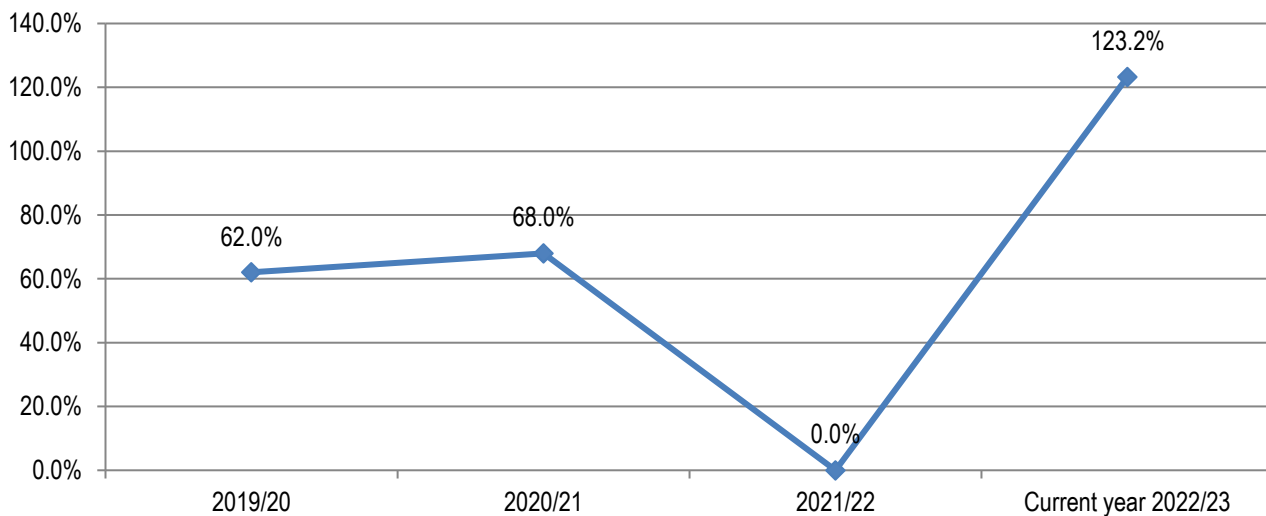


Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

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5.4.3 TOTAL OUTSTANDING SERVICE DEBTORS

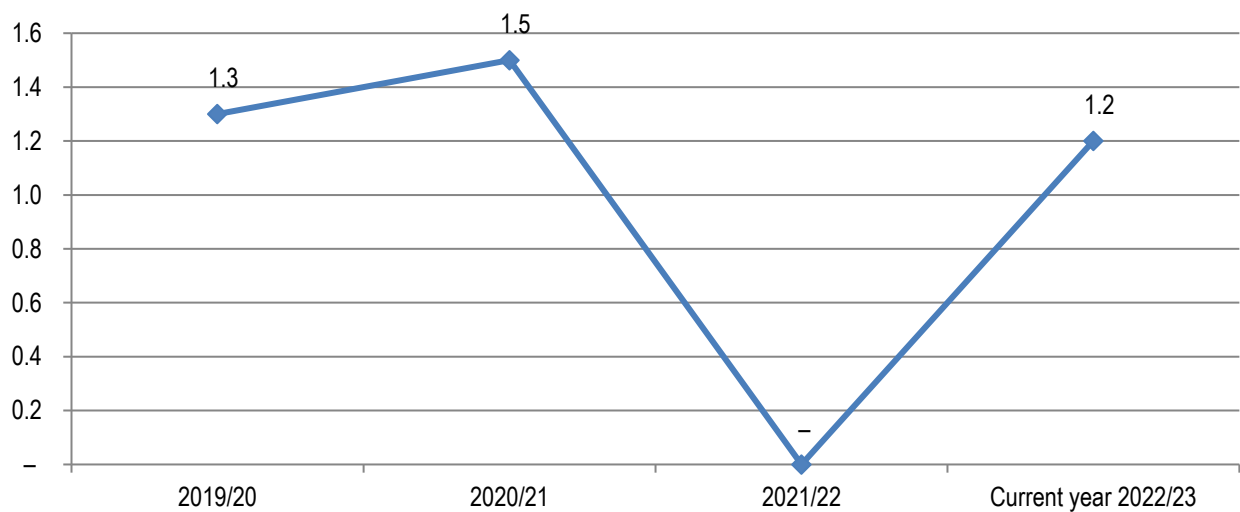


Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower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

Data used from MBRR SA8

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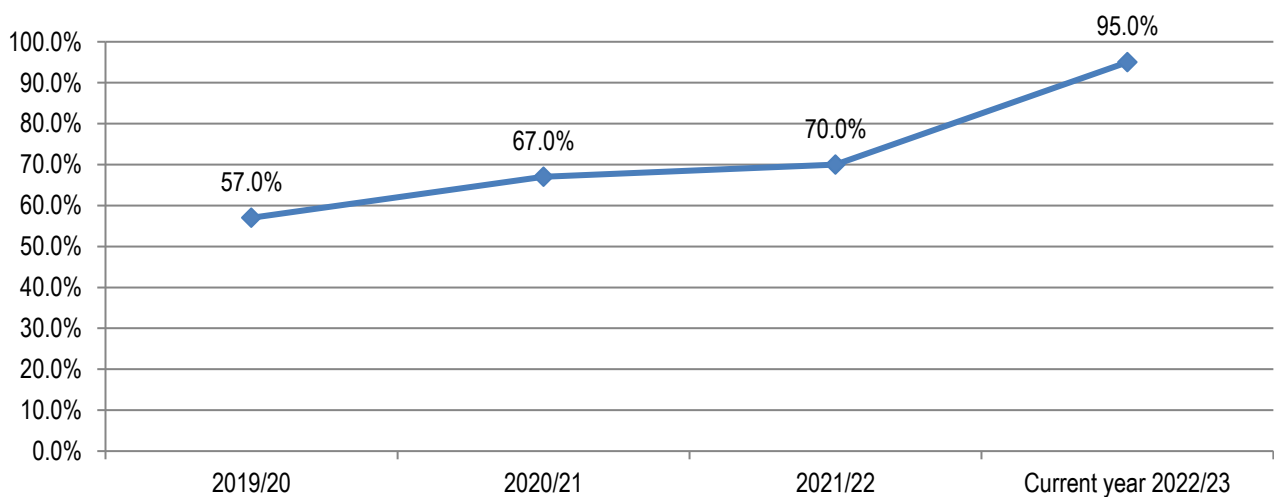
5.4.4 DEBT COVERAGE



Debt Coverage– The number of times debt payments can be accomodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accomodated by the municipality

Data used from MBRR SA8

5.4.5 CREDITORS SYSTEM EFFICIENCY

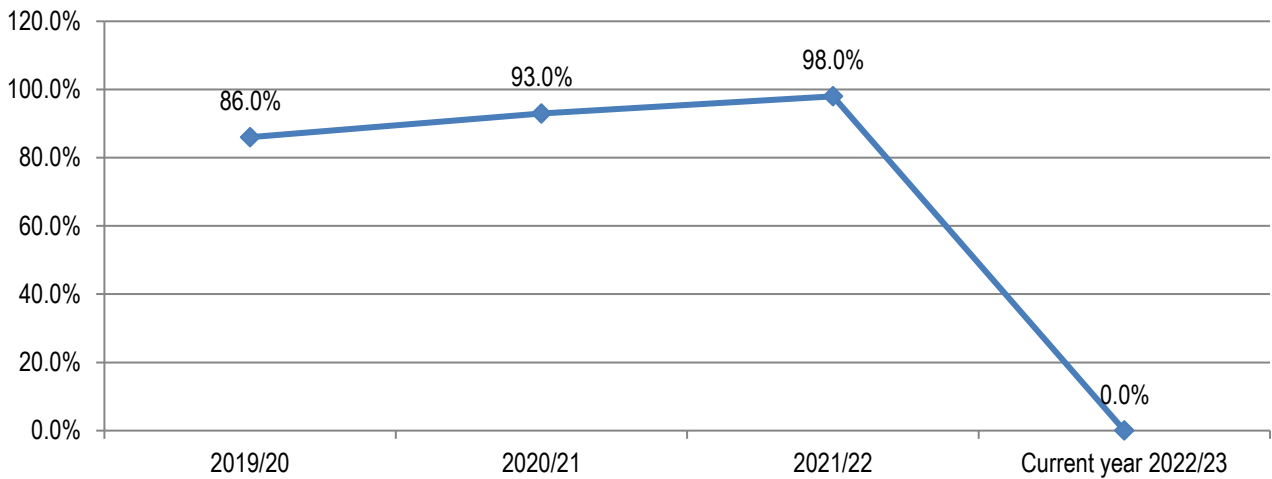


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

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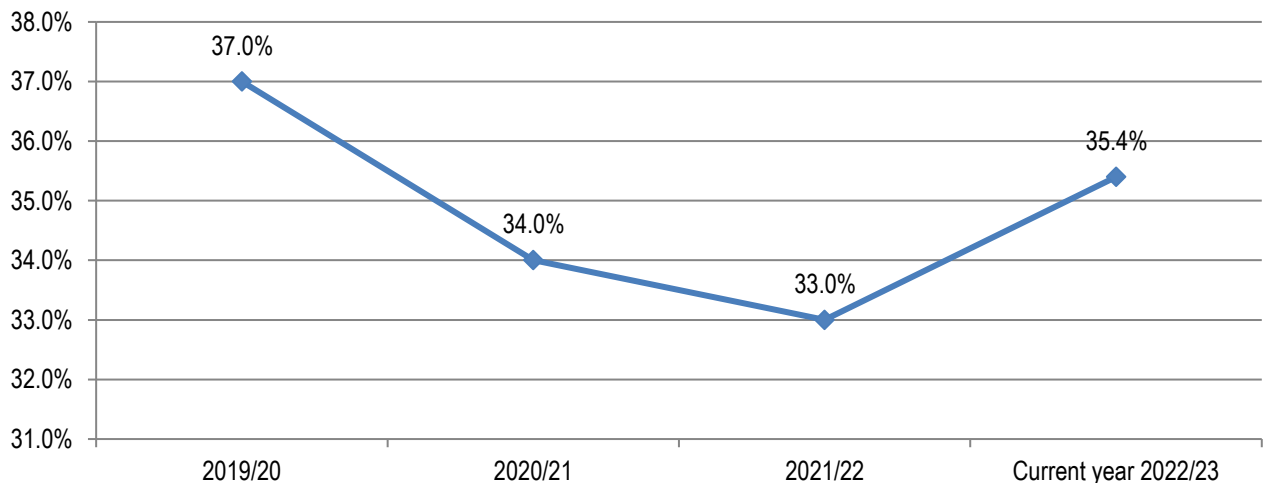
5.4.6 CAPITAL CHARGES TO OPERATING EXPENDITURE



Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

5.4.7 EMPLOYEE COSTS

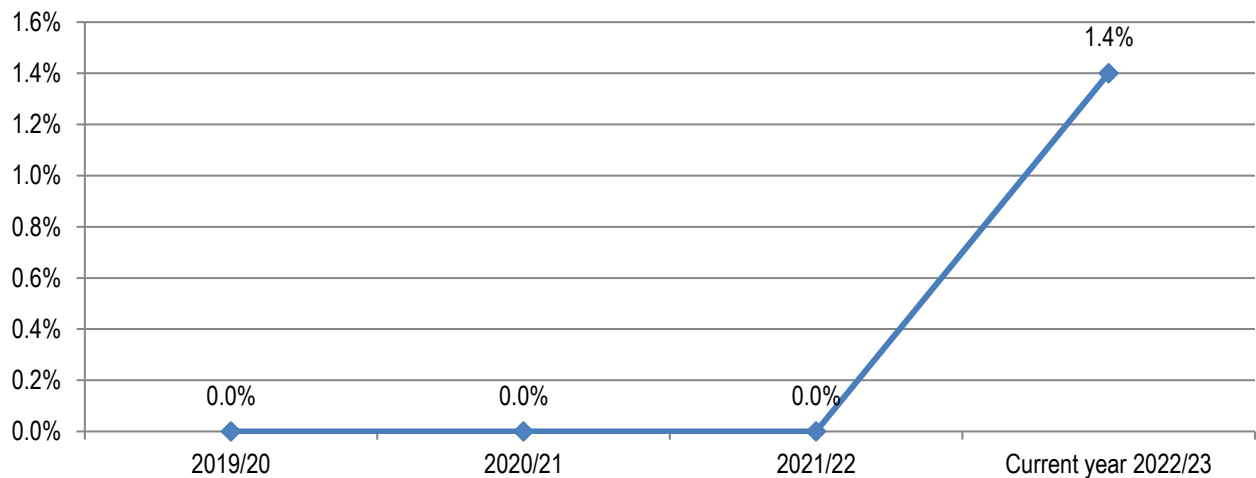


Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

Data used from MBRR SA8

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5.4.8 REPAIRS AND MAINTENANCE



Repairs and Maintenance – This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance.

Data used from MBRR SA8

5.4.9 COMMENT ON FINANCIAL RATIOS

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates, and hedges financial risks in close co-operation with the municipality's operating units.

The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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. Cash flow forecasts are prepared, and adequate utilised borrowing facilities are monitored.

The municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

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 counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers

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on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, considering its financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

T 5.4.9

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

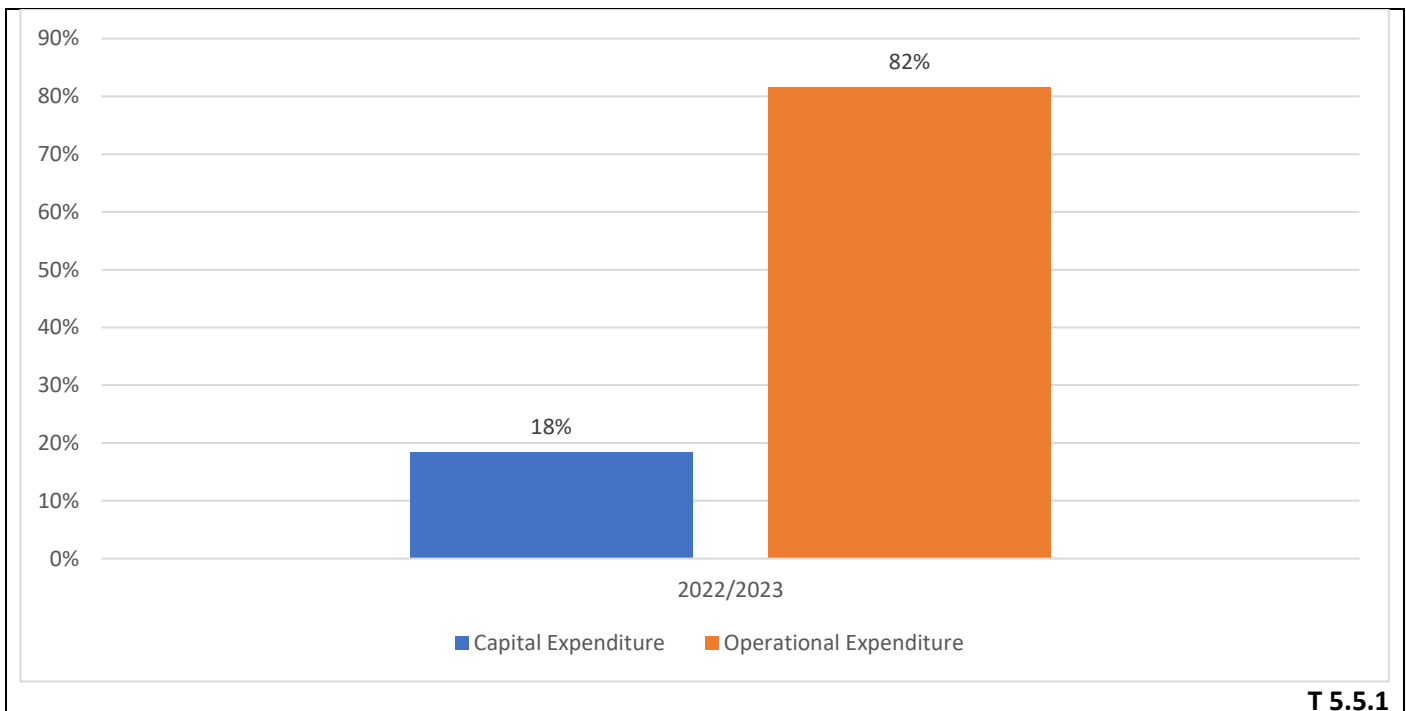
5.5 INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

The Project Management Unit in the financial year 2022/23 managed to spend 100% on Municipal Infrastructure Grant including a rollover-funds unspent in the previous financial year-that was carried over from 2021/22 financial year within the set time frames and according to the specifications and reports were submitted to the sector department as proof of expenditure.

The expenditure for Regional Bulk Infrastructure Grant and Water Services Infrastructure Grant was 87% and 52% respectively. This under performance was due to delays in procurement specifically in Bid Committees

T 5.5

5.5.1 CAPITAL EXPENDITURE 2022/2023



T 5.5.1

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

5.6.1 CAPITAL EXPENDITURE-FUNDING SOURCES 2021/2022 TO 2022/2023

R' 000						
Details	2021/2022	2022/2023				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance						
External loans	3 542	5 500	5 520	5 511	0,36%	0,20%
Public contributions and donations	248	300	390	421	30,00%	40,33%
Grants and subsidies	126	254 000	224 000	224 000	0,00%	4,22%
Other	2 451	4 500	4 600	4565	2,22%	1,44%
Total	6367	264 300	234 510	234 497	32,59%	46,20%
Percentage of finance						
External loans	55,6%	2,1%	2,4%	2,4%	1,1%	0,4%
Public contributions and donations	3,9%	0,1%	0,2%	0,2%	92,1%	87,3%
Grants and subsidies	2,0%	96,1%	95,5%	95,5%	0,0%	9,1%
Other	38,5%	1,7%	2,0%	1,9%	6,8%	3,1%
Capital expenditure						
Water and sanitation	1 845	229 749	229 749	203 262	0,00%	-11,53%
Electricity	0	0	0	0	0%	0%
Housing	0	0	0	0	0%	0%
Roads and storm water	1 352	2 953	2 953	2 953	0,00%	0,00%
Other	3 170	3 500	3 450	28282	-1,43%	708,06%
Total	6 367	236 202	236 152	234 497	#DIV/0!	#DIV/0!
Percentage of expenditure						
Water and sanitation	29,0%	97,3%	97,3%	86,7%		
Electricity	0,0%	0,0%	0,0%	0,0%		
Housing	0,0%	0,0%	0,0%	0,0%		
Roads and storm water	21,2%	1,3%	1,3%	1,3%		
Other	49,8%	1,5%	1,5%	12,1%		
T 5.6.1						

5.6.1.1 COMMENT ON SOURCES OF FUNDING

The Project Management Unit Division is responsible for the implementation of all capital infrastructure projects through conditional grant such as Regional Bulk Infrastructure Grant Water Services Infrastructure Grant and Municipal Infrastructure Grant (MIG). The PMU is expected to meet all grant conditions including reporting monthly, quarterly, and further present annual report as stated in Division of Revenue Act of 2000.

T 5.6.1.1

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5.7.1 CAPITAL EXPENDITURE ON 5 LARGEST PROJECTS

Name of Project	2022/2023			Variance		R' 000
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)	
Construction of the new central WTW in Senekal/Matwabeng	67 674	67 674	62 434	8%	8%	
Construction of the Cyferfontein raw water abstraction pump station:(Civil works)	38 000	38 000	42 758	-13%	-13%	
Installation of the 12 000m length of 400mm diameter OPVC pipe from Cyferfontein dam to the new WTW.	6 366	6 366	6 366	0%	0%	
Ficksburg / Meqheleng (Caledon park): Replacement of asbestos water rising main	26 510	50 723	50 723	-91%	-91%	
Clocolan/ Hlohlolwane : Upgrading of Water Treatment Works	15 301	8 351	7 250	53%	45%	
* Projects with the highest capital expenditure in 2022/2023						
Name of Project	Senekal/ Matwabeng: Construction of the new central Water Treatment Works					
Objective of Project	New Water Treatment Works to increase the water supply in Senekal					
Delays	None					
Future Challenges	None					
Anticipated citizen benefits	Employment generation for the local sub-contractors and labourers. Also to provide sufficient safe water to meet community needs					
Name of Project	Construction of the Cyferfontein raw water abstraction pump station:(Civil works)					
Objective of Project	Upgrade the supply of bulk water from the Sand River and Cyferfontein off- channel storage dam					
Delays	None					
Future Challenges	None					
Anticipated citizen benefits	Employment generation for the local sub-contractors and Labourers.					
Name of Project	Installation of the 12 000m length of 400mm diameter OPVC pipe from Cyferfontein dam to the new WTW.					
Objective of Project	Upgrade the supply of bulk water from the Cyferfontein to WTW					
Delays	Delay in completion of the project which led to imposing of penalties.					
Future Challenges	None					
Anticipated citizen benefits	Employment generation for the local sub-contractors and labourers. Also to provide sufficient safe water to meet community needs					
Name of Project	Ficksburg / Meqheleng (Caledon park): Replacement of asbestos water rising main					
Objective of Project	To replacement of asbestos pipe line to reduce the linkages and improve the water supply to Ficksburg.					
Delays	Material delivery and underground seepage.					
Future Challenges						
Anticipated citizen benefits	Employment generation for the local sub-contractors and labourers. Also to provide sufficient safe water to meet community needs					
Name of Project	Clocolan/ Hlohlolwane : Upgrading of Water Treatment Works					
Objective of Project	New Water Treatment Works to increase the water supply to meet current and future demand of Clocolan communities.					
Delays	None					
Future Challenges	None					
Anticipated citizen benefits	Employment generation for the local sub-contractors and labourers. Also to provide sufficient safe water to meet community needs					
T 5.7.1						

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5.7.1.1 COMMENT ON CAPITAL PROJECTS

The implementation of capital projects in the municipality is entirely through conditional grants where the Regional Bulk Infrastructure Grant is used to address all bulk water and sanitation infrastructure to improve the quality of infrastructure to meet the new and future demands.

Water Services Infrastructure Grant which is used for interventions to bridge the gap where services are interrupted require immediate infrastructure intervention and the municipal Infrastructure Grant which is used to provide all basic services to the community whilst also addressing the backlogs of service delivery through infrastructure, and lastly Integrated National Electricity Programme which is used to address all electrification backlogs including the implementation of new technologies to curb electrical losses.

Capital projects are implemented either as new infrastructure projects or refurbishment of the existing infrastructure to ensure adequate, sufficient, and uninterrupted supply of services to the community. These projects can be implemented over 1 financial year funded over multi financial years or Medium Term Revenue and Expenditure Framework period.

T 5.7.1.1

5.8.1 INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOG

The municipality has an obligation provide basic quality services as stipulated in the Reconstruction and Developmental Programme which defines the basic level of service that organs of state must meet and adhere to. Capital Infrastructure project is a vehicle tool that is used to meet these basic standards when providing services to the community.

Setsotho Local Municipality is the Water Service Authority and Water Service Provider and is responsible to provide water and sanitation services. The municipality is currently addressing the backlogs mainly in water and sanitation, however there is a huge gap to be filled towards roads and stormwater system which has been created over the years since it was only Municipal Infrastructure Grant that funds road infrastructure and limit it in the townships based on an old Municipal Infrastructure Grant policy that was intended to address backlogs to the previously advantaged communities.

T 5.8.1

5.8.2 SERVICE BACKLOGS AS AT 20 JUNE 2023

Focus Area	Households			
	*Service level above minimum standard		**Service level below minimum standard	
	Number Households	% Households	Number Households	% Households
Water	34 639	93%	2 608	7%
Sanitation	32 046	86%	5 200	14%
Electricity	37 166	99,79%	80	0,21
Waste management	30 490	81,86%	6 756	18,14%
Housing	34 356	92,24%	2 890	1,76%
				T 5.8.2

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5.8.3 MUNICIPAL INFRASTRUCTURE GRANT EXPENDITURE 2022/2023 ON SERVICE BACKLOG

						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Infrastructure - Road transport	2 952	2 952	2 952	0%	0%	None
Roads, Pavements and Bridges	2 952	2 952	2 952	0%	0%	
Storm water	0	0	0	0%	0%	
Infrastructure - Electricity	0	0	0	0%	0%	
Generation	0	0	0	0%	0%	
Transmission and Reticulation	0	0	0	0%	0%	
Street Lighting	0	0	0	0%	0%	
Infrastructure - Water	26 510	50 723	50 723	0%	0%	
Dams and Reservoirs	0	0	0	0%	0%	
Water purification	0	0	0	0%	0%	
Reticulation	0	0	0	0%	0%	
Infrastructure - Sanitation	3 496	3 496	3 496	0%	0%	
Reticulation	0	0	0	0%	0%	
Sewerage purification	0	0	0	0%	0%	
Infrastructure - Other	2606	5348	5484	0%	0%	
Waste Management	0	0	0	0%	0%	
Transportation	2 606	2 742	2 742	0%	0%	
Gas	0	0	0	0%	0%	
Total	35 564	62 519	62 519	0%	0%	

5.8.4 COMMENT ON BACKLOGS

Setso Local Municipality has currently managed by enlarged to address backlogs for the previously disadvantaged communities, however; it is still struggling to catchup with mushrooming of informal settlements that require these basic services.

The municipality has 37 247 households and over 90% have access to basic services on both water and sanitation with people having access to tap water and within 200m radius whilst the backlog on road infrastructure remains high.

T 5.8.4

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.9 INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENT

The cashflow outlines the inflow and outflow of cash of the municipality in terms of three activities which are operations, financing, and investment.

T 5.9

SETSOTO LOCAL MUNICIPALITY ANNUAL REPORT 2022/2023

5.9.1 CASH FLOW OUTCOMES

Description	Year 2021/2022	Current: Year 2022/2023			R'000
	Audited Outcome	Original Budget	Adjusted Budget	Actual	
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Ratepayers and other	315 533	(27 726)	(24 819)		232 445
Government - operating	183 667	120 586	120 586		187 046
Government - capital	131 491	220 999	218 999		399 987
Interest	3 239				8 952
Dividends					
Payments					
Suppliers and employees	(214 882)	(388 866)	(388 866)		(254 676)
Finance charges		(572)	(572)		
Transfers and Grants					
NET CASH FROM/(USED) OPERATING ACTIVITIES	419 048	(75 580)	(74 673)		573 755
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of Property Plant and Equipment	446				651
Decrease (Increase) in non-current debtors					
Decrease (increase) other non-current receivables					
Decrease (increase) in non-current investments	(58)	58			(344)
Payments					
Capital assets	(141 961)	(214 900)	(215 712)		(207 052)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(141 573)	(214 842)	(215 712)		(206 745)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Short term loans					
Borrowing long term/refinancing		(6 090)	(6 090)		
Increase (decrease) in consumer deposits	(55)				(22)
Payments					
Repayment of borrowing	31	(525)	(525)		
NET CASH FROM/(USED) FINANCING ACTIVITIES	(24)	(6 615)	(6 615)		(22)
NET INCREASE/ (DECREASE) IN CASH HELD	277 451	(297 037)	(297 000)		366 987
Cash/cash equivalents at the year begin:	28 995	46 928	46 928		93 197
Cash/cash equivalents at the year-end:	306 446	(250 109)	(250 073)		460 185
					T 5.9.1

5.9.1.1 COMMENT ON CASH FLOW OUTCOMES

Credit risk consists mainly of cash deposit, cash equivalents, derivative financial instruments, and trade debtor. The municipality only deposits cash with mayor banks with high quality credit standing and limits exposure to anyone counterparty.

T 5.9.1.1

5.10 BORROWING AND INVESTMENTS

5.10.1 INTRODUCTION TO BORROWING AND INVESTMENTS

The municipality's borrowings were acquired to finance the Property, Plant and Equipment and Investments.

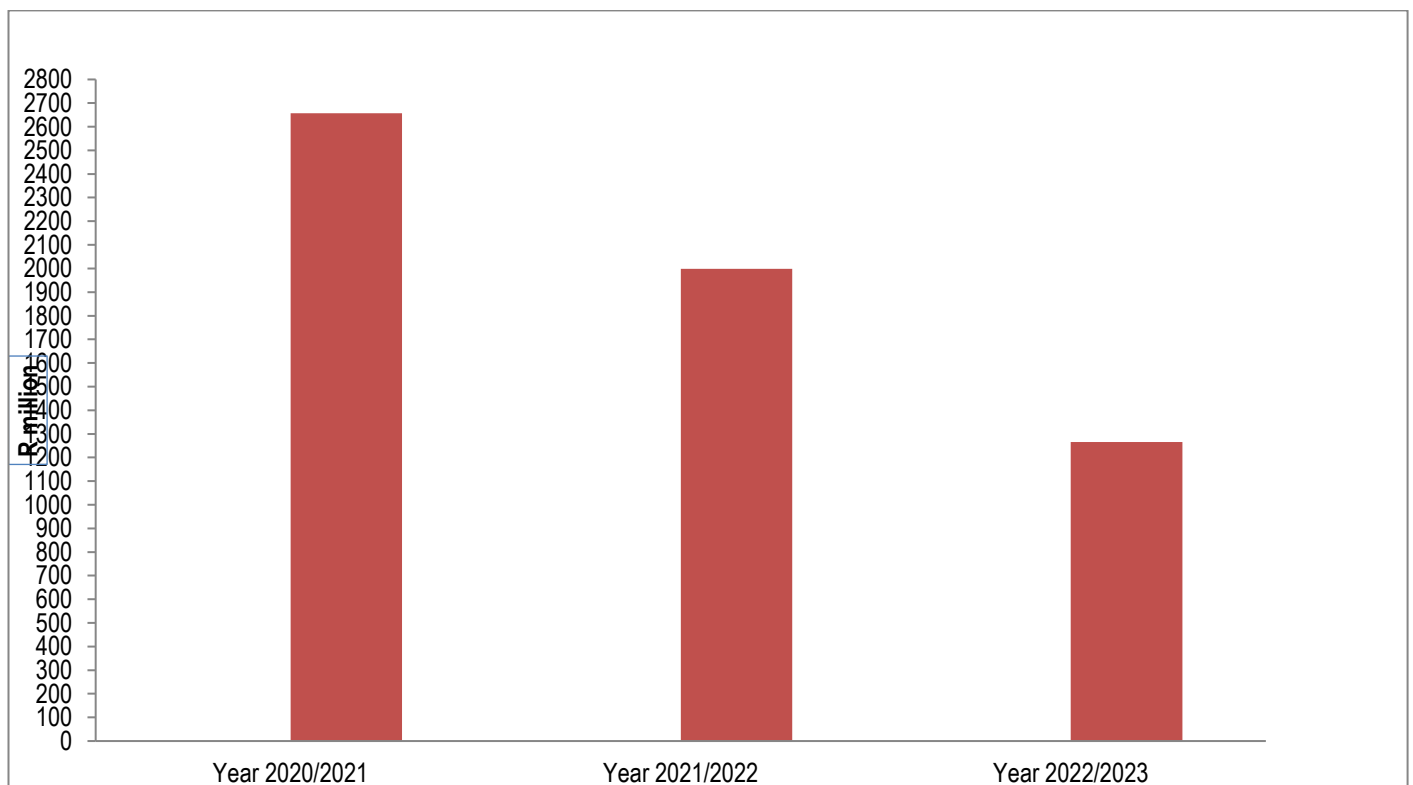
T 5.10.1

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5.10.2 ACTUAL BORROWINGS: 2020/2021-2022/2023

	R' 000		
Instrument	2020/2021	2021/2022	2022/2023
Municipality			
Long-Term Loans (annuity/reducing balance)	2 657	1 999	1 265
Long-Term Loans (non-annuity)	-	-	-
Local registered stock	-	-	-
Instalment Credit	-	-	-
Financial Leases	-	-	-
Property Plant and Equipment liabilities	-	-	-
Finance Granted By Cap Equipment Supplier	-	-	-
Marketable Bonds	-	-	-
Non-Marketable Bonds	-	-	-
Bankers Acceptances	-	-	-
Financial derivatives	-	-	-
Other Securities	-	-	-
Total	2 657	1 999	1 265
			T 5.10.2

5.10.3 ACTUAL BORROWING GRAPH



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5.10.4 MUNICIPAL AND ENTITY INVESTMENTS

Investment* type	R' 000		
	2020/2021	2021/2022	2022/2023
	Actual	Actual	Actual
Securities - National Government	-	-	-
Listed Corporate Bonds	-	-	-
Deposits - Bank	2 182	2 218	50 012
Deposits - Public Investment Commissioners	-	-	-
Deposits - Corporation for Public Deposits	-	-	-
Bankers Acceptance Certificates	-	-	-
Negotiable Certificates of Deposit - Banks	705	689	689
Guaranteed Endowment Policies (sinking)	729	767	767
Repurchase Agreements - Banks	-	-	-
Municipal Bonds	-	-	-
Other	-	-	-
Total	3 616	3 673	51 467
			T 5.10.4

5.10.5 COMMENT ON BORROWING AND INVESTMENTS

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing options, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

It is worth mentioning that the municipality does not have any municipal entity.

T 5.10.5

5.11.1 PUBLIC PRIVATE PARTNERSHIP

The municipality does not have any partnerships in place.

T 5.11.1

COMPONENT D: OTHER FINANCIAL MATTERS

5.12.1 SUPPLY CHAIN MANAGEMENT

Supply Chain Management is part of the municipality's business or initiative that ensures goods, services, or products deliver to end users easily. Supply Chain Management notes how the end users needs are commensurate with what they offer or can offer. The municipality rely on the following five critical components of supply chain management:

Planning

Pan and manage all resources required to meet end user demand for the municipality's services. When the supply chain is established, determine metrics to measure whether supply chain is efficient, effective, delivers value to end users and meets the municipal goals

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Sourcing

Choosing suppliers to provide the goods and services needed to create the product. Then establish processes to monitor and manage supplier relationship. Key processes includes:

- Ordering
- Receiving
- Managing inventory
- Authorising payments

Manufacturing

Organising the activities, if any, required to:

- accept raw materials
- manufacture the product
- test quality
- packaging
- schedule for delivery

Delivery and Logistics

Coordinate end users:

- orders
- schedule deliveries
- dispatch loads
- invoice customers
- receive payments

Returning

Create a network or process to:

- take back defective, excess or unwanted products

Effective supply chain management systems minimize cost, waste and time in the production cycle. The industry standard has become a just-in-time supply chain where retail sales automatically signal replenishment orders to manufacturers. Retail shelves can then be restocked almost as quickly as product is sold. One way to further improve on this process is to analyse the data from supply chain partners to see where further improvements can be made

T 5.12.1

5.13 GENERALLY RECOGNISED ACCOUNTING PRACTICE COMPLIANCE

Financial Statements are Generally Recognised Accounting Practice compliant in all material aspects.

T 5.13

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CHAPTER 6: AUDITOR GENERAL AUDIT FINDINGS

6.0.1 INTRODUCTION

The regulatory audit is conducted by the Auditor General of South Africa over a period of three months from the beginning September to the end of November of each year. The municipality submit the Annual Financial Statements and the Annual Performance Report of each year to Auditor General of South Africa by the 31 August of each year.

During the audit period, Auditor General of South Africa issues request for information which should be addressed by the municipality within three working days and communication of audit findings which the municipality should respond within working five days.

During this period, on a weekly basis, the municipality and the Auditor General conduct weekly Audit Steering Committee meetings to discuss the progress on the regulatory audit and clear any challenges that may be faced by both parties during the audit.

Towards the end of the regulatory audit, the Auditor General issues to the municipality a draft management report and a draft audit report for discussion before the final reports are issued. The audit report remains confidential until the draft annual report is tabled by the Executive Mayor to council by the 31 January of each year.

T 6.0.1

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS ANNUAL PERFORMANCE REPORT-2021/2022

6.1 AUDITOR-GENERAL REPORT 2021/2022

The audit report for the financial year 2021/2022 on the annual financial statements was unqualified with matters of emphasis and on the audit of predetermined objective was a disclaimer

T 6.1

COMPONENT B: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS ANNUAL PERFORMANCE REPORT-2022/2023

6.2 AUDITOR-GENERAL REPORT 2022/2023

The audit report for the financial year 2022/2023 on the annual financial statements was unqualified with matters of emphasis and on the audit of predetermined objective was a disclaimer

T 6.2

6.3 COMMENTS ON MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003 SECTION 7 RESPONSIBILITIES

Section 7 of the Municipal Financial Management Act, 56 of 2003, state the following:

7. (1) An accounting officer –

- (a) may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five hours or less; and
- (b) may only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flights exceeding five hours.

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- (2) In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.
- (3) Notwithstanding sub -regulation (1) or (2), an accounting officer, or the mayor in the case of an accounting officer, may approve the purchase of business class tickets for an official or a political office bearer with a disability or a medically certified condition.
- (4) The cost containment policy must limit international travel to meetings or events that are considered critical. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.
- (5) An accounting officer, or the mayor in the case of the accounting officer, may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only –
 - (a) during peak holiday periods; or
 - (b) when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and /or international guests in that particular geographical area.
- (6) An official or a political office bearer of a municipality or municipal entity must –
 - (a) utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
 - (b) make use of available public transport or a shuttle service if the cost of such a service is lower than –
 - (i) the cost of hiring a vehicle;
 - (ii) the cost of kilometres claimable by the official or political office bearer; and
 - (iii) the cost of parking.
 - (c) not hire vehicles from a category higher than Group B or an equivalent class; and
 - (d) where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.
- (7) A municipality or a municipal entity must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation

The municipality has adhered to the above legislative requirements in applying its Traveling and Subsistence Policy in line with the Cost Containment Policy.

T 6.3

ANNEXURE A: AUDIT REPORT 2022/2023

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Setsoto Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Setsoto Local Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the South African 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 opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Unauthorised expenditure

7. As disclosed in note 48.1 to the financial statements, unauthorised expenditure of R150 478 952 (2022: R176 617 291) was incurred, due to the overspending of the budget.

Irregular expenditure

8. As disclosed in note 48.2 to the financial statements, irregular expenditure of R19 868 984 (2022: R53 609 988) was incurred, due to non-compliance with supply chain management (SCM) requirements.

Restatement of corresponding figures

9. As disclosed in note 55 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements of the municipality, and for the year ended, 30 June 2023.

Material uncertainty relating to claims against the municipality

10. With reference to note 43 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result was made in the financial statements.

Material impairment

11. As disclosed in note 3 and note 4 to the financial statements, receivables from exchange transactions and non-exchange transactions were impaired by R232 808 314 (2022: R214 882 249) and R28 740 221 (2022: R26 854 436) respectively.

Material losses

12. As disclosed in note 52 to the financial statements, material water distribution losses of R 13 982 330 (2022: R 12 717 711) and electricity distribution losses of R7 437 349 (2022: R7 161 780) were incurred by the municipality.

Other matters

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

Unaudited disclosure notes

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

Unaudited supplementary schedules

15. The supplementary information set out on pages 137 to 138 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 on them.

Responsibilities of the accounting officer for the financial statements

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the standards of GRAP and the requirements of the MFMA and Dora; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
17. 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

18. 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.
19. 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

20. 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 (KPA's) presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
21. I selected the following KPA presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected the KPA that measures the municipality's

performance on its primary mandated functions and that are of significant national, community or public interest.

KPA	Page numbers	Purpose
Basic service delivery	XX	Supporting the delivery of municipal services to the requires quality and standard

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

23. 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 measures taken to improve performance.

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

25. The material findings on the reported performance information for the selected KPA are as follows:

Basic service delivery

Percentage of households with access to electricity

26. An achievement of 96% of households with access to electricity was reported against a target of 100% of households with access to electricity. 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. In addition, a measure of percentage of households with access to electricity was reported to improve the performance against the above mentioned target. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

Various indicators

27. I could not determine how the planned indicators listed below would be measured and what evidence would be needed to support the achievements, as adequate supporting evidence was not provided for auditing. In addition, the municipality did not provide evidence to confirm that processes had been established to consistently measure and reliably report on these indicators. This was due to a lack of measurement definitions and processes. Consequently, I could not confirm the reliability of the reported achievement. Lastly, measures were reported to improve the performance against the targets. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

Indicator	Target	Reported achievement
Percentage of households with access to refuse removal (Municipal Manager)	91%	92%
Percentage of households with access to refuse removal (Director)	90%	92%

Various indicators

28. The municipality did not provide evidence to confirm that processes had been established to consistently measure and reliably report on this indicator. This was due to a lack of measurement definitions and processes. Consequently, I could not confirm the reliability of the reported achievement. In addition, the measures were reported to improve the performance against the targets listed below. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

Indicator	Target	Reported achievement
Percentage of households with access to basic sanitation (Municipal manager)	74%	0%
Percentage of households with access to basic sanitation (Director)	72%	81%
Percentage green drop compliance	30%	0%
Percentage of household with access to basic water supply (Municipal Manager)	100%	0%
Percentage of household with access to basic water supply (Director)	100%	97%
Percentage blue drop compliance	70%	0%

Other matters

29. I draw attention to the matters below.

Achievement of planned targets

30. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

31. 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. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

32. 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.

33. 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.

34. 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.

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

Expenditure management

36. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
37. Reasonable steps were not taken to prevent irregular expenditure amounting to R19 868 984 as disclosed in note 48 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 SCM requirements.
38. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R844 245, as disclosed in note 48 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 late payments to suppliers.
39. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R150 478 952, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the budget.

Consequence management

40. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
41. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
42. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Strategic planning and performance management

43. The performance management system and related controls were inadequate as it did not describe how the performance reporting processes should be conducted, as required by municipal planning and performance management regulation 7(1).

Procurement and contract management

44. 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).

45. 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.
46. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5.
47. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2)(b) of the MFMA. Similar non-compliance was reported in the prior year.
48. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. Similar limitation was also reported in the prior year.
49. The invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). This non-compliance was identified in the procurement processes for the construction of the new 11MI water treatment works in Senekal/Matwabeng.

Other information in the annual report

50. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected KPAs presented in the annual performance report that have been specifically reported on in this auditor's report.
51. 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.
52. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected Key Performance Area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
53. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request the other information to be corrected. If the other information is not corrected, I

may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

54. 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.
55. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
56. Ineffective monitoring and supervision over performance reporting resulted in material misstatements in the annual performance report. The internal controls within the municipality did not improve, as repeat findings were reported in the current year.
57. Slow corrective measures were taken by management to address the drivers of non-compliance with laws and regulations. Management did not prioritise the review and monitoring of compliance with legislation, which resulted in repeat findings. This was due to a lack of consequence management, as officials were not held accountable for non-compliance to laws and regulations.

Material irregularities

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

Material irregularities identified during the audit

59. The material irregularities identified are as follows:

Status of previously reported material irregularities

60. The accounting officer did not take all reasonable steps to ensure that amounts due to Eskom for the bulk purchases of electricity were paid within 30 days of receiving the relevant invoice or statement, as required by section 65(2)(e) of the MFMA. The late payment resulted in interest of R2 837 021 being incurred for the period 1 April 2019 to 31 March 2020. The interest incurred is likely to result in a material financial loss for the municipality due to the liability to pay the interest to Eskom.
61. The accounting officer was notified of the material irregularity on 30 March 2021 and was invited to make written submission on the actions taken and those that will be taken

to address this matter. The following actions have been taken to resolve the material irregularity:

- The municipality had several engagements with Eskom to reach a mutual agreement on a payment agreement. Following a meeting held on 19 September 2022, the municipality submitted a proposed payment plan for the period October 22 to 30 June 2023, which was subsequently accepted by Eskom. The municipality is continuing to make payments to Eskom in line with the payment agreement.
- The municipality further reached agreement with Eskom to extend the payment terms from 15 days to 30 days, and to reduce the interest rate on amounts due by 2.5%. The municipality were consequently able to reduce the interest for the 2022-23 financial year to R766 405 (2021-22: R1 428 456) and did not incur any interest since January 2023.
- The municipality planned to reduce the electricity distribution losses through various interventions as part of their revenue enhancement strategy implemented within the various departments at the municipality. Electricity distribution for the 2022-23 financial year was assessed to be 7%, which is within the acceptable norm of 7% - 10%.

62. Therefore, the material irregularity has been resolved.

Auditor-General

Bloemfontein

14 December 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

3. In addition to my responsibility for the audit of the separate financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the separate 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 separate 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 separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the [consolidated and separate] 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 [type of auditee] to cease operating as a going concern

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

Communication with those charged with governance

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

Compliance with legislation – selected legislative requirements

6. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	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)
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)

Legislation	Sections or regulations
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)

ANNEXURE B: AUDIT ACTION PLAN 2022/2023

Financial Year: 2022/2023

Component	Finding	Finding Details	Root Cause	Remedial Action	Responsible Director [Snr Official]	Responsible Manager	Due Date
Annual Financial Statements	Prior period error as a result of correction of errors arising from prior periods	As disclosed in note 55 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.	Inaccurate disclosure in the AFS by Compilers of AFS and inadequate review of the AFS by Assurance Provider [IAU and APAC]	Ensure the correct information / source document are used for compilation of the AFS	Chief Financial Officer	Manager Budget & Reporting	23-Aug-24
Annual Financial Statements	Prior period error as a result of correction of errors arising from prior periods	As disclosed in note 55 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements	Inaccurate disclosure in the AFS by Compilers of AFS and inadequate review of the AFS by Assurance Provider [IAU and APAC]	Review the AFS to ensure that there are no material misstatements in the AFS	Chief Audit Executive	Chief Audit Executive	21-Aug-24
Annual Financial Statements	Prior period error as a result of correction of errors arising from prior periods	As disclosed in note 55 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.	Inaccurate disclosure in the AFS by Compilers of AFS and inadequate review of the AFS by Assurance Provider [IAU and APAC]	Review the AFS to ensure that there are no material misstatements in the AFS	APAC Chairperson	APAC Members	21-Aug-24
Annual Financial Statements	Statutory receivables: Disclosure not in accordance with GRAP 108	Disclosure not done in terms of GRAP 108	Inaccurate disclosure in the AFS by Compilers of AFS and inadequate review of the AFS by Assurance Provider [IAU and APAC]	Review the AFS to ensure that there are no material misstatements in the AFS	Chief Financial Officer	Manager Budget & Reporting	23-Aug-24
Water Services	Material water losses	As disclosed in note 48 to the financial statements, material water distribution losses of R12 717 711 (2021: R12 098 388) and electricity distribution losses of R 7 161 780(2020: R11 112 061) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.	Incorrect calculation of the water losses due to the flat rate; non-technical losses; tampering and theft	Review the current calculation to consider the flat rate billing in the township	Director Technical Services	Manager Water	30-Apr-23
Water Services	Material water losses	As disclosed in note 48 to the financial statements, material water distribution losses of R12 717 711 (2021: R12 098 388) and electricity distribution losses of R 7 161 780(2020: R11 112 061) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.	Incorrect calculation of the water losses due to the flat rate; non-technical losses; tampering and theft	Draft a Business Plan for source funding for B-O-T of smart water meters [pre-paid water meters]	Director Technical Services	Manager Water	31-May-23
Water Services	Material water losses	As disclosed in note 48 to the financial statements, material water distribution losses of R12 717 711 (2021: R12 098 388) and electricity distribution losses of R 7 161 780(2020: R11 112 061) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.	Incorrect calculation of the water losses due to the flat rate; non-technical losses; tampering and theft	Identify water leaks in the system and develop a recovery plan to deal with the losses	Director Technical Services	Manager Water	31-May-23

Water Services	Material water losses	As disclosed in note 48 to the financial statements, material water distribution losses of R12 717 711 (2021: R12 098 388) and electricity distribution losses of R 7 161 780(2020: R11 112 061) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.	Incorrect calculation of the water losses due to the flat rate; non-technical losses; tampering and theft	Review the penalty for tempered meters	Chief Financial Officer	Manager Budget & Reporting	31-Mar-24
Contingent Liabilities	Incorrect disclosure of contingent lia	With reference to note 52 to the financial statements, the municipality is the defendant in various lawsuits. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.	Incorrect submission of the information to Compilers of AFS	Submit the correct information for adequate disclosure in the AFS	Director Corporate Services	Manager Legal Services	28-Feb-24
Contingent Liabilities	Incorrect disclosure of contingent lia	With reference to note 52 to the financial statements, the municipality is the defendant in various lawsuits. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were	Inadequate maintenance and review of contingent liability register by the relevant departments	Update and review of the contingent on a regular basis [monthly basis]	Director Corporate Services	Manager Legal Services	28-Feb-24
Contingent Liabilities	Incorrect disclosure of contingent lia	With reference to note 52 to the financial statements, the municipality is the defendant in various lawsuits. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.	Failure to source Confirmation Letters from Attorneys handling cases	Request Confirmation Letters from Attorneys for the cases they are handling for determination of a contingent liability or contingent asset	Director Corporate Services	Manager Legal Services	30-Jun-23
Expenditure Management	Limitation of scope	The following information [Eskom deposits] was requested on the 12th of October 2023 per RFI 65, which was due on the 17th of October 2023 was not submitted for audit purposes.	Contracts indicating the initial deposit and the interest rate is not available due to the accounts being very old and coming from the existence of the Municipality	Seek information of deposit mades to ensure completeness of the Eskom Deposits from PMU and Electricity Division to corroborate existing evidence for the last 5 years	Chief Financial Officer	Manager Expenditure	30-Apr-24
Expenditure Management	Non-payment of creditors within 30	Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	Negative cashflow; poor document management [RFG, orders and invoices] and non-compliance to CCR	Implement and report on RES for deliverables related to respective departments: Corporate Services	Director Corporate Services	All Managers	Monthly
Expenditure Management	Non-payment of creditors within 30	Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	Negative cashflow; poor document management [RFG, orders and invoices] and non-compliance to CCR	Implement and report on RES for deliverables related to respective departments: DPSS Services	Director DPSS	All Managers	Monthly
Expenditure Management	Non-payment of creditors within 30	Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	Negative cashflow; poor document management [RFG, orders and invoices] and non-compliance to CCR	Implement and report on RES for deliverables related to respective departments: Engineering Services	Director Technical Services	All Managers	Monthly

Expenditure Management	Non-payment of creditors within 30	Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	Non-submission of supporting documentation to Expenditure Division to support invoices	No procurement of goods and services without a RFG	Chief Financial Officer	Manager SCM	Daily
	Non-payment of creditors within 30	Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	Inadequate controls to ensure that payments are done within 30 days	Provide a report for all creditors not paid within 30 days	Chief Financial Officer	Manager Expenditure	Monthly
Expenditure Management	Expenditure - Payments not made within 30 days	Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	The cause is due to lack of oversight by management to ensure that all expenses are paid within 30 days after receiving the invoice. Sometimes the paperwork is not in order when receiving the invoice. The audit finding was when an deviation was awaiting approval from the MM.	Date stamp invoices as they are recieved and ensure that they are paid within 30 days.	Chief Financial Officer	Manager Expenditure	31/03/2023
Performance Management	Performance of appointed Service Providers not monitored on a monthly basis	Performance of appointed Service Providers not monitored on a monthly basis as required by legislation	Failure to monitor and report on implemented service providers	Evaluate the performance of appointed contractors appointed within the department on a monthly basis: Corporate Services	Director Technical Services	Director Engineering Services	Monthly
Performance Management	Performance of appointed Service Providers not monitored on a monthly basis	Performance of appointed Service Providers not monitored on a monthly basis as required by legislation	Failure to monitor and report on implemented service providers	Evaluate the performance of appointed contractors appointed within the department on a monthly basis: DPSS Services	Director DPSS		Monthly
Performance Management	Performance of appointed Service Providers not monitored on a monthly basis	Performance of appointed Service Providers not monitored on a monthly basis as required by legislation	Failure to monitor and report on implemented service providers	Evaluate the performance of appointed contractors appointed within the department on a monthly basis: Engineering Services	Director Technical Services	Director Technical Services	Monthly
Performance Management	Performance of appointed Service Providers not monitored on a monthly basis	Performance of appointed Service Providers not monitored on a monthly basis as required by legislation	Failure to monitor and report on implemented service providers	Evaluate the performance of appointed contractors appointed within the department on a monthly basis: Treasury Services	Chief Financial Officer	Chief Financial Officer	Monthly
Consequence management	Non-investigation of UIF expenditures	MPAC did not fully investigate the UIF expenditure during the course of the financial year to determine if there is any official or councilor to be held accountable for such expenditure	MPAC did not investigate the unauthorised expediture	MPAC to investigate unauthorised expenditure	MPAC Chairperson	Council	Monthly
Consequence management	Non-investigation of UIF expenditures	MPAC did not fully investigate the UIF expenditure during the course of the financial year to determine if there is any official or councilor to be held accountable for such expenditure	MPAC did not investigate the irregular expediture	MPAC to investigate irregular expenditure	MPAC Chairperson	Council	Monthly
Consequence management	Non-investigation of UIF expenditures	MPAC did not fully investigate the UIF expenditure during the course of the financial year to determine if there is any official or councilor to be held accountable for such expenditure	MPAC did not investigate the fruitless and wasteful expediture	MPAC to investigate fruitless and wasteful expenditure	MPAC Chairperson	Council	Monthly

Asset Management	CoAF 12 – Property, Plant and Equipment – rights to assets could not be confirmed	Through physical verification it was noted that the asset is located on the school premises as per the coordinates. However we note that the municipality does not have ownership rights to properties of the Department of Education and that all immovable assets are properties of the Department of Public Works & infrastructure.	Inadequate monitoring and review of the fixed asset register.	Continuous physical verification and update of the assets locations	Chief Financial Officer	Manager Assets	30-Jun-24
Asset Management	CoAF 44 - Investment properties Assets with Zero (0) useful life but are still in use	During the audit of Investment properties, it was confirmed that the assets listed below have a zero (0) useful life, however the assets are still active:	Lack of oversight by management in terms of ensuring that the useful lives of assets were properly assessed to ensure compliance with GRAP 16 and 17.	Verification and update of the the residual value and the useful life to ensure that all assets are re-assessed and the carrying value of the assets is correct.	Chief Financial Officer	Manager Assets	30-Jun-24
Asset Management	CoAF 45 - PPE - Disposal of assets not approved	During the audit of Property, plant and equipment, it was noted that for the below disposals, the municipality did not adhere to the disposal of assets policy requirements	Lack of oversight from management in terms of ensuring that the disposal of assets was properly approved and that all information is made available to the auditors.	Assets to be disposed off should be tabled to council for approval.	Chief Financial Officer	Manager Assets	Ongoing
Asset Management	CoAF 45 - PPE - Disposal of assets not approved	During the audit of Property, plant and equipment, it was noted that for the below disposals, the municipality did not adhere to the disposal of assets policy requirements	Lack of oversight from management in terms of ensuring that the disposal of assets was properly approved and that all information is made available to the auditors.	Ensure safety custody of the assets allocated to the department and report any losses / theft / vandalism to the Asset Management Division: Financial Services	Chief Financial Officer	All Managers	As and when there is an occurrence [Minimum, monthly]
Asset Management	CoAF 45 - PPE - Disposal of assets not approved	During the audit of Property, plant and equipment, it was noted that for the below disposals, the municipality did not adhere to the disposal of assets policy requirements	Lack of oversight from management in terms of ensuring that the disposal of assets was properly approved and that all information is made available to the auditors.	Ensure safety custody of the assets allocated to the department and report any losses / theft / vandalism to the Asset Management Division: Technical Services	Director Technical Services	All Managers	As and when there is an occurrence [Minimum, monthly]
Asset Management	CoAF 45 - PPE - Disposal of assets not approved	During the audit of Property, plant and equipment, it was noted that for the below disposals, the municipality did not adhere to the disposal of assets policy requirements	Lack of oversight from management in terms of ensuring that the disposal of assets was properly approved and that all information is made available to the auditors.		Director DPSS	All Managers	As and when there is an occurrence [Minimum, monthly]
Asset Management	CoAF 45 - PPE - Disposal of assets not approved	During the audit of Property, plant and equipment, it was noted that for the below disposals, the municipality did not adhere to the disposal of assets policy requirements	Lack of oversight from management in terms of ensuring that the disposal of assets was properly approved and that all information is made available to the auditors.	Ensure safety custody of the assets allocated to the department and report any losses / theft / vandalism to the Asset Management Division: Corporate Services	Director Corporate Services	All Managers	As and when there is an occurrence [Minimum, monthly]
Expenditure Management	Expenditure (Hire Charges) - Transactions not recorded in the correct period	GRAP 1, Paragraph 17 on Presentation of Financial Statements states that: Overall considerations Financial statements shall present	The cause is due to lack of reconciliation by management to ensure that all the expenses are recorded in the year they were incurred.	Review that all invoices submitted in the 2023/24 financial year that they belong to the correct year by investigating the payments made in July - December 2023	Chief Financial Officer	Manager Expenditure	Resolved
Revenue Management	Service Charges: Water and Electricity estimates for more than 6 months WATER	Certain water and electricity meters were not read as management has used estimated readings for an unreasonably long periods to determine revenue. Similar findings were noted in the prior financial years.	1. Broken meters that cannot be read due to dirty dials 2. Properties locked 3. Meters removed still on system 4. Cannot locate meters 5. Meters installed upside down	Identify all broken meters and submit a list to Engineering for replacement	Chief Financial Officer	Manager Revenue	28/02/2024

Revenue Management	Service Charges: Water and Electricity estimates for more than 6 months WATER	Certain water and electricity meters were not read as management has used estimated readings for an unreasonably long periods to determine revenue. Similar findings were noted in the prior financial years.	1. Broken meters that cannot be read due to dirty dials 2 Properties locked 3. Meters removed still on system 4. Cannot locate meters 5. Meters installed upside down	Procure all meters currently needed to ensure completeness of the billing for the current year.	Chief Financial Officer	Manager SCM	31/03/2024
Revenue Management	Service Charges: Water and Electricity estimates for more than 6 months WATER	Certain water and electricity meters were not read as management has used estimated readings for an unreasonably long periods to determine revenue. Similar findings were noted in the prior financial years.	1. Broken meters that cannot be read due to dirty dials 2 Properties locked 3. Meters removed still on system 4. Cannot locate meters 5. Meters installed upside down	Install all faulty meters that needs to be replaced	Director Technical Services	Manager Water	
Revenue Management	Service Charges: Water and Electricity estimates for more than 6 months ELECTRICITY	Certain water and electricity meters were not read as management has used estimated readings for an unreasonably long periods to determine revenue. Similar findings were noted in the prior financial years.	1. Meters replaced by prepaid meters 2. Bulk meters not read or replaced	1. Remove conventional meters from system and add prepaid meter to account 2. Follow-up on bulk meter estimates	Director Technical Services	Director Technical Services	30/04/2024
Revenue Management	Estimated readings	it was noted that for certain water and electricity meters were not read as management has used estimated readings for an unreasonably long periods to determine revenue. Similar findings were noted in the prior financial years.	The absence of actual readings for extended time - Electricity	Electricity: 1. All conventional meters must be removed from Munsoft and prepaid meters added to account 2. Post paid meters must be captured montly as per Ole list 3. All Bulk meters must be captured monthly	Chief Financial Officer	Manager Revenue	31/03/2024
Revenue Management	Estimated readings	it was noted that for certain water and electricity meters were not read as management has used estimated readings for an unreasonably long periods to determine revenue. Similar findings were noted in the prior financial years.	The absence of actual readings for extended time - Water	Water 1. All water meters that cannot be read must be replaced by Technical 2. Job cards of broken meters must be issued for replacement by Technical 3. List of water meters not found must be given to Technical. Appointment set up with Supervisor Water in all units. 4. Water meters in erven must be mived to sidewalk. Marquard. Folloow-up list to Technical	Chief Financial Officer	Manager Revenue	31/03/2024
Revenue Management	Incorrect erf numbers	During the audit of revenue the following properties were identified from billing file but were not on the valuation roll.	1. Old accounts were opened with incorrect/non existing erf numbers - mostly municipal accounts 2. Erf numbers correct but portion added as unit	1. Municipal erf numbers to be corrected 2. Erf numbers especially unit numbers to be corrected where incorrect	Chief Financial Officer	Manager Revenue	30/06/2024

Revenue Management	No electricity meters linked to account and property rates duplicates	a) For the accounts that were charged the basic electricity charge we traced them to the meter list using the customer account numbers and it was noted that no electricity meters were allocated to these accounts. b) For the property rates duplicate, it was noted through tracing the accounts to the valuation report that the customer have one property and therefore only one property rate charge should have been billed.	The billing system was not adequately maintained to ensure that billing is accurate, as there were duplicates transactions that were noted in the billing report.	a) All accounts had electricity meters linked. Full population will be verified b) No remedial action as property rates imported as per the Valuation roll	Chief Financial Officer	Manager Revenue	30/06/2024
Revenue Management	Accounts not billed for sanitation	Accounts that were not billed for sanitation, but were billed for water services and there were also accounts that were not billed for water services, but were billed for sanitation.	Accounts opened but not all services [tariffs] added	The excel sheet used to respond to the communication was sent to all Debtor Clerks in December 2023 to correct the accounts by adding the relevant tariff code to the account and to debit the account with the sanitation that was not billed thus far in the 2023/2024 financial year.	Chief Financial Officer	Manager Revenue	31/03/2024
Revenue Management	Accounts not billed for water	Accounts that were not billed for sanitation, but were billed for water services and there were also accounts that were not billed for water services, but were billed for sanitation.	Accounts opened but not all services [tariffs] added	The excel sheet used to respond to the communication was sent to all Debtor Clerks in December 2023 to correct the accounts by adding the relevant tariff code to the account and to debit the account with the water that was not billed thus far	Chief Financial Officer	Manager Revenue	31/03/2024
Human Resource Management	Non-filling of vacant posts	Contrary to the requirement various vacant posts were identified on the staff establishment that were vacant during the year under review:	Non-filling of posts due to operational requirements [financial and non-financial considerations]	Abolish posts that will not be filled over the MTREF from the organogram	Director Corporate Service		
Human Resource Management	Inadequate provision for leave	Payables-leave provision calculation not capped to a maximum number of 48 days.	Failure to adhere to the provisions of the Collective Agreement	Ensure that data used for calculation of provision [GRAP 25 Reports] is accurate	Director Corporate Service		
Project Management	Procurement and Contract management - Contracts expenditure in excess of contract value	During the auditing of contract management, it was noted that for the following contracts, the expenditure incurred to date was in excess of contract value:	Failure to reconcile the tendered amount against the actual payments	Monthly reconciliation of the project Expenditure	Director Technical Services	PMU Manager	Monthly
Project Management	Procurement and Contract management - Contracts expenditure in excess of contract value	During the auditing of contract management, it was noted that for the following contracts, the expenditure incurred to date was in excess of contract value:	Variation Orders above the legislated threshold	Limit Variation Orders to the legislated threshold	Municipal Manager	PMU Manager	On-going
Expenditure Management	Contingent liabilities – liability incorrectly included in Contingent liabilities	Non-compliance to GRAP 14 (Events after the reporting date) paragraph 3	During the audit of Contingent liabilities, it was noted that R 600 000 of the below claim has already been paid by the Municipality.	Monthly updating of contingent liability register.	Director Corporate Services	Manager Legal	28/02/2024
Expenditure Management	Expenditure Management – No measures to prevent UIF&W and Irregular expenditure	Contrary to above requirements, it was noted that the municipality did not take reasonable steps to prevent Unauthorised Irregular and Fruitless and wasteful expenditure as	Lack of oversight by management to ensure compliance with laws and regulations	Constant efforts are being made to reduce UIF Expenditure. The comparison figures between the 2022 and 2023 financial year clearly reflects that progress are being made.	Municipal Manager		On-going

Expenditure Management	Expenditure Management – No measures to prevent UIF&W and Irregular expenditure	Contrary to above requirements, it was noted that the municipality did not take reasonable steps to prevent Unauthorised expenditure as	Lack of oversight by management to ensure compliance with laws and regulations	Development of UIF Reduction Strategy	Municipal Manager		On-going
Expenditure Management	Expenditure Management – No measures to prevent UIF&W and Irregular expenditure	Contrary to above requirements, it was noted that the municipality did not take reasonable steps to prevent Unauthorised Irregular and Fruitless and wasteful expenditure as	Lack of oversight by management to ensure compliance with laws and regulations	Development of UIF Reduction Strategy	Municipal Manager		On-going
Expenditure Management	Operational costs overstated and incorrectly classified	Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.	This is due to lack of management oversight relating to ensuring that costs are correctly classified based on their nature	The full population for the 2023/24 financial year need to be revisited. July - December 2023	Chief Financial Officer	Manager Expenditure	30-Apr-24
Expenditure Management	Operational costs overstated and incorrectly classified	Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.	This is due to lack of management oversight relating to ensuring that costs are correctly classified based on their nature	The full population for the 2023/24 financial year need to be revisited. January - June 2024	Chief Financial Officer	Manager Expenditure	Monthly
Supply Chain Management	Miasallocation of expenditure	During the audit, misclassification of expenditure was noted	Adequate steps were not taken by management to ensure that the transaction was classified correctly	Verify that all transactions are recorded in the correct vote numbers	Chief Financial Officer	Manager SCM	Monthly
Supply Chain Management	Irregular expenditure not disclosed in the register	During the audit of expenditure, it was noted that for the following suppliers, three (3) quotes were not obtained no irregular expenditure was included in the register	Adequate steps were not taken by management to ensure that reconciliations is performed between Irregular Expenditure Register and Deviation Register	Reconciliation of Irregular Expenditure Register and Deviation Register	Chief Financial Officer	Manager SCM	30-Jun-24

	Failure to sub-contract 30% for the value of works on various tenders	Contrary to legislative requirements, it was identified that the municipality did not sub-contract 30% on various construction tenders.	Non-compliance to 30% requirement	Perform a reconciliation of all construction tenders awarded in 2021/22 and 2022/23 to determine the total value of sub-contracting	Director Technical Services	PMU Manager	31-Mar-24
Supply Chain Management	Deviations not deemed reasonable	During the audit of Procurement and Contract Management, the following deviations were identified where the reason for deviating was not deemed to be reasonable as lack of or not planning does not constitute an urgency or emergency	Poor planning by management to maintain municipal compactor trucks	Plan and subject vehicles to routine maintenance	Director Technical Services	Assistance Fleet Manager	On-going
Supply Chain Management	Deviations not deemed reasonable	During the audit of Procurement and Contract Management, the following deviations were identified where the reason for deviating was not deemed to be reasonable as lack of or not planning does not constitute an urgency or emergency	Poor planning by management to maintain municipal compactor trucks	Submit RFG for FWQP for 7 days on municipal website and notice board for where repairs need to be done	Director Technical Services	Assistance Fleet Manager	On-going
Supply Chain Management	Deviation awards to suppliers who's tax matters are not in order	During the audit of Procurement and Contract management, it was identified that the provider's tax matters was not in order when the deviation was awarded	Management did not in all instances review and monitor compliance with applicable laws and regulations and Deviations undertaken outside SCM Unit without verifying tax matters of the Service Provider	Verify tax matters of service providers on the date of award and date of payment	Chief Financial Officer	Manager SCM	On-going
Supply Chain Management	Irregular expenditure incurred and disclosed on the AFS	It was noted that the municipality did not take reasonable steps to prevent Unauthorised Irregular and Fruitless and wasteful expenditure	Lack of oversight by management to ensure compliance with laws and regulations	Draft UIF reduction Strategy to assist with reducing total amount of UIF expenditure	Chief Financial Officer	Manager SCM	31-Mar-24
Supply Chain Management	Deviation approved after transaction date	During the audit of expenditure, it was noted that for the following payments the deviation forms were approved after the receipt of the goods or service	Lack of oversight by management to ensure that the deviation forms are approved before services/goods are received	Attach a proof of approval before work done	Chief Financial Officer	Manager SCM	On-going
Supply Chain Management	Purchase orders approved after transaction date	During the audit of expenditure, it was noted that the below expenditure was incurred prior to appropriate authorization being granted	Lack of oversight by management to ensure that the purchase orders are approved before services/goods are received	Attach a detailed memo indicating reasons for work done without official purchase order	Chief Financial Officer	Manager SCM	On-going
Asset Management	CoAF 48 - PPE - Disposal of assets: insufficient evidence provided	During the audit of Property, plant and equipment, it was noted the municipality did not adhere to the disposal of assets policy requirements.	Lack of oversight from management in terms of ensuring that the disposal of assets was properly supported by evidence and that all information is made available to the auditors.	The custodinas or end user of the assets should report all assets that are under their supervision if they are missing, lost, stolen or vandalised to the asset managemebt unit and in case of theft and vandalism to SAPS.	Municipal Manager	All Managers	Monthly
Asset Management	CoAF 48 - PPE - Disposal of assets: insufficient evidence provided	During the audit of Property, plant and equipment, it was noted the municipality did not adhere to the disposal of assets policy requirements.	Lack of oversight from management in terms of ensuring that the disposal of assets was properly supported by evidence and that all information is made available to the auditors.	The custodinas or end user of the assets should report all assets that are under their supervision if they are missing, lost, stolen or vandalised to the asset managemebt unit and in case of theft and vandalism to SAPS.	Chief Financial Officer	All Managers	Monthly

Asset Management	CoAF 48 - PPE - Disposal of assets: insufficient evidence provided	During the audit of Property, plant and equipment, it was noted the municipality did not adhere to the disposal of assets policy requirements.	Lack of oversight from management in terms of ensuring that the disposal of assets was properly supported by evidence and that all information is made available to the auditors.	The custodians or end user of the assets should report all assets that are under their supervision if they are missing, lost, stolen or vandalised to the asset management unit and in case of theft and vandalism to SAPS.	Director Corporate Services	All Managers	Monthly
Asset Management	CoAF 48 - PPE - Disposal of assets: insufficient evidence provided	During the audit of Property, plant and equipment, it was noted the municipality did not adhere to the disposal of assets policy requirements.	Lack of oversight from management in terms of ensuring that the disposal of assets was properly supported by evidence and that all information is made available to the auditors.	The custodians or end user of the assets should report all assets that are under their supervision if they are missing, lost, stolen or vandalised to the asset management unit and in case of theft and vandalism to SAPS.	Director DPSS	All Managers	Monthly
Asset Management	CoAF 48 - PPE - Disposal of assets: insufficient evidence provided	During the audit of Property, plant and equipment, it was noted the municipality did not adhere to the disposal of assets policy requirements.	Lack of oversight from management in terms of ensuring that the disposal of assets was properly supported by evidence and that all information is made available to the auditors.	The custodians or end user of the assets should report all assets that are under their supervision if they are missing, lost, stolen or vandalised to the asset management unit and in case of theft and vandalism to SAPS.	Director Engineering Services	All Managers	Monthly
Performance Management	CoAF 2 - AoPO - Incomplete supporting documentation on the POE files	During the audit of the AoPO, it was determined that the actual performance as per the APR does not agree to the performance as per the POE file	This matter occurred due to the fact that management did not implement proper document control over supporting documentation and did not ensure that documents are available for audit purposes	The management has developed a Standard Operating Procedure For The Compilation And Storage Of Performance Information-Portfolios Of Evidence On The Service Delivery And Budget Implementation Plan And Operational Plan	All Directors	All Managers	Monthly

Performance Management	CoAF 5 - AoPO: Percentage blue/green drop compliance	Section 62(b) of MFMA state that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.	The latest available Green Drop assessment results were not available for audit purposes. A Green Drop score is a result obtained through an audit conducted by the Department of Water and Sanitation on the entire business of the municipal waste water services (entire value chain). Green drop score (as a %) achieved by the municipality through a Green Drop Assessment. The latest available Blue Drop assessment results were not available for audit purposes. A Blue Drop score is a result obtained through an audit conducted by the Department of Water and Sanitation on the water supply system within a municipality. The audit includes the physical inspection of raw water pump stations and purification facilities. The DWS assessment report is submitted as evidence. Blue drop score (as a %) achieved by the municipality through a Blue Drop Assessment and where	The management to ensure that the daily samples uploaded on ARIS are analysed and recorded accordingly	Director Technical Services	Manager Water and Sanitation	Daily
Performance Management	CoAF 6 - AoPO - Information not collected and reviewed and reported in the APR	Several indicators were reported as 0% on the Draft Annual Performance Report, however, further investigations based on the knowledge of the auditee revealed that the municipality should have information collected and reported on the annual report	This matter occurred due to the fact that management did not implement proper document control over supporting documentation and did not ensure that documents are available for audit purposes. The information was not collated from the Customer services divisions, reviewed and submitted to the responsible unit for reporting on the annual report.	The management has developed a Standard Operating Procedure For The Compilation And Storage Of Performance Information-Portfolios Of Evidence On The Service Delivery And Budget Implementation Plan And Operational Plan	All Directors	All Managers	Monthly
Performance Management	CoAF 11 - Perf mgmt monitoring and reporting - Performance evaluations/appraisals not done	It was determined that performance evaluations were not performed for Municipal manager and managers directly accountable to Municipal Manager as required by Municipal System Act as well as	This occurred due to a lack of oversight by management to ensure that the performance of employees is monitored and evaluated on a regular basis. Impact. This resulted in non-compliance to Municipal	Management ensured that all officials have signed performance agreements with clear appraisal intervals that should be adhered to	All Directors	All Managers and Supervisors	Quarterly

Performance Management	CoAF 13 - AoPO - Corrective measures not supported by corroborative evidence	During the audit of predetermine objective it was determined that the measures to be taken to improve performance are not supported by corroborating evidence as the measures are not specific as to what action would be taken to ensure that the information is tracked properly and recorded for each indicator	Management not providing appropriate reasons for variance has a negative impact on having specific corrective remedial actions on under performance.	Through the approved SOP, management will ensure that the improvement measures provided for reasons given for the variance are relevant and accurate	All Directors	All Managers and Supervisors	Daily
Performance Management	CoAF 14- AOPO - Difference between the register and reported information as per the APR	During the audit of performance information it was determined that the reported performance information does not agree with the information as per the register for the Percentage of households with access to electricity	Management did not ensure that the municipality record and maintain accurate registers that would enable an assessment to ensure that accurate data is captured and agrees with the source registers. The performance information is not accurately reported.	Management as per the approved SOP to keep records of new and additional records and not use the Statistics South Africa Community Survey or Census that are sometimes outdated	Director Technical Services	Manager Water and Sanitation	Daily
Performance Management	CoAF 18 - AoPO - Missing indicator on the APR (completeness)	During the audit of performance information it was determined that the indicator as contained in the SDBIP 2022-2023 was not reported on in the annual performance report.	The controls put in place to ensure that all planned key performance indicators are reported on as well as the review process of the APR are not effective.	Management to review that all reported performance information is consistent with the planned performance information	All Directors	All Managers and Supervisors	Daily
Performance Management	CoAF 19 - AoPO - Indicators not relating directly to Basic Service delivery	During the audit of performance information it was determined that the following indicators were inappropriately included as part of key performance indicators relating to supporting the delivery of basic services to the right quality and they were determined not to be relevant to the institution's mandate, and the realisation of strategic goals and objectives	There are no effective controls in place to ensure only relevant indicators are reported on appropriate strategic objective.	Management to ensure that only key performance indicators that relate to the delivery of services and relevant to the institutional mandate are reported on	All Directors	All Managers and Supervisors	Daily
Performance Management	CoAF 72 -AoPO - Inconsistency in the total number of households requiring service delivery at indicator level	During the audit of performance information it was determined that there are inconsistencies in the number of households in the municipality	The Municipality lacked reviews and monitoring of the performance information and the portfolio of evidence submitted for audit	Management as per the approved SOP to keep records of new and additional records and not use the Statistics South Africa Community Survey or Census that are sometimes outdated	All Directors	All Managers and Supervisors	Daily

ANNEXURE C: ANNUAL FINANCIAL STATEMENT



Setsoto Local Municipality

(Demarcation code FS191)

**Annual Financial Statements
for the year ended 30 June 2023**

Auditor-General of South Africa (AGSA)

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Audit & Performance Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 8 meetings were held.

Name of member	Number of meetings attended
^* Ms SJ Masite (Chairperson)	8
^* Mr LS Mofokeng	8
^* Ms F Kobo	8
^ Mrs M Ramutsheli	6
^ Ms T Monare	6
# Mr HB Mathibela (Chairperson)	3
# Mr T Zororo	3

All members are independent with no interest in the management or conduct of the business of the Municipality.

* These members were previously appointed as members of the APAC for the financial year 2021/2022.

^ These members are the newly appointed members of the APAC.

These members term of office ended during the year.

Audit & performance audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is considered generally adequate in design and is partially ineffective in its implementation and this was evident by the reasonable assurance given by the Internal Audit Unit. However, there have been some vast improvements on some internal controls. The identification of corrective actions and suggested enhancements to the controls were done through a risk management process and interaction with management on the action plan on the audited report.

Evaluation of annual financial statements

The audit & performance audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the municipalities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Internal audit

The audit & performance audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Chairperson of the Audit & Performance Audit Committee

Date: _____

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officers submits their report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

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

Net surplus of the municipality was R 73 011 350 (2022: deficit R 111 100 506).

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 2 739 916 268 and that the municipality's total assets exceed its liabilities by R 2 739 916 268.

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.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The Accounting Officers had no interest in any contracts.

5. Accounting policies

The annual financial statements prepared as required in terms of Section 122 of the Municipal Finance Management Act (No56. of 2003) and in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such statements issued by the Accounting Standards Board, and in accordance with the prescribed framework by National Treasury.

6. Employee Benefits

Management performed an actuarial valuation of the Employee Benefits of the employer's liability as arising from the post-retirement healthcare subsidy ("RHS") payable to current and retired employees.

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

Please refer to note 18.2 and 19.1 for details about these valuations.

7. Non-current assets

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

8. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report were as follows:

Name	Nationality	Changes
Mr. TP Motsima (Acting)	RSA	Appointed Friday, 01 July 2022, ended Friday, 30 September 2022
Mrs. FN Malatjie	RSA	Appointed Saturday, 01 October 2022

9. Auditors

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

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

10. Jurisdiction

Setsoto Local Municipality includes the following areas:

- Ficksburg
- Senekal
- Marquard
- Clocolan

Mrs. FN Malatjie
Accounting Officer

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	A municipality which is an organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment
Legislation governing the municipality's operations	Municipal Finance Management Act (Act 56 of 2003) Municipal Systems Amendment Act (No.44 of 2003) Municipal Structures Act (No. 117 of 1998) Municipal Structures Amendment Act (No. 33 of 2000) Housing Act (No. 107 of 1997) Intergovernmental Relations Framework Act (No. 13 of 2005) Intergovernmental Fiscal Relations Act (No. 97 of 1997) Municipal Systems Act (No. 32 of 2000) Constitution of the Republic of South Africa (No. 108 of 1996) Property Rates Act (No. 6 of 2004) Annual Division of Revenue Act Municipal Demarcation Act (No. 27 of 1998) Transition Act Second Amendment (No. 97 of 1996) Water Services Act (No. 108 of 1997) Electricity Act (No. 41 of 1987)
Portfolio	Councillor
Executive mayor	Mbiwe, SJ
Speaker	Maveleliso, PI
Mayoral committee	Selasi, MW Koalane, KE Mthimkulu, TI Ancell, T Makae, TE

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Council members

No	Surname	Initials
1	Constable	SM
2	Odendaal	MF
3	Oberholzer	IE
4	Motsoane	TP
5	Mofokeng	MD
6	Ponya	MA
7	Maleke	MJ
8	Langa	TL
9	Thamae	LD
10	Mokhobo	MJ
11	Vermeulen	PJ
12	Heymans	MC
13	Makhalanyane	TG
14	Khatlake	NP (Chairperson of MPAC - From 1 June 2023)
15	Mokhele	MM
16	Manako	TS
17	Mokheseng	SM
18	Mokoakoe	LG
19	Dell	H
20	Motloenya	LE
21	Janssonius	JM
22	Mohanoe	LE
23	Letube	ME
24	Mopatli	CD
25	Vries	I
26	Koqo	PE (Chairperson of MPAC -1 June 2022 - 30 May 2023)

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Grading of local authority	06 - Medium Capacity
Accounting Officer	Mr. TP Motsima (Acting) (July 2022 - September 2022) Mrs. FN Malatjie (From October 2022)
Chief Financial Officer (CFO)	Mr. NL Moletsane
Registered head office	27 Voortrekker Street Ficksburg 9730
Postal address	P O Box 116 Ficksburg 9730
Telephone	(051) 933 9300
Fax	(051) 933 9363
Bankers	First National Bank, a division of First Rand Limited
Auditors	Auditor-General of South Africa (AGSA)
Demarcation code	FS191
Legal manager	PM Koalane P O Box 116, Ficksburg, 9730 matshediso@setsoto.co.za

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The accounting officers 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 were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board as required by in terms of Section 122 of the Municipal Finance Management Act (No.56 of 2003).

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

We, as the accounting officers (accounting authority) acknowledges that we are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable us to meet these responsibilities, we have set 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.

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

We have 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, we are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The financial statements are prepared on the basis that the municipality is a going concern and that the Setsoto Local Municipality has neither the intention nor the need to liquidate or curtail materially its scale.

We would like to bring the following material matters to your attention:

We certify that the salaries, allowances and benefits of councillors as disclosed in note 33 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out on pages 13 to 136, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which we have signed on behalf of the municipality on 31 August 2023:

Mrs. FN Malatjie
Municipal Manager

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Abbreviations

GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development And Partnership Grant
SRAC	Sports, Recreation, Arts and Culture
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
SA GAAP	South African Statements of Generally Accepted 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 Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
COGTA	Department of Co-operative Governance and Traditional Affairs
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
mSCOA	Municipal Standard Chart of Accounts
iGRAP	Interpretation of the South African Standards of Generally Recognised Accounting Practice

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Comparison of Budget and Actual Amounts for the year ended 30 June 2023

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Figures in Rand								
2023								
Financial performance								
Revenue								
Property rates	73 985 004	-	73 985 004	73 985 004	56 791 007	(17 193 997)	76.76 %	76.76 %
Services charges	258 091 800	(4 758 088)	253 333 712	253 333 712	227 429 256	(25 904 456)	89.77 %	88.12 %
Investment revenue	3 700 008	2 099 992	5 800 000	5 800 000	9 673 484	3 873 484	166.78 %	261.44 %
Transfer and subsidies	459 854 976	(2 000 000)	457 854 976	457 854 976	448 128 481	(9 726 495)	97.88 %	97.45 %
Other own revenue	37 535 904	12 660 596	50 196 500	50 196 500	61 924 157	11 727 657	123.36 %	164.97 %
Total Revenue	833 167 692	8 002 500	841 170 192	841 170 192	803 946 385	(37 223 807)	95.57 %	96.49 %
Expenditure								
Employee related costs	228 323 196	1 331 556	229 654 752	229 654 752	220 237 564	(9 417 188)	95.90 %	96.46 %
Remuneration of councillors	12 535 056	1 747 144	14 282 200	14 282 200	14 072 038	(210 162)	98.53 %	112.26 %
Depreciation, amortisation and impairment losses	120 865 032	(22 684)	120 842 348	120 842 348	227 918 279	107 075 931	188.61 %	188.57 %
Finance costs	1 555 020	(380 780)	1 174 240	1 174 240	3 397 412	2 223 172	289.33 %	218.48 %
Materials and bulk purchases	117 319 512	(2 739 512)	114 580 000	114 580 000	100 140 488	(14 439 512)	87.40 %	85.36 %
Transfers and grants	14 775 504	8 883 524	23 659 028	23 659 028	139 418	(23 519 610)	0.59 %	0.94 %
Other expenditure	117 012 072	727 120	117 739 192	117 739 192	165 029 836	47 290 644	140.17 %	141.04 %
Total Expenditure	612 385 392	9 546 368	621 931 760	621 931 760	730 935 035	109 003 275	117.53 %	119.36 %
Surplus for the year	220 782 300	(1 543 868)	219 238 432	219 238 432	73 011 350	(146 227 082)	33.30 %	33.07 %

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Comparison of Budget and Actual Amounts for the year ended 30 June 2023

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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Figures in Rand

Commentary

Reasons for variances between budgeted and actual amounts greater than 10%:

1. Property rates:

The decrease is due to the implementation of PSI rates rebate according to legislation. Grants given are netted off against income but budgeted for separately.

2. Service charges:

The decrease is due to the fact that grants given are netted off against income but budgeted for separately.

3. Investment revenue:

The increase is due to the fact that more cash was invested than envisaged.

4. Other own revenue:

The increase is due to penalties and interest recovered not budgeted for.

5. Depreciation, amortisation and impairment losses:

The increase is due to insufficient funds budgeted for depreciation. Non-cash item.

6. Finance costs:

The increase is due to the under budget of finance costs.

7. Materials and bulk purchases:

The decrease is due to the reduction in electricity consumption.

8. Transfers and grants:

The decrease is due to the fact that grants given are netted off against income but budgeted for separately.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Comparison of Budget and Actual Amounts for the year ended 30 June 2023

	Original budget	*Budget adjustments	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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Figures in Rand

9. Other expenditure:

The increase is due to an increase in hire charges, fuel and debtor impairment expenses.

Setsotho Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	66 207 531	93 197 341
Receivables from exchange transactions	3	241 275 571	206 190 093 *
Receivables from non-exchange transactions	4	63 098 419	58 176 697 *
Inventories	5	3 650 409	2 613 267
VAT receivable	6	83 479 311	48 890 292 *
Other current assets	7	9 711 226	9 586 645 *
		467 422 467	418 654 335
Non-Current Assets			
Other financial assets	8	3 959 976	3 673 282
Investment property	9	68 887 511	75 933 993 *
Property, plant and equipment	10	2 441 803 571	2 475 157 931 *
Heritage assets	11	11 900 459	11 900 459 *
Intangible assets	12	133 450	173 129
		2 526 684 967	2 566 838 794
Total Assets		2 994 107 434	2 985 493 129
Liabilities			
Current Liabilities			
Financial liabilities	13	398 412	734 232
Finance leases	14	-	1 627 032
Consumer deposits	15	3 186 098	3 205 324
Payables from exchange transactions	16	101 758 658	122 308 502 *
Unspent grants	17	49 002 540	83 261 152
Provisions and other employee liabilities	18	1 793 988	2 398 801
Post-retirement health care benefit liability	19	1 945 626	1 864 445
		158 085 322	215 399 488
Non-Current Liabilities			
Financial liabilities	13	866 691	1 265 103
Provisions and other employee liabilities	18	40 143 376	44 291 879
Post-retirement health care benefit liability	19	55 095 777	57 631 751
		96 105 844	103 188 733
Total Liabilities		254 191 166	318 588 221
Net Assets		2 739 916 268	2 666 904 908
Net assets presented by:			
Accumulated surplus		2 739 916 268	2 666 904 908

* See Note 55

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Exchange Revenue			
Services charges - Electricity	21	90 043 546	91 140 712
Services charges - Waste management	21	40 423 583	43 059 455
Services charges - Waste water management	21	31 374 473	33 289 600
Services charges - Water	21	64 207 342	60 489 318
Rental	23	1 968 555	2 024 701
Interests on investments	24	9 596 771	4 831 284 *
Interest earned from receivables	25	43 165 631	30 166 577
Dividends	26	76 713	55 404
Operational revenue	30	7 710 865	3 052 064
Sales of goods and rendering of services	22	2 541 458	1 984 993
Fair value adjustments and gain on disposal of assets	31	-	573 079 *
Total Exchange Revenue		291 108 937	270 667 187
Non-Exchange Revenue			
Property rates	20	56 791 007	56 168 444
Availability charges - Electricity		320 275	235 779
Availability charges - Waste water management		415 067	380 504
Availability charges - Water		644 970	604 645
Licences or permits	28	27 256	51 201
Transfers and subsidies	29	448 128 481	358 589 136
Fines, penalties and forfeits	27	644 450	890 770
Interest earned from receivables	25	5 865 942	4 132 568
Total Non-Exchange Revenue		512 837 448	421 053 047
Total Revenue		803 946 385	691 720 234
Expenditure			
Employee related cost	32	(220 237 564)	(224 507 229)
Remuneration of councillors	33	(14 072 038)	(12 871 343)
Bad debts written off		(81 641 763)	(113 923 847)
Depreciation and amortisation	34	(186 447 757)	(254 869 859)*
Impairment losses	35	(41 470 522)	(27 654 523)*
Finance costs	36	(3 397 412)	(4 671 055)*
Bulk purchases	37	(91 044 547)	(93 197 809)*
Inventory consumed	38	(9 095 941)	(11 850 803)*
Contracted services	39	(33 513 414)	(25 593 232)*
Transfers and subsidies		(139 418)	(128 697)
Operational costs	40	(45 355 035)	(32 472 163)*
Operating leases	41	(355 935)	(1 080 180)
Fair value adjustments and loss on disposal of assets	31	(4 163 689)	-
Total Expenditure		(730 935 035)	(802 820 740)
Surplus (deficit) for the year		73 011 350	(111 100 506)

* See Note 55

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates		47 635 640	41 582 149 *
Sale of goods and services		94 903 012	115 554 178 *
Other receipts		11 210 992	7 289 923
Grants		413 801 134	386 590 677
Fines, penalties and forfeits		644 450	890 770
Interest		58 641 353	39 130 429 *
Dividends		76 713	55 404
Payments			
Employees		(237 281 615)	(229 032 231)
Suppliers		(199 733 759)	(164 943 969)*
Finance costs		(748 373)	(2 100 103)*
VAT		(34 589 019)	(17 729 693)*
Net cash from(used) operating activities	42	154 560 528	177 287 534
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		650 438	477 805
Proceeds from investments		-	37 500
Payments			
Capital assets		(179 839 512)	(121 086 120)
Net cash flows from investing activities		(179 189 074)	(120 570 815)
Cash flows from financing activities			
Payments			
Decrease in borrowings		(2 361 264)	(9 045 138)
Net cash flows from financing activities		(2 361 264)	(9 045 138)
Net increase/(decrease) in cash		(26 989 810)	47 671 581
Cash and cash equivalents at year begin		93 197 341	45 525 760
		66 207 531	93 197 341

* See Note 55

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2021	2 785 359 655	2 785 359 655
*Restated surplus /(deficit) for the year	(111 100 506)	(111 100 506)
Total changes	(111 100 506)	(111 100 506)
	2 674 259 159	2 674 259 159
Adjustments		
*Correction of errors	(7 354 241)	(7 354 241)
*Restated Balance at 01 July 2022	2 666 904 918	2 666 904 918
Surplus for the year	73 011 350	73 011 350
Total changes	73 011 350	73 011 350
Balance at 30 June 2023	2 739 916 268	2 739 916 268

* See Note 55

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

The annual financial statements of Setsoto Local Municipality for the year ended 30 June 2023 were authorised for issue by the Accounting Officer on 31 August 2023.

The 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 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.

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

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1. Summary of significant accounting policies

1.1 New standards and interpretations

Standards, amendments to standards and interpretations issued, but not yet effective

At the date of authorisation of these annual financial statements, the following GRAP Standards (including Interpretations and Directives) have been issued, but are not yet effective for the year presented and have not been early adopted by the municipality:

Standard / Interpretation	Effective date	Expected impact
GRAP 25: Employee benefits (revised)	1 April 2023	Unlikely there will be a material impact. Additional disclosures.
GRAP 103 : Heritage assets (revised)	To be determined	Unlikely there will be a material impact
GRAP 104 : Financial instruments (revised)	1 April 2025	Unlikely there will be a material impact
IGRAP 7 : The limit on a defined benefit asset, minimum funding requirements and their interaction (revised)	1 April 2023	Unlikely there will be a material impact. Additional disclosures.
IGRAP 21 : The effect of past decisions on materiality	1 April 2023	Unlikely there will be a material impact
Guideline : Accounting for landfill sites	1 April 2023	Unlikely there will be a material impact
Amendments to GRAP 1 : Presentation of financial statements (Materiality)	1 April 2023	Unlikely there will be a material impact
Improvements to Standards of GRAP 2020	1 April 2023	Unlikely there will be a material impact
GRAP 1 : Presentation of financial statements (Going concern)	To be determined	Unlikely there will be a material impact

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

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

1.6 Significant judgments and estimates

In the application of the municipality's accounting policies, which are described below, management is required to make judgments, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.6.1 Judgments

The following are the critical judgments, apart from those involving estimations, that management have made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the annual financial statements:

Trade receivables / Held to maturity investments and/or loans and 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, management makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a financial asset.

The impairment of 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.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Significant judgments and estimates (continued)

Operating lease commitments

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

Allowance for slow moving, damaged and obsolete stock

An allowance for management to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating cost note.

1.6.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

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) includes 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 obligations. In determining the appropriate discount rate, the municipality considers the interest rate 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 liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 18.2 and note 19.1.

Effective interest rate

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

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

Allowance for doubtful debts

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

Fair value estimation

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

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

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Significant judgments and estimates (continued)

Useful lives of waste, water networks 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.

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 value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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

Provisions

Provisions were raised and management determined and estimate based on the available information. Additional disclosure of these estimates of provisions are included in note 18.1 - Provisions.

Budget information

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements.

1.7 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.8 Inventory

Inventory consist of raw materials and consumables, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value. Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Where inventories are acquired through a non-exchange transaction, then their cost is the fair value as at the date of acquisition.

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

Cost of inventory comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Inventory (continued)

Redundant and slow moving inventory are identified and written down to their estimated net realisable values, estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.9 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, administrative purposes or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgment, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Owner-occupied property is property held for use in the production of supply of goods and 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 can be measured reliably.

Cost 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 replacement part is derecognised.

Subsequent measurement – cost model

Subsequent to initial recognition, investment properties are measured using the cost model, and is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, over the useful life of the property, which is as follows:

- Property - land : indefinite
- Property - buildings : 15-80 years

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1.9 Investment property (continued)

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

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

1.10 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, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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Accounting Policies

1.10 Property, plant and equipment (continued)

Subsequent measurement – cost model

Subsequently all property, plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

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

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

Subsequent measurement – revaluation model

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four to five years to coincide with the implementation of the general valuation roll, such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. 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 rates are based on the following estimated useful lives:

Asset class	Useful lives (Years)
Buildings	
• Buildings	10 - 80 years
Infrastructure assets	
• Electricity	5 - 50 years
• Waste management	5 - 40 years
• Roads, pavements, bridges and storm water	5 - 80 years
• Water	5 - 80 years
• Waste water management	10 - 60 years
Community assets	
• Buildings and other structures (Community)	25 - 50 years
Leased assets	5 - 20 years

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Accounting Policies

1.10 Property, plant and equipment (continued)

Transport assets

- Transport assets 5 - 20 years

Other assets

- Furniture and office equipment 5 - 10 years
- Plant and machinery 2 - 20 years
- Office equipment 3 - 7 years
- IT Equipment 3 - 7 years
- Computer equipment 3 - 6 years
- Other PPE 3 - 7 years

The estimated useful life, residual values and depreciation method are assessed at each reporting date on an indicator basis.

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the municipality's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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 of 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.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of property, plant and equipment.

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.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or surplus when the compensation becomes receivable.

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Accounting Policies

1.10 Property, plant and equipment (continued)

Site rehabilitation and restoration costs

Where the municipality has an obligation to rehabilitate and restore items of property, plant and equipment such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model: -

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

1.11 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified heritage assets. Furthermore land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

Land and buildings that qualify as heritage asset, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage asset.

Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

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Accounting Policies

1.11 Heritage assets (continued)

Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

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

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

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

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Value in use of a non-cash generating asset is the present value of the asset's remaining service potential.

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

Derecognition

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of heritage assets.

Transfers

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

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

1.12 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as 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.

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Accounting Policies

1.12 Intangible assets (continued)

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 of 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.

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

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

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.

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.

Derecognition

Intangible assets 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 on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of financial performance.

1.13 Borrowing costs

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

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Accounting Policies

1.13 Borrowing costs (continued)

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of cash-generating assets

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.

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Impairment of non-cash-generating assets

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Accounting Policies

1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets (continued)

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.

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.

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

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

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.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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

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

Depreciated replacement cost approach:

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1.14 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets (continued)

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

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

Restoration cost approach:

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

Service units approach:

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

1.15 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

Financial instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

1.15.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash.

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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Accounting Policies

1.15 Financial instruments (continued)

Financial assets measured at cost being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost
Investments in stock - Sanlam and OVK	Financial assets at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities and finance leases

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and finance leases and the classification determining how they are measured exist:

- Financial liabilities and finance leases measured at amortised cost; or
- Financial liabilities and finance leases measured at fair value.

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1.15 Financial instruments (continued)

The municipality has the following types of financial liabilities and finance leases as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Payables from exchange transactions	Financial liability at amortised cost
Financial liabilities	Financial liability at amortised cost
Finance leases	Financial liability at amortised cost
Consumer deposits	Financial liability at amortised cost

Financial liabilities and finance leases that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial liabilities and finance leases where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities and finance leases should be classified as financial liabilities and finance leases at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.15.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instruments not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instruments are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Debtors:

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of financial performance.

Fixed and negotiable deposits:

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality will hold to maturity.

Fixed and negotiable deposits are initially and subsequently measured at fair value which in the case of investments that have an original maturity date of less than 12 months equates the cost. Fixed and negotiable deposits held for greater than 12 months are fair valued annually and the difference recognised in the statement of financial performance.

On disposal of Fixed and negotiable deposits, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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Accounting Policies

1.15 Financial instruments (continued)

Loans and receivables:

Loans and receivables are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in the Statement of Financial Performance for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

Subsequent measurement – Financial liabilities and finance leases

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Borrowings and other financial liabilities:

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost

1.15.3 Impairment of financial assets

Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

1.15.4 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and finance leases

The municipality derecognises financial liabilities and finance leases when, and only when, the municipality's obligations are discharged, cancelled or they expire.

1.15.5 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instruments is not active, the municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

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Accounting Policies

1.16 Provisions and other employee liabilities

Provisions and other employee liabilities are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions and other employee liabilities are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions and other employee liabilities are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions and other employee liabilities are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of financial performance as a finance cost as it occurs.

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.

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.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of financial performance.

1.17 Employee benefits

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

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.

Setsoto Local Municipality

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Accounting Policies

1.17 Employee benefits (continued)

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.

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 services 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

Remuneration to employees is recognised in the Statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

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.

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 municipality 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 municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality 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.

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.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of financial position.

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Accounting Policies

1.17 Employee benefits (continued)

Bonus provisions

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of financial performance in the period in which the service is rendered by the relevant employees.

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.

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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.

Long-service allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

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Accounting Policies

1.17 Employee benefits (continued)

National- and provincially administered defined benefit plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis.

Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds are classified in terms of the Standard of GRAP 25 on Employee Benefits as multi employer plans, as sufficient information is not available to apply the principals involved. As a result, this standard of GRAP is applied and such funds are accounted for as defined contribution funds.

1.18 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of financial position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.19 Tax

The municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

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Accounting Policies

1.20 Statutory receivables

1.20.1 Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables
- Rates debtors
- Traffic fine debtors
- Availability charges debtors

1.20.2 Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

1.20.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

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

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

1.20.4 Impairment

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

VAT receivable

VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts. VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts.

Assessment rate debtors and availability charges debtors

Assessment rates debtors and availability charges debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.20 Statutory receivables (continued)

Traffic fine debtors

Traffic fine debtors are reviewed collectively considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of financial performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.20.5 Derecognition

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

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

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

1.21 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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Accounting Policies

1.21 Revenue (continued)

1.21.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment.

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.

Revenue from rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

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 buyer 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.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Revenue (continued)

1.21.2 Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Transfers and subsidies

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, which-ever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

An entity needs to assess the degree of certainty attached to the flow of future economic benefits of service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

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Accounting Policies

1.21 Revenue (continued)

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

An entity needs to assess the degree of certainty attached to the flow of future economic benefits of service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

Services received in-kind

Services in kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.22 Transfers and subsidies – non-exchange expenditure

The municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

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Accounting Policies

1.23 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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 ventures).

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.

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 financial statements.

1.24 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

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

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

1.25 Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991. The municipality account for VAT on a monthly basis.

The municipality is liable to account for VAT at the Standard rate (15%) in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply 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 account for VAT on a monthly basis.

Setsoto Local Municipality

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Accounting Policies

1.26 Grants-in-aid

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

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

These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.27 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

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

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- 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
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The municipality uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the municipality's budget segments within the municipality are grouped per department to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.28 Irregular expenditure

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

Irregular expenditure is defined in section 1 of the MFMA as follows:

"Irregular expenditure", in relation to a municipality or municipal entity, means:

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy

Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made, in other words, the recognition of irregular expenditure will be linked to a financial transaction. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but no limited to, ruling legislation, regulations, frameworks, circulars, instruction notes, practice notes and guidelines.

1.30 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

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Accounting Policies

1.30 Change in accounting policies, estimates and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

1.31 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality. Refer to note 43 and 44.

1.32 Commitments

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

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements
- Other commitments for contracts are be non-cancelable or only cancelable at significant cost contracts should relate to something other than the business of the municipality.

1.33 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.34 Segment reporting

Identification of segments:

The municipality is organised and reports to management on the basis of five major functional directorates.

The directorates are:

- Council and executive;
- Corporate services;
- Community services, and;
- Technical services

Only the community services and technical services directorates have been identified as reportable segments. Management monitors the results of these units to make decisions about resource allocations and assessment of performance. Revenue and expenditure relating to these units are allocated at a transactional level. Cost relating to the governance and administration of the municipality are not allocated to these business units. Segment activities were aggregated for reporting purposes into the two reportable segments.

The executive, finance and corporate services directorates are the governance and administration units of the municipality. However, they are not reportable segments. Their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

The two reportable segments comprise of:

- Community services - which include sport and recreation, housing, public safety, refuse removal, street cleaning and cemeteries, and;
- Technical services - which include energy sources, water management, and waste water management.

Management does not monitor financial performance geographically and does not have reliable separate financial information for geographical areas in the municipal area.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management.

Setsoto Local Municipality

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2. Cash and cash equivalents

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

Call deposits and investments

Short-term deposits	47 619 289	75 001 591
Cash at bank		
Bank balances	18 579 035	18 186 543
Cash on hand	9 207	9 207
Total cash and cash equivalents	66 207 531	93 197 341

Call deposits and investments by financial institution

Institution	Account number	Account type		
First National Bank	621 517 83563	Business Money Market	18 019	17 398
First National Bank	620 490 46205	Call Account	7 393	7 148
First National Bank	623 105 40465	NSTD Account	66 413	37 214
			91 825	61 760
Standard Bank	4844 585 1003	Notice Deposit	2 290 337	12 106 659
Standard Bank	4844 585 1005	Notice Deposit	5 114 993	4 772 726
Standard Bank	4844 585 1009	Notice Deposit	12 234 359	11 417 524
Standard Bank	4844 585 1010	Notice Deposit	10 971 473	10 237 865
Standard Bank	4844 585 1011	Notice Deposit	12 076 673	11 253 159
Standard Bank	4844 585 1012	Notice Deposit	-	5 190 789
			42 687 835	54 978 722
ABSA Bank	937 089 1524	Notice Deposit	1 403 647	19 961 109
Nedbank	3788 116 4646	Notice Deposit	3 435 982	-
Total investments			47 619 289	75 001 591

2.2 Bank accounts - Cash book balances

The municipality has the following bank accounts:

FNB Bank	Account - 620 480 92647	18 579 035	18 186 543
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Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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2. Cash and cash equivalents (continued)

2.3 Difference between cash book and bank statement

2023

	Cash book	Bank statement	Difference
FNB Bank - Account 620 480 92647	18 579 035	18 316 031	263 004

The difference is due to cashier receipts captured before year end and only deposited after year end.

STD Bank - Account 4844 585 1011	12 076 673	12 048 778	27 895
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The difference is due to accrued interest.

30 655 708	30 364 809	290 899
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2022

	Cash book	Bank statement	Difference
FNB Bank - Account 620 480 92647	18 186 543	17 959 931	226 612

The difference is due to cashier receipts captured before year end and only deposited after year end.

Cessions

A cession to the amount of R5 859 105 in favour of Setsoto Local Municipality is held in terms of the upgrading of the Van Soelen outfall sewer pipeline project. The cession is with ABSA bank and the account details are as follows:

ABSA Bank

Linomtha Planthire and Road Construction (Pty) Ltd - account 93 5340 6209	5 859 105	5 808 851
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Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral for the current financial year.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand		2023	2022
3. Receivables from exchange transactions			
Consumer receivables from exchange transactions			
	3.1		
Electricity		26 798 101	22 642 223
Waste management		59 637 406	52 378 525
Waste water management		45 536 999	39 745 296
Water		92 868 641	78 608 884
		224 841 147	193 374 928
Other receivables from exchange transactions			
	3.2		
Other debtors		16 434 424	12 815 165
Total receivables from exchange transactions		241 275 571	206 190 093

The amount disclosed in this note is net of impairment. Refer to note 3.1 & 3.2 for the amount before the provision (gross) and the actual value of the provision.

3.1 Consumer receivables

	2023			2022		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	38 643 402	(11 845 301)	26 798 101	34 864 125	(12 221 902)	22 642 223
Waste management	129 686 777	(70 049 371)	59 637 406	117 948 905	(65 570 380)	52 378 525
Waste water management	95 200 365	(49 663 366)	45 536 999	86 199 713	(46 454 417)	39 745 296
Water	194 118 917	(101 250 276)	92 868 641	169 244 434	(90 635 550)	78 608 884
Total consumer receivables from exchange transactions	457 649 461	(232 808 314)	224 841 147	408 257 177	(214 882 249)	193 374 928

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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3. Receivables from exchange transactions (continued)

3.1.1 Ageing of consumer receivables

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Total by debt type						
Electricity	38 643 402	9 040 596	1 238 145	1 100 949	985 047	26 278 665
Waste management	129 686 777	9 009 725	4 194 501	4 102 817	4 058 649	108 321 085
Waste water management	95 200 365	6 815 712	3 168 619	3 087 714	3 041 714	79 086 606
Water	194 118 917	15 909 106	6 659 116	6 451 683	6 420 935	158 678 077
Total by debt type	457 649 461	40 775 139	15 260 381	14 743 163	14 506 345	372 364 433
Aging per customer group						
Organs of state	13 205 949	2 527 285	688 267	625 595	580 964	8 783 838
Consumers	400 521 731	31 248 864	13 544 335	13 172 365	13 052 409	329 503 758
Industrial/commercial	43 921 781	6 998 990	1 027 779	945 203	872 972	34 076 837
Total by customer group	457 649 461	40 775 139	15 260 381	14 743 163	14 506 345	372 364 433

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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3. Receivables from exchange transactions (continued)

2022

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Total by debt type						
Electricity	34 864 125	8 788 677	1 448 465	1 114 255	899 754	22 612 974
Waste management	117 948 905	8 327 271	3 851 572	3 798 441	3 834 940	98 136 681
Waste water management	86 199 713	6 463 583	2 863 849	2 818 851	2 845 162	71 208 268
Water	169 244 434	13 234 966	5 623 058	5 481 994	5 335 383	139 569 033
Total by debt type	408 257 177	36 814 497	13 786 944	13 213 541	12 915 239	331 526 956
Aging per customer group						
Organs of state	10 363 261	2 448 663	649 185	543 583	365 372	6 356 458
Consumers	359 657 725	27 795 383	12 041 735	11 723 304	11 711 657	296 385 646
Industrial/commercial	38 236 191	6 570 451	1 096 024	946 654	838 210	28 784 852
Total by customer group	408 257 177	36 814 497	13 786 944	13 213 541	12 915 239	331 526 956

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3. Receivables from exchange transactions (continued)

3.1.2 Impairment reconciliation of consumer receivables

	2023			2022		
	Opening balance	Impairment (raised) / reversed	Closing balance	Opening balance	Impairment (raised) / reversed	Closing balance
Consumer receivables from exchange transactions						
Electricity	(12 221 902)	376 601	(11 845 301)	(12 135 802)	(86 100)	(12 221 902)
Waste management	(65 570 380)	(4 478 991)	(70 049 371)	(67 326 672)	1 756 292	(65 570 380)
Waste water management	(46 454 417)	(3 208 949)	(49 663 366)	(47 848 928)	1 394 511	(46 454 417)
Water	(90 635 549)	(10 614 727)	(101 250 276)	(94 468 333)	3 832 783	(90 635 550)
Total consumer receivables	(214 882 248)	(17 926 066)	(232 808 314)	(221 779 735)	6 897 486	(214 882 249)

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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3. Receivables from exchange transactions (continued)

3.1.3 Ageing of impaired consumer receivables

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Aging by debt type						
Electricity	(11 845 301)	(2 771 199)	(379 527)	(337 472)	(301 945)	(8 055 158)
Waste management	(70 049 371)	(4 866 538)	(2 265 629)	(2 216 107)	(2 192 250)	(58 508 847)
Waste water management	(49 663 366)	(3 555 567)	(1 652 980)	(1 610 774)	(1 586 777)	(41 257 268)
Water	(101 250 276)	(8 298 013)	(3 473 321)	(3 365 127)	(3 349 088)	(82 764 727)
Total by debt type	(232 808 314)	(19 491 317)	(7 771 457)	(7 529 480)	(7 430 060)	(190 586 000)
Aging per customer group						
Consumers	(214 476 112)	(17 956 497)	(7 159 503)	(6 936 580)	(6 844 989)	(175 578 543)
Industrial/commercial	(18 332 202)	(1 534 820)	(611 954)	(592 900)	(585 071)	(15 007 457)
Total by customer group	(232 808 314)	(19 491 317)	(7 771 457)	(7 529 480)	(7 430 060)	(190 586 000)

Setsoto Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

3. Receivables from exchange transactions (continued)

2022

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Aging by debt type						
Electricity	(12 221 902)	(3 080 942)	(507 771)	(390 611)	(315 416)	(7 927 162)
Waste management	(65 570 380)	(4 629 312)	(2 141 173)	(2 111 636)	(2 131 927)	(54 556 332)
Waste water management	(46 454 417)	(3 483 329)	(1 543 375)	(1 519 125)	(1 533 304)	(38 375 284)
Water	(90 635 550)	(7 087 727)	(3 011 319)	(2 935 775)	(2 857 260)	(74 743 469)
Total by debt type	(214 882 249)	(18 281 310)	(7 203 638)	(6 957 147)	(6 837 907)	(175 602 247)
Aging per customer group						
Organs of state	(17 500)	(1 489)	(587)	(566)	(556)	(14 302)
Consumers	(198 321 671)	(16 872 404)	(6 648 466)	(6 420 972)	(6 310 922)	(162 068 907)
Industrial/commercial	(16 543 078)	(1 407 417)	(554 585)	(535 609)	(526 429)	(13 519 038)
Total by customer group	(214 882 249)	(18 281 310)	(7 203 638)	(6 957 147)	(6 837 907)	(175 602 247)

Setso Local Municipality

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Notes to the Annual Financial Statements

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2023

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3. Receivables from exchange transactions (continued)

3.1.4 Consumer debt past due not impaired

2023

	2023					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Electricity	26 798 101	6 269 396	858 618	763 477	683 102	18 223 508
Waste management	59 637 406	4 143 187	1 928 871	1 886 710	1 866 399	49 812 239
Waste water management	45 536 999	3 260 146	1 515 639	1 476 940	1 454 937	37 829 337
Water	92 868 641	7 611 093	3 185 795	3 086 557	3 071 846	75 913 350
Total consumer receivables	224 841 147	21 283 822	7 488 923	7 213 684	7 076 284	181 778 434

2022

	2022					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Electricity	22 642 223	5 707 735	940 694	723 644	584 338	14 685 812
Waste management	52 378 525	3 697 959	1 710 399	1 686 804	1 703 013	43 580 350
Waste water management	39 745 296	2 980 254	1 320 475	1 299 727	1 311 859	32 832 981
Water	78 608 884	6 147 239	2 611 740	2 546 219	2 478 123	64 825 563
Total consumer receivables	193 374 928	18 533 187	6 583 308	6 256 394	6 077 333	155 924 706

3.1.5 Consumer receivables pledged as security

No consumer receivables were pledged as security.

3.1.6 Fair value of consumer receivables

In determining the recoverability from exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of receivables from exchange transactions has been made for all balances outstanding based on the payment ratio over a 12 month period per service type. No further credit provision is required in excess of the provision for impairment.

Setsoto Local Municipality

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3. Receivables from exchange transactions (continued)

3.2 Other receivables from exchange transactions

	2023			2022		
	Gross	Impairment	Total	Gross	Impairment	Total
Other receivables from exchange transactions						
Other debtors	29 706 683	(13 272 259)	16 434 424	24 101 705	(11 286 540)	12 815 165

3.2.1 Ageing of other receivables from exchange transactions

2023

	Total	Past due				
		30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions						
Other debtors	29 706 683	2 387 366	973 941	908 982	935 372	24 501 022

2022

	Total	Past due				
		30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions						
Other debtors	24 101 705	1 655 141	673 241	789 733	719 173	20 264 417

Setsoto Local Municipality

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Notes to the Annual Financial Statements

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3. Receivables from exchange transactions (continued)

3.2.2 Impairment reconciliation of other receivables from exchange transactions

	2023			2022		
	Opening balance	Impairment (raised) / reversed	Closing balance	Opening balance	Impairment (raised) / reversed	Closing balance
Other receivables from exchange transactions						
Other debtors	(11 286 540)	(1 985 719)	(13 272 259)	(2 485 581)	(8 800 959)	(11 286 540)

3.2.3 Ageing of other impaired receivables from exchange transactions

2023

	Total	Past due				
		30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions						
Other debtors	(13 272 259)	(1 066 619)	(435 134)	(406 112)	(417 903)	(10 946 491)

2022

	Total	Past due				
		30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions						
Other debtors	(11 286 540)	(775 082)	(315 271)	(369 823)	(336 780)	(9 489 584)

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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3. Receivables from exchange transactions (continued)

3.2.4 Other receivables from exchange transactions past due not impaired

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions						
Other debtors	16 434 424	1 320 745	538 806	502 870	517 469	13 554 534

2022

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Other receivables from exchange transactions						
Other debtors	12 815 165	880 058	357 970	419 910	382 393	10 774 834

3.2.5 Other receivables from exchange transactions pledged as security

No consumer receivables were pledged as security.

3.2.6 Fair value of other receivables from exchange transactions

In determining the recoverability from exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of receivables from exchange transactions has been made for all balances outstanding based on the payment ratio over a 12 month period per service type. No further credit provision is required in excess of the provision for impairment.

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Notes to the Annual Financial Statements

Figures in Rand		2023	2022
4. Receivables from non-exchange transactions			
Consumer receivables			
	4.1		
Property rates		58 604 252	54 107 747
Electricity		317 247	247 909
Waste water management		601 702	527 041
Water		1 068 868	917 913
		60 592 069	55 800 610
Other receivables			
	4.1		
Accrued income		2 100 000	2 100 000
Fines		406 350	276 087
		2 506 350	2 376 087
Total receivables		63 098 419	58 176 697

4.1 Receivables from non-exchange transactions

	2023			2022		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	85 371 183	(26 766 931)	58 604 252	79 217 466	(25 109 719)	54 107 747
Electricity	711 433	(394 186)	317 247	566 750	(318 841)	247 909
Waste water management	1 163 369	(561 667)	601 702	1 027 421	(500 380)	527 041
Water	2 086 305	(1 017 437)	1 068 868	1 843 409	(925 496)	917 913
	89 332 290	(28 740 221)	60 592 069	82 655 046	(26 854 436)	55 800 610
Other receivables						
Accrued income	2 100 000	-	2 100 000	2 100 000	-	2 100 000
Fines	1 855 501	(1 449 151)	406 350	1 358 709	(1 082 622)	276 087
	3 955 501	(1 449 151)	2 506 350	3 458 709	(1 082 622)	2 376 087
Total	93 287 791	(30 189 372)	63 098 419	86 113 755	(27 937 058)	58 176 697

4.1.1 Impairment reconciliation of receivables from non-exchange transactions

	2023			2022		
	Opening balance	Impairment (raised) / reversed	Closing balance	Opening balance	Impairment (raised) / reversed	Closing balance
Consumer receivables						
Property rates	(25 109 719)	(1 657 212)	(26 766 931)	(27 061 514)	1 951 795	(25 109 719)
Electricity	(318 840)	(75 346)	(394 186)	(233 033)	(85 808)	(318 841)
Waste water management	(500 380)	(61 287)	(561 667)	(452 603)	(47 777)	(500 380)
Water	(925 496)	(91 941)	(1 017 437)	(819 062)	(106 434)	(925 496)
	(26 854 435)	(1 885 786)	(28 740 221)	(28 566 212)	1 711 776	(26 854 436)
Other receivables						
Fines	(1 082 622)	(366 529)	(1 449 151)	(704 168)	(378 454)	(1 082 622)
Total	(27 937 057)	(2 252 315)	(30 189 372)	(29 270 380)	1 333 322	(27 937 058)

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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4. Receivables from non-exchange transactions (continued)

4.1.2 Ageing of receivables from non-exchange transactions

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
Property rates	85 371 183	7 494 382	2 536 344	2 349 435	2 225 759	70 765 263
Electricity	711 433	64 747	28 149	27 383	27 306	563 848
Waste water management	1 163 369	83 559	35 982	35 072	34 586	974 170
Water	2 086 305	143 120	63 358	61 823	61 395	1 756 609
	89 332 290	7 785 808	2 663 833	2 473 713	2 349 046	74 059 890
Other receivables						
Accrued income	2 100 000	-	-	-	-	2 100 000
Fines	1 855 501	-	-	-	-	1 855 501
	3 955 501	-	-	-	-	3 955 501
	93 287 791	7 785 808	2 663 833	2 473 713	2 349 046	78 015 391

Setsoto Local Municipality

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4. Receivables from non-exchange transactions (continued)

2022

	Total	30 days	60 days	Past due		
				90 days	120 days	120+ days
Consumer receivables						
Property rates	79 217 466	6 997 998	2 366 265	2 189 182	2 033 119	65 630 902
Electricity	566 750	52 710	20 795	20 099	19 746	453 400
Waste water management	1 027 421	76 011	31 036	30 497	29 907	859 970
Water	1 843 409	128 796	55 472	56 169	56 770	1 546 202
	82 655 046	7 255 515	2 473 568	2 295 947	2 139 542	68 490 474
Other receivables						
Accrued income	2 100 000	-	-	-	-	2 100 000
Fines	1 358 709	-	-	-	-	1 358 709
	3 458 709	-	-	-	-	3 458 709
	86 113 755	7 255 515	2 473 568	2 295 947	2 139 542	71 949 183

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

4. Receivables from non-exchange transactions (continued)

4.1.3 Ageing of impaired receivables from non-exchange transactions

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
Property rates	(26 766 931)	(2 349 759)	(795 235)	(736 632)	(697 855)	(22 187 450)
Electricity	(394 186)	(35 875)	(15 597)	(15 172)	(15 129)	(312 413)
Waste water management	(561 667)	(40 341)	(17 372)	(16 933)	(16 698)	(470 323)
Water	(1 017 437)	(69 796)	(30 898)	(30 149)	(29 941)	(856 653)
	(28 740 221)	(2 495 771)	(859 102)	(798 886)	(759 623)	(23 826 839)
Other receivables						
Fines	(1 449 151)	-	-	-	-	(1 449 151)
	(30 189 372)	(2 495 771)	(859 102)	(798 886)	(759 623)	(25 275 990)

2022

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
Property rates	(25 109 719)	(2 218 170)	(750 040)	(693 909)	(644 442)	(20 803 158)
Electricity	(318 841)	(29 653)	(11 699)	(11 308)	(11 109)	(255 072)
Waste water management	(500 380)	(37 020)	(15 115)	(14 853)	(14 565)	(418 827)
Water	(925 496)	(64 663)	(27 850)	(28 199)	(28 502)	(776 282)
	(26 854 436)	(2 349 506)	(804 704)	(748 269)	(698 618)	(22 253 339)
Other receivables						
Fines	(1 082 622)	-	-	-	-	(1 082 622)
	(27 937 058)	(2 349 506)	(804 704)	(748 269)	(698 618)	(23 335 961)

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
4. Receivables from non-exchange transactions (continued)		
Statutory receivables		
Statutory receivables included in receivables from non-exchange transactions above:		
Property rates	58 604 252	54 107 747
Availability charges - Electricity	317 247	247 909
Availability charges - Waste water management	601 702	527 041
Availability charges - Water	1 068 868	917 913
Traffic fines	406 350	276 087
	60 998 419	56 076 697
Statutory receivables included on the face of the Statement of Financial Position:		
VAT receivable	83 479 311	48 890 292

Property rates

Property rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and Setsoto Local Municipality's Property Rates Policy. A general valuation is performed every five years, with supplementary valuations in between.

The average credit period for property rates receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate +1% per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of property rates receivables.

The management of the municipality is of the opinion that the carrying value of property rates receivables approximate their fair values.

The impairment provision was calculated after individually assessing property rates receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of property rates debtors.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Availability charges on water, electricity and waste water management

Availability charges on water, electricity and waste water management receivables are statutory receivables and arise from basic charges levied on vacant properties in accordance with the relevant bylaws of the Setsoto Local Municipality.

The average credit period for availability charges on water, electricity and waste water management is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate +1% per annum on the outstanding balance. The municipality strictly enforces its approved credit policy to ensure the recovery of availability charges on water, electricity and waste water management receivables.

The management of the municipality is of the opinion that the carrying value of availability charges on water, electricity and waste water management receivables approximate their fair values.

The impairment provision was calculated after individually assessing availability charges on water, electricity and waste water management receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of availability charges on water, electricity and waste water management debtors.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

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2023

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4. Receivables from non-exchange transactions (continued)

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

VAT

VAT is statutory receivables as VAT is paid and received as required by the Value Added Tax Act No 89 of 1991 (VAT Act). VAT is applied to all relevant goods or services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act.

VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts. VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts. Refer to note 6 for balances regarding VAT.

Traffic fines

Traffic fines receivables are statutory receivables and arise from traffic infringements committed and fines issued as a result, in terms of the Criminal Procedure Act, No 501 of 1977.

The Traffic fines must be issued within 30 days of offence, after which it is payable. No interest is charged.

The management of the municipality is of the opinion that the carrying value of Traffic fines receivables approximate their fair values.

The impairment provision was calculated after collectively assessing Traffic fines receivables and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on traffic fines receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Other receivables

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The claims instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for other receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate +1% per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of other receivables.

The management of the municipality is of the opinion that the carrying value of other receivables approximate their fair values.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

4. Receivables from non-exchange transactions (continued)

4.1.4 Ageing of impaired receivables from non-exchange transactions past due not impaired

2023

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
Property rates	58 604 252	5 144 627	1 741 109	1 612 802	1 527 904	48 577 810
Electricity	317 247	28 872	12 553	12 211	12 176	251 435
Waste water management	601 702	43 217	18 610	18 139	17 888	503 848
Water	1 068 868	73 325	32 460	31 673	31 454	899 956
	60 592 069	5 290 041	1 804 732	1 674 825	1 589 422	50 233 049
Other receivables						
Accrued income	2 100 000	-	-	-	-	2 100 000
Fines	406 350	-	-	-	-	406 350
	2 506 350	-	-	-	-	2 506 350
	63 098 419	5 290 041	1 804 732	1 674 825	1 589 422	52 739 399

2022

	Past due					
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables						
Property rates	54 107 747	4 779 828	1 616 225	1 495 273	1 388 678	44 827 743
Electricity	247 909	23 056	9 096	8 792	8 637	198 328
Waste water management	527 041	38 991	15 920	15 644	15 341	441 145
Water	917 913	64 133	27 622	27 969	28 268	769 921
	55 800 610	4 906 008	1 668 863	1 547 678	1 440 924	46 237 137
Other receivables						
Accrued income	2 100 000	-	-	-	-	2 100 000
Fines	276 087	-	-	-	-	276 087
	2 376 087	-	-	-	-	2 376 087
	58 176 697	4 906 008	1 668 863	1 547 678	1 440 924	48 613 224

4.1.5 Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security.

4.1.6 Fair value of receivables from non-exchange transactions

In determining the recoverability of receivables from non-exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of receivables from non-exchange transactions has been made for all balances outstanding based on the payment ratio over a 12 month period per service type. No further credit provision is required in excess of the provision for impairment.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand		2023	2022
5. Inventories			
Consumables		3 558 123	2 500 645
Water	5.1	92 286	112 622
Total Inventories		3 650 409	2 613 267

R 3 650 409 (2022: R 2 613 267) of total inventory was carried at fair value less cost to sell.

5.1 Water

Opening balance		112 622	204 135
System input volume		(20 336)	(91 513)
Closing balance		92 286	112 622

5.2 Inventory pledged as security

No inventory was pledged as security during the current financial year.

6. VAT receivable

Output VAT		(132 710 115)	(110 333 181)
VAT Credit: Output Accrual		69 087 065	42 857 351
VAT receivable / (payable) (control)		7 698 154	2 440 853
VAT receivable		139 404 207	113 925 269
Total		83 479 311	48 890 292

The Municipality is registered on the payment basis, VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

For statutory receivable information regarding VAT refer to note 4.

7. Other current assets

Deposits (Infrastructure project, Fuel and Eskom)		9 193 024	9 063 717
Control clearing accounts		329 202	333 928
Sundry debtors		189 000	189 000
Total		9 711 226	9 586 645

Deposits consist of:

Infrastructure project		5 729 021	5 729 021
Fuel deposits		250 000	250 000
Eskom deposits		3 214 003	3 084 696
		9 193 024	9 063 717

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

8. Other financial assets

8.1 Carrying value of investments

2023

	Fair value	Amortised cost	Total
Carrying value as at 30 June 2023			
Guaranteed endowment policies (sinking)	-	766 730	766 730
Listed/unlisted bonds and stocks	2 504 626	-	2 504 626
Negotiable certificate of deposits: Banks	-	688 620	688 620
Net investment	2 504 626	1 455 350	3 959 976

2022

	Fair value	Amortised cost	Total
Carrying value as at 30 June 2022			
Guaranteed endowment policies (sinking)	-	766 730	766 730
Listed/unlisted bonds and stocks	2 217 931	-	2 217 931
Negotiable certificate of deposits: Banks	-	688 621	688 621
Net investment	2 217 931	1 455 351	3 673 282

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy has the following levels:

Level 1 - Represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 - Applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Applies inputs which are not based on observable market data.

Level 1

Sanlam	840 882	761 911
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As at 30 June 2023, the Sanlam share value was: R58.35 (2022: R52.87).

Level 3

OVK	1 663 744	1 456 020
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Total listed/unlisted bonds and stocks

	2 504 626	2 217 931
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As at 30 June 2023 the OVK share value was as follows:

OVK holdings: R18.00 (2022: R16.20)

OVK operations: R21.10 (2022: R18.00)

Financial assets at amortised cost

Class 1

Sanlam negotiable certificate of deposit	688 621	688 621
Sanlam endowment policies	766 730	766 730
	1 455 351	1 455 351

Setsoto Local Municipality

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Figures in Rand	2023	2022
9. Investment property		
9.1 Reconciliation of carrying value		
Cost	113 353 963	113 353 963
Accumulated depreciation and impairment losses	(37 419 970)	(30 245 416)
	75 933 993	83 108 547
Depreciation	34 (6 806 482)	(7 066 730)
Carrying value of disposals / transfers		
Cost	(240 000)	-
Impairment loss / reversal of impairment loss	35 -	(107 824)
Closing carrying value	68 887 511	75 933 993
Summary		
Cost	113 113 963	113 353 963
Accumulated depreciation and impairment losses	(44 226 452)	(37 419 970)
	68 887 511	75 933 993

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

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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10. Property, plant and equipment

10.1 Reconciliation of carrying value

2023

	Land	Infrastructure assets	Community assets	Leased assets	Transport assets	Other assets	Total
Opening carrying value at 01 July 2022							
Cost	52 200 480	4 808 691 337	414 541 624	30 133 886	25 113 621	18 335 496	5 349 016 444
Work-in-progress	-	248 256 287	-	-	-	-	248 256 287
Accumulated depreciation	-	(2 819 193 937)	(173 247 535)	(23 868 593)	(16 073 926)	(14 991 718)	(3 047 375 709)
Accumulated impairment losses	-	(49 949 709)	(24 512 510)	-	(276 874)	-	(74 739 093)
	52 200 480	2 187 803 978	216 781 579	6 265 293	8 762 821	3 343 778	2 475 157 929
Additions from acquisitions	-	167 167 727	-	-	4 334 912	1 401 865	172 904 504
Additions from transfer	-	-	-	-	-	68 738	68 738
Capitalised costs (including work-in-progress)	-	172 596 213	-	-	-	-	172 596 213
Transfers - Construction work-in-progress	-	(165 661 205)	-	-	-	-	(165 661 205)
Decommissioning and restoration	-	(6 853 769)	-	-	-	-	(6 853 769)
Depreciation	34	(156 165 760)	(20 006 040)	(974 579)	(1 120 506)	(1 148 406)	(179 415 291)
	-	11 083 206	(20 006 040)	(974 579)	3 214 406	322 197	(6 360 810)
Carrying value of disposals							
Cost - disposals	-	(6 990 260)	(5 960 927)	(1 355 610)	(345 970)	(664 836)	(15 317 603)
Accumulated depreciation - disposals	-	3 840 654	4 329 217	1 305 242	247 961	534 406	10 257 480
	-	(3 149 606)	(1 631 710)	(50 368)	(98 009)	(130 430)	(5 060 123)
Impairment loss / reversal of impairment loss	35	(17 607 858)	(4 055 147)	-	(270 420)	-	(21 933 425)
Closing carrying value as at 30 June 2023	52 200 480	2 178 129 720	191 088 682	5 240 346	11 608 798	3 535 545	2 441 803 571

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Summary

Cost	52 200 480	4 962 015 035	408 580 697	28 778 276	29 102 563	19 141 263	5 499 818 314
Cost - construction work-in-progress	-	255 191 295	-	-	-	-	255 191 295
Accumulated depreciation	-	(2 971 519 043)	(188 924 358)	(23 537 930)	(16 946 471)	(15 605 718)	(3 216 533 520)
Accumulated impairment losses	-	(67 557 567)	(28 567 657)	-	(547 294)	-	(96 672 518)
	52 200 480	2 178 129 720	191 088 682	5 240 346	11 608 798	3 535 545	2 441 803 571

The remaining useful lives of all assets were adjusted during 2023, and was treated as a change in accounting estimate (refer to note 47). All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

2022

	Land	Infrastructure assets	Community assets	Leased assets	Transport assets	Other assets	Total
Opening carrying value at 01 July 2021							
Cost	52 200 480	4 611 442 869	414 495 972	30 133 886	25 113 622	17 488 960	5 150 875 789
Construction work-in-progress	-	325 138 125	-	-	-	-	325 138 125
Accumulated depreciation	-	(2 598 933 776)	(150 360 635)	(22 281 475)	(14 617 324)	(13 751 489)	(2 799 944 699)
Accumulated impairment losses	-	(25 214 067)	(22 268 887)	-	-	-	(47 482 954)
	52 200 480	2 312 433 151	241 866 450	7 852 411	10 496 298	3 737 471	2 628 586 261
Additions from acquisitions	-	197 075 779	45 652	-	-	846 529	197 967 960
Capitalised costs (including work-in-progress)	-	120 027 543	-	-	-	-	120 027 543
Transfers - Construction work-in-progress	-	(196 909 381)	-	-	-	-	(196 909 381)
Decommissioning and restoration	-	172 690	-	-	-	-	172 690
Depreciation	34	(220 260 155)	(22 886 903)	(1 587 118)	(1 456 602)	(1 240 227)	(247 431 005)
		(99 893 524)	(22 841 251)	(1 587 118)	(1 456 602)	(393 698)	(126 172 193)
Impairment loss / reversal of impairment loss	35	(24 735 641)	(2 243 622)	-	(276 874)	-	(27 256 137)
Closing carrying value as at 30 June 2022	52 200 480	2 187 803 986	216 781 577	6 265 293	8 762 822	3 343 773	2 475 157 931

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Summary

Cost	52 200 480	4 808 691 338	414 541 624	30 133 886	25 113 622	18 335 489	5 349 016 439
Cost - construction work-in-progress	-	248 256 287	-	-	-	-	248 256 287
Accumulated depreciation	-	(2 819 193 931)	(173 247 538)	(23 868 593)	(16 073 926)	(14 991 716)	(3 047 375 704)
Accumulated impairment losses	-	(49 949 708)	(24 512 509)	-	(276 874)	-	(74 739 091)
	52 200 480	2 187 803 986	216 781 577	6 265 293	8 762 822	3 343 773	2 475 157 931

The remaining useful lives of all assets were adjusted during 2023, and was treated as a change in accounting estimate (refer to note 47). All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

A register containing all information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

10.2 Change in estimate

Useful life of property, plant and equipment

A review of the useful lives and residual values of items of property, plant and equipment has been performed. The change in the estimated useful lives and residual values of various assets of the municipality has resulted in a decrease in depreciation of R 15 723 923 (2022 Decrease: R 134 492 398). Please refer to note 47.

Setsoto Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
10. Property, plant and equipment (continued)		
10.3 Property, plant and equipment under construction		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Ficksburg / Meqheleng Rehabilitation of 1.5km Surfaced Roads and Storm Water Drainage Due to poor performance, as well as failure to implement the scope and management of cashflow by the contractor, the municipality after engaging with the contractor concluded on the termination of the contract. The municipality will use the retention funds on the project to complete the scope. The project was reduced to 1.3km as opposed to the intended scope due to budget constraints and due to damages caused by inclement weather (excessive rains). Technically it was impossible to complete the original scope without addressing the issue of stormwater which was beyond the available budget and approved scope.	6 550 846	6 550 846
Upgrading of the Van Soelen Outfall sewer pipeline and related works in Meqheleng (Phase 2) The project is running behind schedule due to the dispute between the contractor and the consultant which necessitated the municipality to embark on a mediation process in terms of the GCC.	18 418 696	18 418 696
Installation of the prepaid electrical meters The project has been delayed due to inaccessible households and the shortage of electrical meters to be installed. The project was brought back on track during the 2021/2022 financial year and is almost completed.	60 727 435	60 727 435
Electrification of 205 erven (Skeleton park) and 60 erven (Tienie van Rooyen, Clocolan) Phase 2 of the project was implemented later, for the installation of the bulk supply before it could be energized. People occupying the erven before the completion of the project lead to the project being halted.	4 433 070	4 433 070 *
Construction of 400mm diameter pipeline from Cyferfontein to WTW (Senekal) The project suffered delays due to the late delivery of the materials as a result of the COVID backlog from the suppliers. This project was completed during the 2022/2023 financial year.	64 672 067	57 985 383 *
Upgrading of the 50mmD asbestos pipeline in Clocolan/Hlohlolwane This project was fully completed but defects were observed on chambers post completion and the contractor was not responsive timeously as the company got liquidated.	-	38 280 549
Repair of Dam Wall Laaispruit, Marquard (Turnkey) The contractor's performance was not satisfactory and therefore was terminated. While in the process of appointing a new contractor, a storm damaged the wall further which then required new designs and specifications.	13 000 000	13 000 000 #
	167 802 114	199 395 979

* Prior year disclosure note amount corrected.

The project was not disclosed in the 2021/2022 financial year.

Setsoto Local Municipality

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10. Property, plant and equipment (continued)

10.4 Property, plant and equipment pledged as security

2023

	Transport assets	Total
Carrying value of property, plant and equipment as security	5 240 346	5 240 346

2022

	Transport assets	Total
Carrying value of property, plant and equipment as security	6 265 293	6 265 293

10.5 Maintenance of property, plant and equipment

2023

The following maintenance costs were incurred:

	Community assets	Other assets	Total
Maintenance	547 553	4 511 633	5 059 186

2022

The following maintenance costs were incurred:

	Community assets	Other assets	Total
Maintenance	777 776	4 826 759	5 604 535

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Figures in Rand	2023	2022	
11. Heritage assets			
11.1 Reconciliation of carrying value			
2023			
	Historical buildings	Municipal jewellery	Total
Opening carrying value as at 01 July 2022			
Cost	11 021 309	879 150	11 900 459
Summary			
Cost	11 021 309	879 150	11 900 459
2022			
	Historical buildings	Municipal jewellery	Total
Opening carrying value as at 01 July 2021			
Cost	11 021 309	879 150	11 900 459
Summary			
Cost	11 021 309	879 150	11 900 459

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Figures in Rand	2023	2022
12. Intangible assets		
12.1 Reconciliation of carrying value		
2023		
	Computer software	Total
Opening carrying value as at 01 July 2022		
Cost	4 247 016	4 247 016
Accumulated depreciation and impairment	(4 073 887)	(4 073 887)
	173 129	173 129
Additions from acquisitions	186 305	186 305
Amortisation	34 (225 984)	(225 984)
	(39 679)	(39 679)
Closing carrying value as at 30 June 2023	133 450	133 450
Summary		
Cost	4 433 321	4 433 321
Accumulated amortisation and impairment	(4 299 871)	(4 299 871)
	133 450	133 450
2022		
	Computer software	Total
Opening carrying value as at 01 July 2021		
Cost	4 247 016	4 247 016
Accumulated depreciation and impairment	(3 701 763)	(3 701 763)
	545 253	545 253
Amortisation	34 (372 124)	(372 124)
Closing carrying value as at 30 June 2022	173 129	173 129
Summary		
Cost	4 247 016	4 247 016
Accumulated amortisation and impairment	(4 073 887)	(4 073 887)
	173 129	173 129

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
13. Financial liabilities		
Total financial liabilities		
Annuity loans	1 265 103	1 999 335
Less: Current portion transferred to current liabilities		
Annuity loans	(398 412)	(734 232)
Non-current financial liabilities	866 691	1 265 103

13.1 Summary of arrangements

Refer to Appendix 'A' for more detail on financial liabilities.

14. Finance leases

14.1 Carrying value of lease liabilities

2023

2022

	Amortised cost	Total
Carrying value as at 30 June 2022		
Finance lease liability	1 627 032	1 627 032
Transferred to current liabilities	(1 627 032)	(1 627 032)
Total non-current liabilities	-	-

Refer to Appendix 'A' for more detail on finance leases.

It is the municipality's policy to lease certain vehicles, computers, equipment and photo copy machines under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2022: 11%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 10.

14.2 Finance lease payable

The municipality as lessee

The obligations under finance leases are as follow:

Total future minimum lease payments		
Within 1 year	-	1 661 710
Less: Unearned finance revenue	-	(34 678)
	-	1 627 032
Present value of minimum lease payments		
Within 1 year	-	1 627 032

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Figures in Rand	2023	2022
15. Consumer deposits		
Electricity	2 758 896	2 780 186
Rental properties	266 232	275 467
Water	160 970	149 671
Total	3 186 098	3 205 324

Deposits are released on termination of the contract or when the contractual services are delivered.

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Figures in Rand	2023	2022	
16. Payables from exchange transactions			
Bulk purchases	16.1	17 982 156	28 750 846
Contractors	16.2	13 218 804	17 408 966
Control and clearing accounts	16.3	10 456 226	10 545 898
Employee benefits	16.4	25 370 603	25 165 629
Other payables	16.5	31 149 177	36 696 818
Statutory payables	16.6	3 581 692	3 740 345
Total		101 758 658	122 308 502
Current		101 758 658	122 308 502
16.1 Bulk purchases			
Bulk electricity		17 982 156	28 750 846
16.2 Contractors			
Retentions		13 218 804	17 408 966
16.3 Control and clearing accounts			
Medical aid control		2 462 162	2 316 807
Pension control		2 829 699	2 706 625
Prepaid electricity		2 452 020	2 511 147
Salary Control		2 498 649	2 799 586
UIF control		213 696	211 733
Total		10 456 226	10 545 898
16.4 Employee benefits			
Bonus - 13th Cheque		4 930 890	4 761 075
Leave accrual		20 439 713	20 404 554
Total		25 370 603	25 165 629
16.5 Other payables			
Auditor-General of South Africa		1 977	3 472 760
Payables and accruals		17 493 827	19 218 942
Unallocated deposits		3 630 527	3 488 685
Payments received in advance - consumer deposits		10 022 846	10 516 431
Total		31 149 177	36 696 818
16.6 Statutory payables			
Compensation commission (COID)		1 487 109	1 502 700
PAYE deductions		2 094 583	2 237 645
Total		3 581 692	3 740 345

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
17. Unspent grants		
Unspent conditional grants and receipts consist of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	14 602 878
Regional Bulk Infrastructure Grant	19 573 673	46 178 454
Water Services Infrastructure Grant	6 949 047	-
Provincial Government - Free State	8 979 260	8 979 260
Regional Bulk Infrastructure Grant - COVID	13 500 560	13 500 560
	49 002 540	83 261 152
Movement during the year		
Balance at the beginning of the year	83 261 152	55 259 611
Additions during the year	413 801 021	385 890 678
Income recognition during the year	(448 059 633)	(357 889 137)
	49 002 540	83 261 152

Refer to note 29 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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Figures in Rand		2023	2022
18. Provisions and other employee liabilities			
Landfill sites	18.1	28 324 806	32 529 536
Long-service awards	18.2	13 612 558	14 161 144
Closing balance		41 937 364	46 690 680
Transferred to current provisions and other employee liabilities		(1 793 988)	(2 398 801)
Total non-current provisions and other employee liabilities		40 143 376	44 291 879
Non-current		40 143 376	44 291 879
Current		1 793 988	2 398 801
Total		41 937 364	46 690 680

18.1 Landfill sites

Opening Balance		32 529 536	29 785 894
Increases (Passage of Time/Discounted Rate)		2 649 039	2 570 952
Change in provision		(6 853 769)	172 690
Closing balance		28 324 806	32 529 536

In terms of the Mineral and Petroleum Resources Development Act, 2002 (No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites at Ficksburg, Clocolan, Marquard and Senekal.

Provision has been made for this cost based on actual cost calculations received from Consulting Engineers. The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The following assumptions were used to calculate the provision:

- Discount rate 10.32% (2022: 9.39%)
- Inflation rate 5.4% (2022: 7.4%)

Each of the landfill site has different adjusted remaining lifespans (RUL) as follows:

- Ficksburg - 9 years (2022: 11 years)
- Senekal - 9 years (2022: 10 years)
- Marquard - 1 year (2022: 2 years)
- Clocolan - 1 year (2021: 3 years)

The total landfill site area per site is as follows:

- Ficksburg - 60 000 m²
- Senekal - 60 000 m²
- Clocolan - 143 000 m²
- Marquard - 68 000 m²

Location	Proposed rehabilitation date	Post closure monitoring date		
Ficksburg	2032/2033	2062/2063	2 396 519	3 230 018
Senekal	2031/2032	2062/2063	2 328 010	3 198 771
Clocolan	2023/2024	2054/2055	15 619 704	16 998 063
Marquard	2023/2024	2054/2055	7 980 573	9 102 684
			28 324 806	32 529 536

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
18. Provisions and other employee liabilities (continued)		
18.2 Long-service awards		
Opening Balance	14 161 144	13 418 000
Increases	1 280 208	1 357 000
Increases (Passage of Time/Discounted Rate)	1 435 541	1 119 000
Benefits paid and actuarial gains/losses	(3 264 335)	(1 732 856)
Closing balance	13 612 558	14 161 144
Transferred to current provisions	(1 793 988)	(2 398 801)
Total non-current provision	11 818 570	11 762 343
Net benefit expense		
Current service cost	1 280 208	1 357 000
Interest	1 435 541	1 119 000
Benefits paid	(1 467 021)	(1 125 924)
Actuarial (gain) / loss	(1 797 314)	(606 932)
	(548 586)	743 144

An actuarial valuation of the liability in respect of the long service awards was performed by an independent company. The primary purpose of this valuation is to enable the municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and can therefore be used in the compilation of the Annual Financial Statements of the Municipality.

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in the future.

Setsoto Local Municipality

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18. Provisions and other employee liabilities (continued)

Membership data

Number of current employees	621	627
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In estimating the unfunded liability for Long Service Award of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary

It is difficult to predict future investment returns and earnings inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the Long Service Awards arrangement - this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and Current-Service costs are recognised over time.

The key financial and demographic assumptions are summarised below.

Financial variables:

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

	Current valuation	Preceding valuation
Discount rate	10.47 %	11.08 %
CPI (Consumer price inflation)	5.26 %	6.79 %
Normal salary increase rate	6.26 %	7.79 %
Net effective discount rate	3.96 %	3.05 %

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

The method of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 5.54 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 10.47% per annum, and the yield on inflation-linked bonds of a similar term was about 4.47% per annum. This implies an underlying expectation of inflation of 5.26% per annum $([1 + 10.47\% - 0.5\%] / [1 + 4.47\%] - 1)$.

Earnings Inflation Rate:

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the Long Service Awards are based on an employee's earnings at the date of the award.

General Earnings Inflation:

It was assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.26% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. A net discount factor of 3.96% per annum $([1 + 10.47\%] / [1 + 6.26\%] - 1)$ was assumed.

Demographic Assumptions:

Demographic assumptions are required about the future characteristics of current employees who are eligible for Long Service Awards.

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18. Provisions and other employee liabilities (continued)

Average Retirement Age:

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of all ill-health and early retirement. Employees who have passed the assumed retirement age, have been assumed to retire at their next birthday.

Pre-retirement Mortality:

SA85-90.

Withdrawal from Service:

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below:

Age Band	Withdrawal rate females	Withdrawal rate males
20	9 %	9 %
25	8 %	8 %
30	6 %	6 %
35	5 %	5 %
40	5 %	5 %
45	4 %	4 %
50	3 %	3 %
55+	0 %	0 %

Plan Assets:

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA liability.

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18. Provisions and other employee liabilities (continued)

Sensitivity analysis

Salary increase rate:

The valuation bases assume that the salary inflation rate will be 3.96% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	1% Decrease R's	30 June 2023 Valuation basis R's	1% Increase R's
Employer's accrued liability	12 876 662	13 612 558	14 402 685
Employer's current service cost	1 117 530	1 188 322	1 263 434
Employer's interest cost	1 254 271	1 331 320	1 414 046

Mortality decrement:

The table that follows show the impact of a change in the mortality assumption from SA85-90 to SA85-90 with a two-year adjustment:

	30 June 2023 Valuation basis SA85-90 R's	SA 85-90-2 R's
Employer's accrued liability	13 612 558	13 659 635
Employer's current service cost	1 188 322	1 191 466
Employer's expense cost	1 331 320	1 336 249

Defined benefit plan

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below and which are administrated by various pension, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1956 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specified contributions.

Sufficient information was not available to use defined benefit accounting for the funds and it was accounted for as defined contribution plans due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements are compiled for all the funds and not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

The following are defined benefit plans:

- Free State Municipal Pension Fund
- South African Local Authorities Pension Fund

Defined contribution plan:

The following are defined contribution plans:

- Free State Municipal Provident Fund
- South African Local Authorities Provident Fund
- National Fund for Municipal Workers

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18. Provisions and other employee liabilities (continued)

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi-employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund are R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million). The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund were on 30 June 2015. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund are R1 308 million which is adequately financed by assets of R 1 531 million. The actuarial valuation determined that the retirement plan was in a sound financial position.

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Figures in Rand		2023	2022
19. Post-retirement health care benefit liability			
Post-retirement medical aid	19.1	57 041 403	59 496 196
Current liabilities		1 945 626	1 864 445
Non-current liabilities		55 095 777	57 631 751
Total		57 041 403	59 496 196
19.1 Post-retirement medical aid			
The municipality makes provision for post-retirement benefits to eligible councillors and employees.			
Post-employment medical benefits liability			
Present value of defined benefit obligation	19.1.1	57 041 403	59 496 196
19.1.1 Reconciliation of present value of the post-retirement medical benefit obligation			
		Post-employment medical benefits	Total
Defined benefit obligation at 01 July 2021		53 515 000	53 515 000
Interest cost		5 426 000	5 426 000
Current service cost		2 610 000	2 610 000
Actuarial (Gains) / Losses recognised		(549 965)	(549 965)
Benefits paid		(1 504 839)	(1 504 839)
Defined benefit obligation at 30 June 2022		59 496 196	59 496 196
Interest cost		7 666 024	7 666 024
Current service cost		2 726 696	2 726 696
Actuarial (Gains) / Losses recognised		(11 235 379)	(11 235 379)
Benefits paid		(1 612 134)	(1 612 134)
Defined benefit obligation at 30 June 2023		57 041 403	57 041 403

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
19. Post-retirement health care benefit liability (continued)		
19.1.2 Net benefit expense - statement of financial performance		
	Post-employment medical benefits	Total
For the year ended 30 June 2022		
Current service cost	2 610 000	2 610 000
Benefits paid	(1 504 839)	(1 504 839)
Interest cost on benefit obligation	5 426 000	5 426 000
Actuarial gains / losses recognised	(549 965)	(549 965)
Total expense recognised in the statement of financial performance	5 981 196	5 981 196
For the year ended 30 June 2023		
Current service cost	2 726 696	2 726 696
Benefits paid	(1 612 134)	(1 612 134)
Interest cost on benefit obligation	7 666 024	7 666 024
Actuarial gains / losses recognised	(11 235 379)	(11 235 379)
Total expense recognised in the statement of financial performance	(2 454 793)	(2 454 793)

The post-retirement medical plan is a defined benefit plan, of which the members are made up as follows:

Total members		
In service (employee) members	526	533

In accordance with the requirements of GRAP 25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference to Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

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19. Post-retirement health care benefit liability (continued)

19.1.3 Key actuarial assumptions

The principal actuarial assumptions used in determining the present value of the defined benefit obligation for the pension and post-employment medical benefits include:

Discount rate	12.72 %	13.09 %
Consumer price inflation rate	6.78 %	8.10 %
Healthcare cost inflation rate	8.28 %	9.60 %
Net discount rate	4.10 %	3.18 %

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the valuation date for the period over which the liability obligations are to be settled.

Discount rate:

GRAP 25 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 statement of financial position 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 method of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2022 the duration of liabilities was 12.54 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2023 is 12.72% per annum, and the yield on inflation-linked bonds of a similar term was about 5.09% per annum. This implies an underlying expectation of inflation of 6.78% per annum ($[1 + 12.72\% - 0.5\%] / [1 + 5.09\%] - 1$).

Eligible employees and continuation pensioners:

The table below illustrates the average total monthly medical contribution subsidies payable to continuation pensioners and active employees. The employees' contributions are those payable to the employees and their spouses in retirement, at the current rates:

	Average age 30 June 2023	Average employer monthly contribution 30 June 2023
Active employees on medical aid	45.93	3 335
Active employees not on medical aid	46.58	2 240
Continuation pensioners	72.50	3 851

Health care cost inflation rate:

A health care cost inflation rate of 8.28% (2022: 9.60%) has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability.

However, it is relative levels of the discount rate and healthcare inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.10% per annum ($[1 + 12.72\%] / [1 + 8.28\%] - 1$). This year's valuation basis is, therefore, stronger than the previous year's basis from a discount rate perspective.

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19. Post-retirement health care benefit liability (continued)

Demographic assumptions:

A) Mortality during employment

SA 85-90, normal

B) Post-employment mortality

PA(90) table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010.

Withdrawal from service:

If a non-service member leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of assumed rates is set out below:

Age	Withdrawal rate females	Withdrawal rate males
20	9 %	9 %
25	8 %	8 %
30	6 %	6 %
35	5 %	5 %
40	5 %	5 %
45	4 %	4 %
50	3 %	3 %
55+	0 %	0 %

Average retirement age:

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. In-service members who have passed the assumed retirement age, have been assumed to retire at their next birthday.

Continuation of membership:

It has been assumed that 75% of in-service members will remain on the municipality's health care arrangement should they stay until retirement.

Family profile:

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible in-service members on a health care arrangement at retirement will have a spouse dependent on their medical aid. For current retiree members, actual medical aid dependents were used and the potential for remarriage was ignored.

Plan assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the municipality's post-employment health care liability.

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

19. Post-retirement health care benefit liability (continued)

19.1.4 Sensitivity analysis

A one percentage point change in the assumed rate of increase in healthcare inflation would have the following effects:

	Increase	Decrease
2022		
Effect on current service cost	2 971 000	2 196 000
Effect on current interest cost	5 984 000	4 802 000
Effect on the defined benefit obligation	67 503 136	52 292 855
2023		
Effect on current service cost	5 193 757	4 103 009
Effect on current interest cost	7 853 147	6 294 823
Effect on the defined benefit obligation	64 594 894	50 865 611

The effect of a one percent increase and decrease (year following) in the discount rate is as follows:

	1% Decrease R's	30 June 2023 Valuation basis R's	1% Increase R's
Employer's accrued liability	64 661 340	57 041 403	50 751 740
Employer's service cost	5 020 172	2 508 547	4 239 899
Employer's interest cost	7 338 946	7 131 925	6 689 092

The table below shows the impact (year following) of a change in the mortality assumption from PA(90) to PA(90) with a one-year adjustment:

	30 June 2023 Valuation basis R's	PA (90) - 1 year R's
Employer's accrued liability	57 041 403	58 042 758
Employer's service cost	2 508 547	2 537 179
Employer's interest cost	7 131 925	7 053 024

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
20. Property rates		
State	16 677 805	16 621 805
Privately owned properties	40 113 202	39 546 639
Total	56 791 007	56 168 444

Valuation as at 30 June 2023

Residential	2 327 068 100	2 316 567 100
Commercial	620 505 000	620 479 000
State	491 036 200	489 636 200
Municipal	876 097 700	888 634 700
Small holdings and farms	3 972 327 300	3 972 327 300
Churches	66 898 000	66 288 000
Total property valuations	8 353 932 300	8 353 932 300

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.02 (2022: R0.02) is applied to property valuations to determine assessment rates of residential properties. A general rate of R0.04 (2022: R0.04) is applied to property valuations to determine assessment rates of business properties.

Rebates of 41% (2022: 44%) are granted to the residential and state property owners and on farm properties 52% (2022: 55.5%).

Rates are levied on an annual basis with equal payments over twelve months. Interest at prime plus 1% per annum is levied on outstanding rates.

Property rates	68 402 359	64 828 153
Less: Income forgone	(11 611 352)	(8 659 709)
	56 791 007	56 168 444

21. Service charges

Electricity

Consumption - Electricity	90 043 564	91 140 931
Less: Income forgone	(18)	(219)
Total	90 043 546	91 140 712

Waste management

Consumption - Waste management	51 787 594	48 382 632
Less: Income forgone	(11 364 011)	(5 323 177)
Total	40 423 583	43 059 455

Waste water management

Consumption - Waste water management	39 627 751	37 169 039
Less: Income forgone	(8 253 278)	(3 879 439)
Total	31 374 473	33 289 600

Water

Consumption - Water	75 110 761	65 196 889
Less: Income forgone	(10 903 419)	(4 707 571)
Total	64 207 342	60 489 318

Total service charges	226 048 944	227 979 085
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Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
22. Sales of goods and rendering of services		
Building Plan Approval	428 912	181 929
Camping Fees	10 190	3 687
Cemetery and Burial	905 510	1 113 096
Clearance Certificates	148 143	143 350
Escort Fees	77 548	111 161
Photo copies, Faxes and Telephone charges	695	985
Sale of Goods	961 421	415 718
Town Planning and Servitudes	9 039	15 067
Total	2 541 458	1 984 993
23. Rental		
Rental of facilities and equipment	89 650	119 327
Premises	1 878 905	1 905 374
Total	1 968 555	2 024 701
24. Interests on investments		
Interest earned on cash and bank	515 179	261 294
Interest on eskom deposit	129 306	158 490
Interest earned on short-term investments	8 952 286	4 411 500
Total	9 596 771	4 831 284
25. Interest earned from receivables		
Exchange receivables	25.1 43 165 631	30 166 577
Non-exchange receivables	25.2 5 865 942	4 132 568
Total	49 031 573	34 299 145
25.1 Interest earned from exchange receivables		
Consumer receivables		
Service charges	43 165 631	30 166 577
25.2 Interest earned from non-exchange receivables		
Consumer receivables		
Property rates and availability charges	5 865 942	4 132 568
26. Dividends		
External investment	76 713	55 404

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand		2023	2022
27. Fines, penalties and forfeits			
Fines	27.1	644 450	890 770
27.1 Fines			
Traffic fines			
Court fines		640 750	860 770
Other fines			
Pound fees		3 700	30 000
Total		644 450	890 770
28. Licences or permits			
Non-exchange revenue	28.1	27 256	51 201
28.1 Licenses and permits - Non-exchange revenue			
Trading		27 256	51 201

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
29. Transfers and subsidies - Revenue		
Operational		
Monetary allocations	239 155 998	217 481 860
Capital		
Allocations in-kind : Donated assets	68 738	-
Monetary allocations	208 903 745	141 107 276
Total transfers and subsidies: Capital	208 972 483	141 107 276
Total	448 128 481	358 589 136
Monetary allocations: Operational		
Equitable Share	234 466 001	213 017 999
Expanded Public Works Programme Integrated Grant	2 188 000	1 989 000
Local Government Financial Management Grant	2 200 000	2 100 000
Local Government, Water and Related Service SETA	301 997	374 861
	239 155 998	217 481 860
Monetary allocations: Capital		
Municipal Infrastructure Grant	62 602 878	35 189 122
Water Services Infrastructure Grant (WSIG & WSIG 6B)	15 838 086	40 095 817
INEP Grant	-	2 000 000
Regional Bulk Infrastructure Grant	130 462 781	63 822 337
	208 903 745	141 107 276
Equitable share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents received a monthly subsidy of R552 (2022: R506), which is funded from the grant.		
An amount of R51 842 000 was withheld from the equitable share.		
An amount of R700 000 (2022) was recognised under equitable share for the municipal manager's salary debtor receivable from COGTA.		
Expanded Public Works Programme Integrated Grant		
Current year receipts	2 188 000	1 989 000
Conditions met - transferred to revenue	(2 188 000)	(1 989 000)
	-	-
The grant is used for job creation projects in previous disadvantage areas.		
Local Government Financial Management Grant		
Current year receipts	2 200 000	2 100 000
Conditions met - transferred to revenue	(2 200 000)	(2 100 000)
	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
29. Transfers and subsidies - Revenue (continued)		
Local Government, Water and Related Service SETA		
Current year receipts	301 887	374 861
Conditions met - transferred to revenue	(301 887)	(374 861)
	-	-

SETA will ensure that the skill requirements sector is identified and that adequate and appropriate skills are readily given to staff of the Municipality.

Municipal Infrastructure Grant

Balance unspent at the beginning of the year	14 602 878	-
Current year receipts	53 700 000	49 792 000
Conditions met - transferred to revenue	(62 602 878)	(35 189 122)
Roll over withheld	(5 700 000)	-
	-	14 602 878

Conditions still to be met - remain liabilities (see note 17).

In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The municipality reports at year - end all unspent conditional grants were committed to identifiable projects.

The grant is used to supplement municipal capital budget to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants were used construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

Water Services Infrastructure Grant

Balance unspent at the beginning of year	-	5 729 021
Current year receipts	15 301 000	40 095 817
Conditions met - transferred to revenue	(8 351 953)	(40 095 817)
Roll-over withheld	-	(5 729 021)
	6 949 047	-

This grant was used to address water loss control and assisting with water shortage in Clocolan, Marquard and Senekal during drought period.

Conditions still to be met - remain liabilities (see note 17).

Integrated National Electrification Programme Grant

Current year receipts	-	2 000 000
Conditions met - transferred to revenue	-	(2 000 000)
	-	-

This grant is provided by the Department of Energy to upgrade the electric network.

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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29. Transfers and subsidies - Revenue (continued)

Regional Bulk Infrastructure Grant

Balance unspent at the beginning of year	46 178 454	27 050 770
Current year receipts	150 000 000	110 000 000
Conditions met - transferred to revenue	(130 462 781)	(63 822 337)
Roll-over withheld	(46 142 000)	(27 049 979)
	19 573 673	46 178 454

Conditions still to be met - remaining liabilities (see note 17).

The purpose of the grant is to assist the municipality in alleviating water availability and scarcity in the municipal area.

The above note was split between the RBIG and the RBIG Covid portion.

Regional Bulk Infrastructure Grant - COVID

Balance unspent at beginning of year	13 500 560	13 500 560
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Conditions still to be met - remaining liabilities (see note 17).

Water Services Infrastructure Grant - 6B

Current year receipts	7 486 133	-
Conditions met - transferred to revenue	(7 486 133)	-
	-	-

The grant amount is paid to the municipality when the supporting invoices are submitted to the department. No advance grant is received from the transferring department.

Provincial Government - Free State

Balance unspent at beginning of year	8 979 260	8 979 260
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Conditions still to be met - remaining liabilities (see note 17).

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand		2023	2022
30. Operational revenue			
Sundry income		7 040 758	715 812
Commission		367 128	1 193 657
Incidental Cash Surpluses		1 160	734
Insurance Refund		301 819	1 141 861
Total		7 710 865	3 052 064
31. Fair value adjustments and gain/(loss) on disposal of fixed and intangible assets			
Gains/(losses) on disposals	31.1	(4 450 385)	477 806
Fair value adjustment	31.2	286 696	95 273
Total		(4 163 689)	573 079
31.1 Gains/(losses) on disposals			
Investment property		(240 000)	-
Property, plant and equipment		(4 210 385)	477 806
Total		(4 450 385)	477 806
31.2 Fair value adjustment			
Investments		286 696	95 273
32. Employee related cost			
Senior management	32.1	6 164 100	6 027 860
Municipal staff	32.2	214 073 464	218 479 369
Total		220 237 564	224 507 229

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Notes to the Annual Financial Statements

Figures in Rand

32. Employee related cost (continued)

32.1 Senior management costs

2023

	Municipal manager - Mrs. FN Malatjie	Chief financial officer - Mr NL Moletsane	Director: Technical Services - Mr DT Marotholi	Director: Corporate Services - Mr TP Motsima	Director: Development, Planning and Security Services - Mr TR Zondo	Total
Basic salary	762 461	1 064 352	1 102 173	920 900	538 801	4 388 687
Bonuses	-	107 099	-	97 133	95 065	299 297
Service-related benefits	-	-	-	66 813	275 598	342 411
Allowances	398 536	171 305	169 145	300 495	85 192	1 124 673
Unemployment insurance	1 594	2 125	2 125	2 125	1 063	9 032
	1 162 591	1 344 881	1 273 443	1 387 466	995 719	6 164 100

During the year the following personnel acted as municipal manager:

- Mr TP Motsima for the period July 2022 - September 2022 - Acting allowance of R66 813

During the year Mr ME Fokane acted as Director DPSS for the period February 2023 - June 2023, he received an acting allowance of R162 504.

Included in the MM and Directors salaries are accruals that were made regarding backpay on salaries for the current financial year but only approved during 2023/24 financial year.

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Notes to the Annual Financial Statements

Figures in Rand

32. Employee related cost (continued)

2022

	Municipal manager - Mr STR Ramakarane	Chief financial officer - Mr NL Moletsane	Director : Corporate Services - Mr TP Motsima	Director : Development, Planning and Security Services - Mr TR Zondo	Total
Basic salary	1 737 436	966 166	830 044	946 545	4 480 191
Bonuses	98 470	68 636	65 392	73 826	306 324
Service-related benefits	288 421	-	14 178	-	302 599
Allowances	325 848	162 600	283 366	158 432	930 246
Unemployment insurance	2 125	2 125	2 125	2 125	8 500
	2 452 300	1 199 527	1 195 105	1 180 928	6 027 860

Municipal manager:

For the appointment of the municipal manager, Mr STR. Ramakarane, COGTA agreed to finance an amount of R700 000 per annum towards the salary of the municipal manager. Funds received during the financial period amounted to R0 (2021: R0).

Director Engineering:

During the year the following personnel acted as director engineering:

- Mr MA Mokhethoa for the period July 2021 - September 2021 - Acting allowance of R87 567
- Mr SM Mofubetsoane for the period October 2021 - March 2022 - Acting allowance of R191 831
- Mr WR De Villiers for the period April 2022 - June 2022 - Acting allowance of R84 406

*During the 2022/2023 financial year the salary disclosure was corrected for senior managers with regards to non-pensionable allowances and acting allowances. Refer to note 55 for more detail.

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
32. Employee related cost (continued)		
32.2 Municipal staff costs		
Basic salary	127 929 889	123 387 276
Bonuses	10 526 501	10 150 220
Service-related benefits	18 661 097	18 102 732
Allowances	15 371 390	17 310 892
Bargaining council	78 939	77 915
Group life insurance	935 483	854 346
Medical	16 330 658	15 722 369
Pension	22 894 089	22 236 965
Post-retirement benefit: Medical	(842 659)	7 486 035
Post-retirement benefit: Long service	918 434	1 869 068
Unemployment insurance	1 269 643	1 281 551
Total	214 073 464	218 479 369

*During the 2022/2023 financial year the salary disclosure was corrected for senior managers with regards to non-pensionable allowances and acting allowances. The disclosure was also corrected for municipal staff costs - allowances - housing. Refer to note 55 for more detail.

Service-related benefits consist of:

Overtime payments	13 415 446	13 029 466
Leave pay charge	1 697 322	2 520 028
Acting allowances	3 548 329	2 553 238
	18 661 097	18 102 732

Allowances consist of:

Travel allowance	13 587 129	13 251 622
Housing benefits and allowances	1 235 297	3 503 437
Telephone allowance	548 964	555 833
	15 371 390	17 310 892

Post-retirement benefit : Medical consists of:

Current service cost	2 726 696	2 610 000
Actuarial (gain) / loss	(11 235 379)	(549 965)
Interest cost	7 666 024	5 426 000
	(842 659)	7 486 035

Post-retirement benefit : Long service consists of:

Current service cost	1 280 208	1 357 000
Actuarial (gain) / loss	(1 797 314)	(606 932)
Interest cost	1 435 540	1 119 000
	918 434	1 869 068

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Notes to the Annual Financial Statements

Figures in Rand		2023	2022
33. Remuneration of councillors			
Executive mayor	33.1	946 769	875 874
Speaker	33.2	774 716	633 861
Executive committee	33.3	3 612 610	3 231 431
All other councillors	33.4	8 737 943	8 130 177
Total		14 072 038	12 871 343
33.1 Executive mayor			
Allowances and service related benefits			
Basic salary		676 935	633 590
Cell phone allowance		44 400	40 700
Travelling allowance		225 434	201 584
		946 769	875 874
33.2 Speaker			
Allowances and service related benefits			
Basic salary		547 879	442 828
Cell phone allowance		44 000	40 700
Travelling allowance		182 837	150 333
		774 716	633 861
33.3 Executive committee			
Allowances and service related benefits			
Basic salary		2 545 165	2 364 582
Cell phone allowance		220 800	207 807
Travelling allowance		846 645	659 042
		3 612 610	3 231 431
33.4 All other councillors			
Allowances and service related benefits			
Basic salary		6 626 791	6 159 227
Cell phone allowance		1 125 787	1 132 955
Travelling allowance		985 365	837 995
		8 737 943	8 130 177

In kind benefits

The Executive Mayor, Speaker, and Mayoral Committee members are employed full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and Speaker has use of a Council owned vehicle for official duties.

Salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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Notes to the Annual Financial Statements

Figures in Rand		2023	2022
34. Depreciation and amortisation			
Amortisation			
Intangible assets	12.1	225 984	372 124
Depreciation			
Investment property	9.1	6 806 482	7 066 730
Property, plant and equipment	10.1	179 415 291	247 431 005
		186 221 773	254 497 735
Total		186 447 757	254 869 859
35. Impairment losses			
Investment property	9.1	-	107 824
Property, plant and equipment	10.1	21 933 426	27 256 137
Receivables from exchange transactions		17 314 595	1 655 191
Receivables from non-exchange transactions		2 222 501	(1 364 629)
Total		41 470 522	27 654 523
36. Finance costs			
Interest	36.1	3 397 412	4 671 055
36.1 Interest cost			
Financial liabilities			
• Financial liabilities		207 489	283 900
		207 489	283 900
Finance leases		34 678	738 523
Unwinding of provision for landfill sites	18.1	2 649 039	2 570 952
Overdue accounts		506 206	1 077 680
		3 189 923	4 387 155
Total		3 397 412	4 671 055
37. Bulk purchases			
Electricity: Eskom		91 044 547	93 197 809
38. Inventory consumed			
Materials and supplies		9 095 941	11 850 803

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand		2023	2022
39. Contracted services			
Consultants and professional services	39.1	18 519 349	12 822 947
Contractors	39.2	10 675 953	8 220 201
Outsourced services	39.3	4 318 112	4 550 084
Total		33 513 414	25 593 232
39.1 Consultants and professional services			
Business advisory services			
Accounting and auditing		6 355 993	5 217 095
Audit committee		346 599	473 590
Business and financial management		6 695 243	3 728 122
Valuer and assessors		1 902 481	-
Total business advisory services		15 300 316	9 418 807
Laboratory services			
Water		542 786	382 930
Legal services			
Legal advice and litigation		1 979 377	2 189 793
Infrastructure and planning services			
Town planner infrastructure and planning		696 870	831 417
Total consultants and professional services		18 519 349	12 822 947
39.2 Contractors			
General services			
Artists and performers		26 500	-
Electrical		598 790	250 953
Employee wellness		4 900	19 662
Plants, flowers and other decorations		42 500	-
Safeguard and security		4 290 332	2 345 051
Total general services		4 963 022	2 615 666
Maintenance services			
Maintenance of buildings and facilities		547 553	777 776
Maintenance of equipment		276 192	869 007
Maintenance of unspecified assets		4 889 186	3 957 752
Total maintenance service		5 712 931	5 604 535
Total contractor		10 675 953	8 220 201

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
39. Contracted services (continued)		
39.3 Outsourced services		
Business and advisory services		
Communications	380 000	380 000
Human Resources	37 483	-
Total business and advisory services	417 483	380 000
General services		
Burial Services	94 322	173 938
Catering Services	450 281	116 450
Hygiene Services	7 200	150 680
Meter Management	98 172	83 848
Sewerage Services	3 187 824	3 611 388
Transport Services	62 830	33 780
Total general services	3 900 629	4 170 084
Total outsourced services	4 318 112	4 550 084
40. Operational costs		
Achievements and Awards	3 455	7 680
Advertising, Publicity and Marketing	391 432	447 899
Bank Charges, Facility and Card Fees	827 410	982 299
Commission	1 885 309	1 507 267
Communication	1 457 534	1 547 001
Courier and Delivery Services	40 294	546
Entertainment	88 923	-
External Computer Service	5 230 414	4 511 891
Hire Charges	8 676 959	1 395 078
Insurance Underwriting	2 635 758	3 174 310
Licences	699 915	694 252
Permits	-	413 610
Printing, Publications and Books	354 522	299 268
Professional Bodies, Membership and Subscription	2 628 854	2 449 810
Registration and Training Fees	760 398	641 410
Remuneration to Ward Committees	2 065 530	1 045 195
Skills Development Fund Levy	1 960 434	1 905 108
Travel and Subsistence	1 658 917	1 112 663
Uniform and Protective Clothing	2 084 056	640 985
Wet Fuel	10 653 885	8 066 552
Workmen's Compensation Fund	1 251 036	1 629 339
Total	45 355 035	32 472 163
41. Operating leases		
Furniture and Office Equipment	355 935	1 080 180
Operating leases (as a lessee)		
Within one year	-	363 330

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
42. Net cash from/(used) operating activities		
Surplus (deficit) for the year	73 011 350	(111 100 506)
Adjustments for:		
Depreciation and amortisation	186 447 757	254 869 859
Bad debts written off	81 641 763	113 923 847
Actuarial gains / losses	(13 032 692)	(1 156 897)
(Gains) / Losses on disposal of assets	4 450 385	(477 806)
Fair value adjustment	(286 696)	(95 273)
Finance costs - employee benefits	9 101 565	6 545 000
Finance costs - provisions	2 649 039	2 570 952
Impairment loss	41 470 522	27 654 523
Donated asset	(68 738)	-
Interest accrual	13 009	-
Employee benefit movement	927 749	1 336 237
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(9 155 367)	(14 586 294)
(Increase) / Decrease in inventory	(1 037 142)	176 964
(Increase) / Decrease in receivables from exchange transactions	(132 155 275)	(115 171 705)
(Increase) / Decrease in consumer deposits	(19 226)	11 295
(Increase) / Decrease in VAT receivable	(34 589 019)	(17 729 694)
Increase / (Decrease) in trade and other payables	(20 549 844)	2 515 489
Increase / (Decrease) in unspent conditional grants and receipts	(34 258 612)	28 001 543
Net cash flows from operating activities	154 560 528	177 287 534

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
43. Contingent liabilities		
MM. Masisi	3 788 206	3 788 206
Former CFO claiming breach of contract. The matter is pending. On the 13th of May 2021, the Municipality received a settlement offer of R735 060 plus an annual interest of 10.25%, and a list of admissions, from Ms. Masisi's attorneys Cowan Harper Madikizela, however, the Municipality has rejected the settlement offer and has opted to proceed with defending the matter in court, due to the Municipality's prospects of success as advised by counsel in the matter. The matter is still pending, awaiting a court date.		
IMATU obo F.Viljoen & M Marx	982 446	345 264
Applicants alleges unfair labour practice by the Municipality by not remunerating them like other managers.		
An amount of R89 338 was awarded per manager as per the arbitration process at 30 June 2021. The municipality has obtained a legal opinion, and the legal opinion states that there is a low probability that this amount will have to be paid. The matter is still pending, judgment has been reserved.		
Linomtha	5 213 566	5 213 566
The contractor is disputing the claims paid to him for the work done on the project Van Soelen Sewer Line.		
Mr. Zondi	-	30 000
Damaged palisade (Third part) at 65 Bloem Street Ficksburg during work in progress by the municipality. The matter has been resolved.		
Mr. Xaba	-	26 000
Third party's vehicle slipped and he lost control of a vehicle due to water and oil on the street which caused him to collide with another vehicle. Claim submitted to the Municipality's insurance. Claimant seems to have abandoned claim as he has not approached the Municipality since submitting the claim in September 2019. The matter has been resolved.		
Mr. Swanepoel	-	30 000
Damaged wall of third party during repairs of pipe burst at Caledon park in front of Sand and Klip Ficksburg. The matter has been resolved		
L. Mokoena	54 833	54 833
Claim for R54 833 for vehicle damages as a result of colliding with a third party's vehicle whilst trying to avoid a pothole on Andries Pretorius street in Clocolan on the 10th of July 2020. The matter is pending. The claimant's attorneys, Van Breda & Herbst are demanding R54 832.82 from the Municipality. The claim has been submitted to the Department of Engineering Services for investigation, and the claimant has been asked to provide supporting documentation in relation to the claim. The Municipality is awaiting the supporting documentation from the claimant's attorneys.		
Roland Bottin	-	530 545
Mr. Bottin is alleging that the Municipality, alternatively, the MEC for Roads and Transport, is responsible for alleged incident which allegedly resulted in his injuries, medical expenses and loss of income. The plaintiff's attorneys, Corne Van De Venter Inc, are demanding R530 545. The matter has been resolved.		

Setsoto Local Municipality

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43. Contingent liabilities (continued)		
J. Smith Collision between a municipal vehicle and the claimant's insured vehicle, the claimant is demanding compensation for damages. The letter of demand was handed over to the Department of Engineering Services for investigation, and Third -Party claim has been submitted to the Municipality's insurers for assessment. The matter is still pending.	38 252	38 252
T. Lithakong Damaged electrical appliances (AEG Double oven stove, AEG electric hob, HITACHI side by side double door fridge, Hisense dishwasher) due maintenance which took place on the 5th of January 2022. Claim submitted to Department of Engineering Services for investigation, and they indicated that the electricians were correcting a neutral line which was going live. Legal Services are awaiting further reports on whether any damages were reported to the electricians on site on the day in question. The matter is still pending.	44 500	44 500
Louie Fourie Claim to fire damages, causing damage and destroying 80 000 rose trees. Weed guard (100) at a cost of R4000 per unit. Gyro Gardener Greenhouse. 80000 Mini Sprinklers at a cost of R35.00 per unit. Poles, Pipes & fencing, joints, taps R50 000. Netting Drip irrigation, water tanks & plastic canvas. 77 hectares of field destroyed due to the fire. Loss of income over four consecutive years at an income of R300 000 per year. The claim was submitted to the Department of Development Planning and Social Security for investigation, and claim has been submitted to the Municipality's insurers. The matter is still pending.	13 496 359	13 496 359
A. Gobey Mr. Gobey's letter of demand was received on the 13th of September 2022 from his attorneys N.O Oelofse, demanding an amount of R20 815,00 for damages allegedly suffered in an accident on Voortrekker Street in Senekal on the 29th of August 2022. Proposed settlement letter of R13 000 was sent to the MM's office for perusal. They are awaiting more information pertaining to the alleged accident.	20 815	-
Dupas Panelbeaters On the 26th of June 2023 the Municipality was served with a combined summons from the lawyers representing Dupas Panelbeaters, claiming an amount of R968 053 for repairs and maintenance done to Municipal vehicles during the period 2 September 2022 to 10 May 2023. The matter is still pending. An amount of R653 745 was settled after year end.	314 308	-
	23 953 285	23 597 525
44. Contingent assets		
Bastian Finance and Sharp Connect Civil Claim for R208 280.30 for unauthorised and illegal deduction from the municipal account after the services of Sharp Connect were terminated in July 2015. Matter pending. Ponoane Attorneys are still in the process of locating Bastian Finance to recover the amount, but have, as at 30 June 2021, remained unsuccessful. The matter is still pending.	208 280	208 280
Senekal Motor Ingenieurs BK Service Provider claims for motor repair services and the case is likely to be in the favour of the municipality. The matter is still pending.	40 908	-

Setsoto Local Municipality

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45. Related party disclosures

45.1 Nature of related party relationships

Related entities

Vrede Marina Home Owners Association : Reg number 2017/485309/08 (Director : NF Malatjie - Municipal Manager)

KNTLD Trading : Reg number 2007/038077/23 (Member : NL Moletsane - CFO)

MDJ Entertainment : Reg number 2009/020357/23 (Member : NL Moletsane - CFO)

Mhlekezzi Investment Holdings : Reg number 2021/496181/07 (Director : NL Moletsane - CFO)

Bright Idea Project 2397 : Reg number 2009/201765/23 (Member : TP Motsima - Director DCS)

Lindiwe Makhalema Foundation : Reg number 2019/362236/08 (Director : TP Motsima - Director DCS)

Motjha Iketsetse Trading : Reg number 2006/044703/23 (Member : TP Motsima - Director DCS)

Motsima Trading : Reg number 2006/214460/23 (Member : TP Motsima - Director DCS)

Phatsima Suppliers : Reg number 2006/038397/23 (Member : TP Motsima - Director DCS)

Phatsimo Security Services : Reg number 2006/180316/23 (Member : TP Motsima - Director DCS)

Big Brothers Trading : Reg number 2006/082498/23 (Member : TP Motsima - Director DCS)

Tshepiso Flying Pest Control and Contractors : Reg number 2006/192177/23 (Member : TP Motsima - Director DCS)

Manthateng Enterprise : Reg number 2017/282819/07 (Director : TR Zondo - Director DPSS)

Poloko Trading 536 : Reg number 2006/055436/23 (Member : TR Zondo - Director DPSS)

Dilemopumo Enterprise : Reg number 2014/1091150/07 (Director : DT Marotholi - Director DTS)

Marotholi Education Trust : Reg number 2017/016405/08 (Director : DT Marotholi - Director DTS)

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45. Related party disclosures (continued)

Phasa and Marotholi Consortium : Reg number 2016/246450/07 (Director : DT Marotholi - Director DTS)

Pinnacle Investment Holdings : Reg number 2016/251973/07 (Director : DT Marotholi - Director DTS)

TA Group : Reg number 2016/225535/07 (Director : DT Marotholi - Director DTS)

No business was conducted with any of the above mentioned companies by Setsoto Local Municipality.

46. Events after the reporting date

Adjusting event

1. In the matter Dupas Panelbeaters and Trading vs Setsoto Local Municipality, the municipality settled an amount of R653 745 on 17 October 2023. The contingent liabilities note was updated, and a creditor was raised on year end amounting to R653 745.

47. Change in estimate

The useful lives of all asset classes were adjusted during 2023 to more accurately reflect the period of economic benefits or service potential derived from these assets. The effect of changing the remaining useful life of assets for the municipality during 2023 are as follows:

Increase / (Decrease) in depreciation per asset class:

Property, plant and equipment	(15 723 923)	(134 492 398)
Investment property	(85 092)	1 637 815
Intangible assets	(57 884)	(389 659)
	(15 866 899)	(133 244 242)

48. Unauthorised, irregular, fruitless and wasteful expenditure

48.1 Unauthorised expenditure

Opening balance as previously reported	623 533 626	446 916 335
Add: Unauthorised expenditure – current	150 478 952	176 617 291
Closing balance	774 012 578	623 533 626

Unauthorised expenditure derived mainly from depreciation and debt provisions which are non-cash financial entries.

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48. Unauthorised, irregular, fruitless and wasteful expenditure (continued)		
48.2 Irregular expenditure		
Opening balance as previously reported	335 949 828	282 339 840
Correction of prior period error	(339 310)	-
Opening balance as restated	335 610 518	282 339 840
Add: Irregular expenditure - current	19 868 984	53 609 988
Less: Amounts written-off – prior period	(258 326)	-
Closing balance	355 221 176	335 949 828
Incident/cases identified in the current year include those listed below:		
Expenditure items identified where the SCM processes and procedures were not followed	19 868 984	48 317 766
Procurement without competitive bidding	-	15 673
BAC composition	-	5 276 549
Total	19 868 984	53 609 988
Payments to be recouped:		
Opening balance	191 967	191 967
Correction of error details:		
Balance as previously reported	335 949 828	282 339 840
Add: VAT calculation error	113 855	-
Less: Irregular expenditure removed	(3 097 224)	-
Add: Additional irregular expenditure identified	2 644 059	-
	335 610 518	282 339 840

The irregular amounts disclosed above are exclusive of VAT.

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Figures in Rand	2023	2022
48. Unauthorised, irregular, fruitless and wasteful expenditure (continued)		
48.3 Fruitless and wasteful expenditure		
Opening balance as previously reported	4 271 772	2 741 330
Correction of prior period error	(64 077)	139 851
Opening balance as restated	4 207 695	2 881 181
Add: Fruitless and wasteful expenditure – current	844 245	2 147 448
Less: Amounts written-off – current	-	(756 857)
Less: Amounts written-off – prior period	(1 767 725)	-
Closing balance	3 284 215	4 271 772
Details of fruitless and wasteful expenditure:		
Payments made on interest and penalties	842 685	1 134 678
Other payments	1 560	1 012 770
Total	844 245	2 147 448
Correction of error details		
Balance as previously reported	4 271 772	2 741 330
Add: Amounts not previously included	80 748	139 851
Less: VAT incorrectly included	(139 851)	-
Less: Amounts previously incorrectly included	(4 974)	-
	4 207 695	2 881 181

The fruitless and wasteful amounts disclosed above are exclusive of VAT.

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49. Councillor's municipal accounts in arrears

30 June 2023

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SM Constable	2 540	40 837	43 377
Councillors PE Koqo	1 987	6 881	8 868
Councillor TG Makhalanyane	-	8 164	8 164
Councillor MJ Maleke	3 850	19 686	23 536
Councillor TS Manako	2 425	21 347	23 772
Councillor MF Odendaal	56	393	449
Councillor MD Mofokeng	1 852	1 968	3 820
Councillor LE Mohanoe	3 073	31 013	34 086
Councillor MJ Mokhobo	4 174	41 213	45 387
Councillor ME Letube	4 365	34 174	38 539
Councillor TP Motsoane	2 039	13 106	15 145
Councillor TI Mthimkhulu	84 853	35 199	120 052
Councillor MA Ponya	2 132	14 384	16 516
Councillor LD Thamae	5 800	33 862	39 662
	119 146	302 227	421 373

30 June 2022

	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor SM Constable	2 561	50 475	53 036
Councillor PE Koqo	1 899	15 155	17 054
Councillor TG Makhalanyane	-	8 164	8 164
Councillor MJ Maleke	2 137	27 463	29 600
Councillor TS Manako	2 268	21 786	24 054
Councillor SJ Mbiwe	10 851	42 633	53 484
Councillor MD Mofokeng	1 701	5 240	6 941
Councillor LE Mohanoe	3 258	41 018	44 276
Councillor MJ Mokhobo	1 691	16 154	17 845
Councillor LG Mokoakoe	2 562	99	2 661
Councillor TP Motsoane	2 005	22 727	24 732
Councillor TI Mthimkhulu	3 298	38 380	41 678
Councillor MA Ponya	2 019	24 431	26 450
Councillor LD Thamae	5 486	61 010	66 496
	41 736	374 735	416 471

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49. Councillor's municipal accounts in arrears (continued)

During the year the following Councillors' had arrear accounts outstanding for more than 90 days

30 June 2023

	Highest amount outstanding	Ageing in days
Councillor SM Constable	43 377	1 533
Councillor PE Koqo	8 868	392
Councillor MJ Maleke	23 535	557
Councillor TS Manako	23 773	879
Councillor MD Mofokeng	3 820	184
Councillor LE Mohanoe	34 086	1 067
Councillor MJ Mokhobo	45 387	1 011
Councillor TP Motsoane	15 145	652
Councillor TI Mthimkhulu	120 053	336
Councillor MA Ponya	16 516	682
Councillor LD Thamae	39 661	602
Councillor MF Odendaal	448	746
Councillor ME Letube	38 539	829
	413 208	9 470

30 June 2022

	Highest amount outstanding	Ageing in days
Councillor SM Constable	53 775	1 267
Councillor PE Koqo	17 736	867
Councillor TG Makhalanyane	8 164	1 819
Councillor MJ Maleke	30 821	1 346
Councillor TS Manako	33 322	1 372
Councillor SJ Mbiwe	54 720	478
Councillor MD Mofokeng	7 190	393
Councillor LE Mohanoe	46 476	1 660
Councillor MJ Mokhobo	17 845	988
Councillor LG Mokoakoe	2 661	1 583
Councillor TP Motsoane	25 526	1 189
Councillor TI Mthimkhulu	42 602	1 158
Councillor MA Ponya	27 243	1 261
Councillor LD Thamae	68 808	1 161
Councillor TL Langa	3 767	528
Councillor TE Makae	3 894	307
Councillor MM Mokhele	25 865	353
Councillor SM Mokheseng	2 819	328
Councillor MA Motloenya	4 927	318
Councillor JM Vermeulen	12 640	199
Councillor I Vries	3 959	213
	494 760	18 788

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50. Deviations from SCM regulations - SCM Regulation 36

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 financial statements.

Various goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the normal procurement processes as required by paragraph 12(1) of the same gazette. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. These deviations were recorded and reported to the meeting of council.

Deviation summary listing:

Emergency cases	7 149 882	7 005 797
Sole / Limited provider	748 507	2 352 943
Impractical to follow SCM process	3 213 638	3 185 986
Technical nature of the service	533 654	175 469
Works of art	26 500	-
Total amount approved by the accounting officer and noted by council	11 672 181	12 720 195

Setsoto Local Municipality

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51. Awards to close family members - SCM Regulation 45

Awards to close family members of persons in the service of Setsoto Local Municipality

Supplier name	Employee name	Relationship	Department	2023	2022
Lira Transport	MP. Lira	Close family relation	Asset clerk	-	8 300
Mthembana Construction	S. Melithafa	Close family relation	Human resource advisor	36 225	-
Selane Transport	NMA. Selane	Close family relation	Traffic officer	6 000	11 540
Tlou Letebele	T. Shabalala	Owner of Tlou Letebele	EPWP employee	-	35 966
MC Enterprise	ML. Mthimkulu	Close family relation	Councillor	-	13 248
Dupas Panelbeaters and Trading	LK. Sehlabaka	Close family relation	Messenger	978 861	1 137 887
Mofuta Trading (Pty) Ltd	NS. Mofuta	Close family relation	Human resource clerk	23 116	40 278
Bosamadula	MA. Makelefone	Close family relation	Operator water works	56 925	2 300
Lechabile	F. Mahlasane	Close family relation	Operator roads and stormwater	64 332	-
Manthoto Enterprise	K. Qacha	Close family relation	Traffic officer	187 088	-
Matselane Monyane	T. Monyane	Close family relation	Archive clerk	20 000	3 500
				1 372 547	1 253 019

The amounts of R2 300 and R3 500 for the 2021/2022 financial year with regards to Bosamadula and Matselane Monyane was not disclosed in the 2021/2022 financial year due to an error.

Setsoto Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand					2023	2022
52. Additional disclosures in terms of the Municipal Finance Management Act						
	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2023						
Opening balance	-	3 472 760	2 237 645	211 733	2 706 625	2 316 807
Subscription/fees	2 293 995	7 382 298	26 626 200	2 557 506	33 618 615	28 424 558
Amount paid	(2 293 995)	(10 627 796)	(26 769 262)	(2 555 543)	(33 495 541)	(28 279 203)
Credit notes	-	(225 285)	-	-	-	-
Total	-	1 977	2 094 583	213 696	2 829 699	2 462 162
	SALGA contributions	Audit fees	PAYE	UIF	Pension	Medical aid
As at 30 June 2022						
Opening balance	-	4 209 418	2 154 680	211 708	2 656 197	2 242 248
Subscription/fees	2 328 806	7 918 568	26 021 306	2 580 112	32 599 502	27 130 988
Amount paid	(2 328 806)	(7 415 421)	(25 938 341)	(2 580 087)	(32 549 074)	(27 056 429)
Credit notes	-	(1 239 805)	-	-	-	-
Total	-	3 472 760	2 237 645	211 733	2 706 625	2 316 807

*Audit fees disclosure for the 2021/2022 financial year was corrected to show the inclusive of VAT movements.

Non-compliance with the Municipal Finance Management Act

Creditors were not paid within 30 days as per the requirements of the MFMA due to cash-flow constraints and resulted in fruitless and wasteful expenditure being incurred in certain instances.

The municipality incurred irregular expenditure as a result of non-compliance with the relevant legislation governing procurement.

Setsoto Local Municipality

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52. Additional disclosures in terms of the Municipal Finance Management Act (continued)

Reticulation (Distribution) losses - Electricity

The implementation of prepaid electricity meters contributed positively to the decrease in electricity losses.

The prescribed norm from National Treasury for electricity losses is estimated to be between 7% and 10%.

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Estimated electricity losses	7 437 349	7 161 780
Percentage losses	7 %	7 %

Reticulation (Distribution) losses - Water

Estimated water losses included distribution to townships with unmetered water.

The prescribed norm from National Treasury for water losses is estimated to be between 15% and 30%.

Estimated water losses suffered by the municipality for the year under review is as follows:

Estimated water losses	13 982 330	12 717 711
Percentage losses	43 %	40 %

Skills development levies

Opening balance	157 018	152 973
Current year subscriptions / fee	1 960 433	1 905 111
Amount paid	(1 958 890)	(1 901 066)
	158 561	157 018

53. Capital commitments

Commitments in respect of capital expenditure:

Approved and contracted for:

Property, plant and equipment	26 266 576	39 452 178
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Setsoto Local Municipality

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54. Going concern

We draw attention to the fact that at 30 June 2023, the municipality's current assets (R467 422 467) exceeded its current liabilities (R158 085 322) with R309 337 145. The municipality further generated an operating surplus of R73 011 350 for the year and had net assets of R2 739 916 268. 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.

COVID-19

The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30 March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. As far as possible the Municipality factored in the effect of the lockdown regulations on our economic environment.

The Municipality assessed the impact of COVID-19 pandemic by comparing the financial indicators of 2023 and 2022 as illustrated below:

Current ratio (norm - 2 : 1)		2.9	1.9
Creditors days (norm - 30 days or less)	99 days	154 days	
Debtors collection rate (norm - 30 days)	396 days	360 days	

When analysing the results of the ratios, it can be concluded that the COVID-19 pandemic had an adverse effect from a financial sustainability perspective. The results are not solely due to the effects of COVID-19 and subsequent lockdown regulations, but has been impacted by the pandemic.

COVID-19 - Response Expenditure

The summary below indicates the total COVID-19 response expenditure for the period ending 30 June 2022.

Type of expenditure

Cleaning materials	-	44 862
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Funding

Own revenue	-	44 862
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Setso Local Municipality

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55. GRAP 3 adjustments					
The following restatements and adjustments occurred which are set out below:					
55.1 Adjustments of Statement of financial performance items					
2022					
	Note	Previously reported	Correction of error	Re-classification	Restated
Revenue					
Exchange revenue					
Service charges - Electricity	21	(91 140 712)	-	-	(91 140 712)
Service charges - Waste management	21	(43 059 455)	-	-	(43 059 455)
Service charges - Waste water management	21	(33 289 600)	-	-	(33 289 600)
Service charges - Water	21	(60 489 318)	-	-	(60 489 318)
Rental	23	(2 024 701)	-	-	(2 024 701)
Interest on investments	24	(4 764 793)	(66 491)	-	(4 831 284)
Interest earned from receivables	25	(30 166 577)	-	-	(30 166 577)
Dividends	26	(55 404)	-	-	(55 404)
Operational revenue	30	(3 052 064)	-	-	(3 052 064)
Sales of goods and rendering of services	22	(1 984 993)	-	-	(1 984 993)
Fair value adjustments and loss on disposal of assets	31	7 315 458	(7 888 537)	-	(573 079)
		(262 712 159)	(7 955 028)	-	(270 667 187)
Non - exchange revenue					
Property rates	20	(56 168 444)	-	-	(56 168 444)
Availability charges - Electricity		(235 779)	-	-	(235 779)
Availability charges - Waste water management		(380 504)	-	-	(380 504)
Availability charges - Water		(604 645)	-	-	(604 645)
Licences or permits	28	(51 201)	-	-	(51 201)
Transfers and subsidies	29	(358 589 136)	-	-	(358 589 136)
Fines, penalties and forfeits	27	(890 770)	-	-	(890 770)
Interest earned from receivables	25	(4 132 568)	-	-	(4 132 568)
		(421 053 047)	-	-	(421 053 047)
Total revenue		(683 765 206)	(7 955 028)	-	(691 720 234)
Expenditure					
Employee related cost	32	224 507 229	-	-	224 507 229
Remuneration of councillors	33	12 871 343	-	-	12 871 343
Bad debts written off		113 923 847	-	-	113 923 847
Depreciation and amortisation	34	259 882 269	(5 012 410)	-	254 869 859
Impairment losses	35	27 675 432	(20 909)	-	27 654 523
Finance costs	36	4 660 724	10 331	-	4 671 055
Bulk purchases	37	93 222 334	(24 525)	-	93 197 809
Inventory consumed	38	11 964 939	(114 136)	-	11 850 803
Contracted services	39	25 837 558	(301 516)	57 190	25 593 232
Transfers and subsidies		128 697	-	-	128 697
Operational costs	40	32 564 311	(34 958)	(57 190)	32 472 163
Operating leases	41	1 080 180	-	-	1 080 180
Total expenditure		808 318 863	(5 498 123)	-	802 820 740
(Surplus) / Deficit for the year		124 553 657	(13 453 151)	-	111 100 506

Setsoto Local Municipality

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55. GRAP 3 adjustments (continued)

55.2 Adjustments of Statement of financial position items

2022

	Note	Previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	2	93 197 341	-	-	93 197 341
Receivables from exchange transactions	3	207 910 441	(1 720 348)	-	206 190 093
Receivables from non-exchange transactions	4	56 716 517	1 460 180	-	58 176 697
Inventories	5	2 613 267	-	-	2 613 267
Other current assets	7	9 546 969	39 676	-	9 586 645
VAT receivable	6	48 976 496	(86 204)	-	48 890 292
		418 961 031	(306 696)	-	418 654 335
Non-current assets					
Other financial assets	8	3 673 282	-	-	3 673 282
Investment property	9	73 849 011	2 084 982	-	75 933 993
Property, plant and equipment	10	2 468 431 783	6 726 148	-	2 475 157 931
Heritage assets	11	15 385 903	(3 485 444)	-	11 900 459
Intangible assets	12	173 129	-	-	173 129
		2 561 513 108	5 325 686	-	2 566 838 794
Total assets		2 980 474 139	5 018 990	-	2 985 493 129
Net assets and liabilities					
Current liabilities					
Financial liabilities	13	(734 232)	-	-	(734 232)
Finance leases	14	(1 627 032)	-	-	(1 627 032)
Consumer deposits	15	(3 205 324)	-	-	(3 205 324)
Payables from exchange transactions	16	(123 388 421)	1 079 919	-	(122 308 502)
Unspent grants	17	(83 261 152)	-	-	(83 261 152)
Provisions and other employee benefits	18	(2 398 801)	-	-	(2 398 801)
Post-retirement health care benefit liability	19	(1 864 445)	-	-	(1 864 445)
		(216 479 407)	1 079 919	-	(215 399 488)
Non-current liabilities					
Financial liabilities	13	(1 265 103)	-	-	(1 265 103)
Provisions and other employee liabilities	18	(44 291 879)	-	-	(44 291 879)
Post-retirement health care benefit liability	19	(57 631 751)	-	-	(57 631 751)
		(103 188 733)	-	-	(103 188 733)
Total net assets		(2 660 805 999)	7 354 241	-	(2 653 451 758)
Accumulated surplus		-	(13 453 151)	-	(13 453 151)
Accumulated surplus - profit/loss movement					
		(2 660 805 999)	(6 098 910)	-	(2 666 904 909)

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Figures in Rand	2023	2022		
55. GRAP 3 adjustments (continued)				
55.3 Adjustment of Cash flow statement items				
	Note	Previously reported	Correction of error	Restated
Cash flows from operating activities				
Receipts				
Property rates		42 882 877	(1 300 728)	41 582 149
Sale of goods and services		115 248 933	305 243	115 554 176
Other receipts		7 289 923	-	7 289 923
Grants		386 590 677	-	386 590 677
Fines, penalties and forfeits		890 770	-	890 770
Interest		39 063 938	66 491	39 130 429
Dividends		55 404	-	55 404
Payments				
Employees		(229 032 231)	-	(229 032 231)
Suppliers		(165 797 087)	853 120	(164 943 967)
Finance costs		(2 089 772)	(10 331)	(2 100 103)
VAT		(17 815 898)	86 205	(17 729 693)
Net cash from operating activities		177 287 534	-	177 287 534
Cash flows from investing activities				
Receipts				
Proceeds on disposal of fixed and intangible assets		477 805	-	477 805
Proceeds from investments		37 500	-	37 500
Payments				
Capital assets		(121 086 120)	-	(121 086 120)
Net cash from investing activities		(120 570 815)	-	(120 570 815)
Cash flows from financing activities				
Payments				
Decrease in borrowings		(9 045 138)	-	(9 045 138)
Net increase/(decrease) in cash		47 671 581	-	47 671 581
Cash and cash equivalents at the beginning of the year		45 525 760	-	45 525 760
Cash and cash equivalents at the end of the year		93 197 341	-	93 197 341
Net increase/(decrease) in cash		47 671 581	-	47 671 581

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55. GRAP 3 adjustments (continued)

55.4 Correction of errors

The following prior period errors adjustments occurred:

Error 1 - Order accrual reversals

During the current financial year management found orders that were incorrectly accrued during the 2021/2022 financial year. This was corrected.

The effect is as follows:

Effect of error

(Decrease) in contracted services - business and financial management	-	(2 259)
(Decrease) in contracted services - maintenance of buildings and facilities	-	(58 650)
(Decrease) in contracted services - maintenance of equipment	-	(24 288)
(Decrease) in contracted services - maintenance of unspecified assets	-	(113 224)
(Decrease) in contracted services - safeguard and security	-	(110 983)
(Decrease) in inventory consumed	-	(120 318)
(Decrease) in operational costs - hire charges	-	(4 950)
(Decrease) in operational costs - advertising	-	(29 942)
(Decrease) in operational costs - travel and subsistence	-	(1 613)
Decrease in payables from exchange transactions - payables and accruals	-	502 573
(Decrease) in VAT receivable	-	(36 346)
	<u>-</u>	<u>-</u>

Error 2 - Creditors credit notes

During the current financial year management found credit notes relating to the 2021/2022 financial year that was not processed. This was corrected.

The effect is as follows:

Effect of error

(Decrease) in bulk purchases	-	(24 525)
(Decrease) in contracted services - maintenance of unspecified assets	-	(464)
(Decrease) in inventory consumed	-	(247)
Decrease in payables from exchange transactions - bulk purchases	-	28 204
Decrease in payables from exchange transactions - payables and accruals	-	818
(Decrease) in VAT receivable	-	(3 786)
	<u>-</u>	<u>-</u>

Error 3 - Eskom deposit

During the current financial year it was noted that certain eskom deposit accounts were incorrectly included and excluded from the balance.

The effect is as follows:

Effect of error

(Increase) in interest received from investments - eskom deposit	-	(66 491)
Increase in other current assets - deposits - eskom deposit	-	39 676
Decrease in accumulated surplus	-	26 815
	<u>-</u>	<u>-</u>

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55. GRAP 3 adjustments (continued)

Error 4 - Consumer receivables allocations

During the current financial year consumer receivables allocations were corrected to the scoa segment.

The effect is as follows:

Effect of error

(Decrease) in electricity - gross	-	(11 068 837)
Decrease in electricity - impairment	-	418 896
(Decrease) in waste management - gross	-	(1 515 012)
Decrease in waste management - impairment	-	2 271 901
(Decrease) in waste water management - gross	-	(1 111 637)
Decrease in waste water management - impairment	-	1 626 903
(Decrease) in water - gross	-	(2 172 955)
Decrease in water - impairment	-	3 172 334
Increase in other - gross	-	14 143 866
(Increase) in other - impairment	-	(7 485 811)
Increase in property rates - gross	-	1 442 950
Decrease in property rates - impairment	-	17 231
Decrease in payables from exchange transactions - payments received in advance	-	281 626
(Decrease) in impairment losses on assets - receivables from exchange transactions	-	(20 904)
(Decrease) in VAT receivable	-	(551)
	-	-

Error 5 - Creditors

During the current financial year management found that a correction to creditors was incorrectly processed to unallocated deposits. The error was corrected.

The disclosure note for payables from exchange transactions was also corrected, to reflect the correct amount for COID for the 2021/2022 financial year.

The effect is as follows:

Effect of error

Decrease in payables from exchange transactions - unallocated deposits	-	928 441
(Increase) in payables from exchange transactions - payables and accruals	-	(928 441)
Decrease in payables from exchange transactions - payables and accruals	-	126 639
(Increase) in payables from exchange transactions - COID	-	(126 639)
	-	-

Error 6 - Creditors

It was noted during the 2022/2023 financial year that certain invoices were not raised for creditors in the 2021/2022 financial year. These invoice were raised during the 2022/2023 financial year.

The effect is as follows:

Effect of error

Increase in VAT receivable	-	3 758
Decrease in accumulated surplus	-	80 686
Increase in contracted services - maintenance buildings and facilities	-	8 352
Increase in operational costs - wet fuel	-	1 547
Increase in inventory consumed	-	6 429
Increase in finance cost - overdue accounts	-	10 331
(Increase) in payables from exchange transactions - payables and accruals	-	(111 103)
	-	-

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55. GRAP 3 adjustments (continued)

Error 7 - Property, plant and equipment

A credit note for professional fees for the 2020/2021 financial year was captured during the 2022/2023 financial year. The project was unbundled at the end of the 2021/2022 financial year, the cost of the assets were corrected.

The effect is as follows:

Effect of error

(Decrease) in ppe - construction work-in-progress - opening balance	-	(328 522)
(Decrease) in VAT receivable	-	(49 278)
Decrease in payables from exchange transactions - payables	-	377 800
(Decrease) in infrastructure assets - additions	-	(328 522)
Decrease in infrastructure assets - transfers from construction work-in-progress	-	328 522
	<hr/>	<hr/>
	-	-

Error 8 - Investment property and Heritage assets

During the 2022/2023 financial year the fixed asset register was reviewed and the following errors were corrected for the 2021/2022 financial year with regards to Investment Property and Heritage Assets.

The effect is as follows:

Effect of error:

(Decrease) in heritage assets - historical buildings - cost	-	(3 485 443)
(Decrease) in investment property - cost opening	-	(12 799 638)
Decrease in investment property - accumulated depreciation opening	-	5 422 155
Decrease in investment property - accumulated impairment opening	-	805 695
Decrease in investment property - depreciation	-	3 469 249
(Decrease) in depreciation expense	-	(3 469 249)
Decrease in investment property - cost disposals	-	17 072 171
(Decrease) in investment property - accumulated depreciation disposal	-	(10 948 704)
(Decrease) in investment property - accumulated impairment disposal	-	(935 945)
(Decrease) in gains / losses on disposal	-	(5 187 522)
Decrease in accumulated surplus	-	10 057 231
	<hr/>	<hr/>
	-	-

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55. GRAP 3 adjustments (continued)

Error 9 - Property, plant and equipment

During the 2022/2023 financial year the fixed asset register was reviewed and the following errors were corrected for the 2021/2022 financial year with regards to property, plant and equipment.

The effect is as follows:

Effect of error:

Increase in infrastructure assets - cost opening	-	5 975 013
(Increase) in infrastructure assets - accumulated depreciation opening	-	(519 772)
(Increase) in infrastructure assets - depreciation	-	(345 287)
Decrease in infrastructure assets - cost disposals	-	1 733 981
(Decrease) in infrastructure assets - accumulated depreciation disposals	-	(1 208 668)
(Decrease) in community assets - cost opening	-	(8 998 892)
Decrease in community assets - accumulated depreciation opening	-	4 979 249
Decrease in community assets - accumulated impairment opening	-	1 142 002
Decrease in community assets - depreciation	-	2 333 775
Decrease in community assets - cost disposals	-	8 464 791
(Decrease) in community assets - accumulated depreciation disposals	-	(5 368 018)
(Decrease) in community assets - accumulated impairment disposals	-	(1 011 752)
Increase in transport assets - cost opening	-	567 064
Decrease in transport assets - accumulated depreciation opening	-	842 554
(Increase) in transport assets - depreciation	-	(367 573)
Decrease in transport assets - cost disposals	-	178 255
(Decrease) in transport assets - accumulated depreciation disposals	-	(162 051)
(Decrease) in other assets - cost opening	-	(587 500)
Decrease in other assets - accumulated depreciation opening	-	901 066
(Increase) in other assets - depreciation	-	(77 755)
Decrease in other assets - cost disposals	-	920 519
(Decrease) in other assets - accumulated depreciation disposals	-	(846 041)
(Decrease) in depreciation expense	-	(1 543 160)
(Decrease) in gains / losses on disposal	-	(2 701 015)
(Decrease) in work-in-progress opening balance	-	(1 490 291)
(Increase) in accumulated surplus	-	(2 810 494)
	-	-

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55. GRAP 3 adjustments (continued)

55.5 Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1 - Employee related costs

During the 2022/2023 financial year the salary disclosure was corrected for senior managers with regards to non-pensionable allowances and acting allowances.

The allocation of employee costs - housing was also corrected.

Nature of reclassification

Municipal manager - Pension	-	(791 608)
Municipal manager - Basic salary	-	791 608
Chief financial officer - Pension	-	(142 539)
Chief financial officer - Basic salary	-	142 539
Director: Corporate services - Pension	-	(45 339)
Director: Corporate services - Service related benefits	-	14 178
Director: Corporate services - Basic salary	-	31 161
Director: Development, Planning and security - Pension	-	(60 639)
Director: Development, Planning and security - Basic salary	-	60 639
Municipal staff costs - Basic salary	-	(4 136 570)
Municipal staff costs - Allowances - Housing	-	3 096 448
Municipal staff costs - Pension	-	1 040 122
	-	-

Reclassification 2 - Expenditure

During the year under review expenditure items were reviewed for classification and the following reclassification were the result of the review.

Nature of reclassification

(Decrease) in contracted services - contractors - maintenance of equipment	-	(3 174 673)
Increase in contracted services - outsourced services - sewerage services	-	3 175 301
(Decrease) in contracted services - contractors - sports and recreation	-	(13 368)
Increase in contracted services - outsourced services - transport services	-	33 780
Increase in contracted services - outsourced - catering services	-	36 150
(Decrease) in operational costs - advertising	-	(38 990)
(Decrease) in operational costs - registration fees	-	(18 200)
	-	-

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56. Financial instruments

56.1 Fair value of financial instruments

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

		2023		2022	
		Carrying amount	Fair value / Amortised cost	Carrying amount	Fair value / Amortised cost
Financial assets					
Fair value					
Investments	8	3 959 976	3 959 976	3 673 282	3 673 282
Amortised cost					
Trade and other receivables from exchange transactions	3	241 275 571	241 275 571	206 190 093	206 190 093
Other current assets	7	9 711 226	9 711 226	9 586 645	9 586 645
Cash and cash equivalents	2	66 207 531	66 207 531	93 197 341	93 197 341
		317 194 328	317 194 328	308 974 079	308 974 079
Total financial assets		321 154 304	321 154 304	312 647 361	312 647 361
Financial liabilities					
Amortised cost					
Unsecured bank facilities:					
Financial liabilities and finance leases	13&14	866 691	866 691	1 265 103	1 265 103
Trade and other payables:					
Consumer deposits	15	3 186 098	3 186 098	3 205 324	3 205 324
Trade and other payables from exchange transactions	16	101 758 658	101 758 658	122 308 502	122 308 502
Current portion of financial liabilities and finance leases	13&14	398 412	398 412	2 361 264	2 361 264
		105 343 168	105 343 168	127 875 090	127 875 090
Total financial liabilities		106 209 859	106 209 859	129 140 193	129 140 193
Total financial instruments		214 944 445	214 944 445	183 507 168	183 507 168

The Fair Values of Financial Assets and Financial Liabilities are determined as follow:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

The annual financial statements include holdings in Listed Government Stock which are measured at Fair Value (Note 8). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

Assumptions used in determining fair value of financial assets and financial liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments.

The levels have been defined as follow:

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56. Financial instruments (continued)

Level 1

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2023

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value:				
Listed investments - Sanlam	840 882	-	-	840 882
Listed investments - OVK	-	-	1 663 744	1 663 744
Total financial assets	840 882	-	1 663 744	2 504 626

30 June 2022

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value:				
Listed investments - Sanlam	761 911	-	-	761 911
Listed investments - OVK	-	-	1 456 020	1 456 020
Total financial assets	761 911	-	1 456 020	2 217 931

56.2 Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

56.3 Financial risk management objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit and risk management, responsible for monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

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56. Financial instruments (continued)

56.4 Significant accounting policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the annual financial statements.

56.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 56.6 below). No formal policy exists to hedge volatilities in the interest rate market.

56.6 Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the municipality's interest bearing external loan liabilities, as detailed in Appendix 'A', are fixed interest rate loans. Similarly with financial assets, the municipality invests its surplus funds on call deposit interest rate deposits with banks for fixed terms not exceeding one year.

The municipality's maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

56.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

30 June 2023

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Financial liabilities	398 412	866 691	1 265 103
Payables from exchange transactions	101 758 658	-	101 758 658
	102 157 070	866 691	103 023 761

30 June 2022

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Financial liabilities	734 232	1 265 103	1 999 335
Finance leases	1 627 032	-	1 627 032
Payables from exchange transactions	122 308 502	-	122 308 502
	124 669 766	1 265 103	125 934 869

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

56.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

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56. Financial instruments (continued)

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 4 to the annual financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Investments	8	3 959 976	3 673 282
Other current assets	7	9 711 226	9 586 645
Trade and other receivables from exchange transactions	3	241 275 571	206 190 093
Bank and cash balances	2	66 207 531	93 197 341
Maximum credit and interest risk exposure		321 154 304	312 647 361

56.9 Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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57. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of five major functional directorates.

The directorates are:

- Council and executive;
- Finance;
- Corporate services;
- Community services, and;
- Technical services.

Only the community services and technical services directorates have been identified as reportable segments. Management monitors the results of these units to make decisions about resource allocations and assessment of performance. Revenue and expenditure relating to these units are allocated at a transactional level. Cost relating to the governance and administration of the municipality are not allocated to these business units. Segment activities were aggregated for reporting purposes into the two reportable segments.

The executive, finance and corporate services directorates are the governance and administration units of the municipality. However, they are not reportable segments. Their results are reported as non-reportable segments to reconcile the results of the reportable segments to the total revenue and expenses of the municipality for the year under review.

The two reportable segments comprise of:

- Community services - which include sport and recreation, housing, public safety, refuse removal, street cleaning and cemeteries, and;
- Technical services - which include energy sources, water management, and waste water management.

Management does not monitor financial performance geographically and does not have reliable separate financial information for geographical areas in the municipal area.

A measure of assets and liabilities for each reportable segment has not been presented as these amounts are not regularly provided to management.

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Figures in Rand				2023	2022
57. Segment information (continued)					
Segment surplus or deficit					
2023	Technical services	Community and social services	Governance & Admin (Non-reportable segments)	Total	
Segment revenue					
External revenue from exchange transactions	(226 049 325)	(1 097 447)	(11 199 762)	(238 346 534)	
External revenue from non-exchange transactions	(245 558 279)	(709 488)	(260 703 741)	(506 971 508)	
Interest revenue	(129 306)	-	(58 499 037)	(58 628 343)	
	(471 736 910)	(1 806 935)	(330 402 540)	(803 946 385)	
Segment expenditure	Technical services	Community and social services	Governance & Admin (Non-reportable segments)	Total	
Bulk purchases	91 044 547	-	-	91 044 547	
Bad debt written off	66 398 213	-	15 243 550	81 641 763	
Impairment of assets	26 510 578	4 359 634	10 600 310	41 470 522	
Depreciation and amortisation	73 363 750	25 614 456	87 469 551	186 447 757	
Employee related costs	70 102 113	34 173 203	115 962 248	220 237 564	
Interest expense	2 856 528	-	540 884	3 397 412	
Other operational expenses	6 712 254	3 460 695	82 450 483	92 623 432	
Remuneration of councillors	-	-	14 072 038	14 072 038	
Total segment expenditure	336 987 983	67 607 988	326 339 064	730 935 035	
Total segment revenue	(471 736 910)	(1 806 935)	(330 402 540)	(803 946 385)	
(Surplus) / Deficit for the year	(134 748 927)	65 801 053	(4 063 476)	(73 011 350)	

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Figures in Rand	2023	2022		
57. Segment information (continued)				
2022				
Segment revenue	Technical services	Community and social services	Governance & Admin (Non-reportable segments)	Total
External revenue from exchange transactions	(227 980 018)	(1 348 014)	(6 341 291)	(235 669 323)
External revenue from non-exchange transactions	(205 114 046)	(860 770)	(210 945 665)	(416 920 481)
Interest revenue	(158 490)	-	(38 971 940)	(39 130 430)
	(433 252 554)	(2 208 784)	(256 258 896)	(691 720 234)
Segment expenditure	Technical services	Community and social services	Governance & Admin (Non-reportable segments)	Total
Bulk purchases	93 197 809	-	-	93 197 809
Bad debt written off	92 536 422	-	21 387 425	113 923 847
Impairment of assets	17 082 682	486 919	10 084 922	27 654 523
Depreciation and amortisation	78 234 431	33 422 882	143 212 546	254 869 859
Employee related costs	71 455 694	33 400 987	119 650 548	224 507 229
Interest expense	2 594 501	-	2 076 554	4 671 055
Other operational expenses	15 628 748	5 110 813	50 385 514	71 125 075
Remuneration of councillors	-	-	12 871 343	12 871 343
Total segment expenditure	370 730 287	72 421 601	359 668 852	802 820 740
Total segment revenue	(433 252 554)	(2 208 784)	(256 258 896)	(691 720 234)
(Surplus) / Deficit for the year	(62 522 267)	70 212 817	103 409 956	111 100 506

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Appendix A

June 2023

Schedule of external loans as at 30 June 2023

Loan Number	Redeemable	Balance at Thursday, 30 June 2022	Interest for the period	Redeemed written off during the period	Balance at Friday, 30 June 2023	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand	
		Rand	Rand	Rand	Rand			
Development Bank of South Africa								
DBSA Loan @11.36%	101389	31/12/2024	1 999 335	207 489	941 721	1 265 103	-	-
			1 999 335	207 489	941 721	1 265 103	-	-
Instalment sales agreements - ABSA Bank Limited								
ABSA Bank Limited at 10%	89515381	01/06/2022	-	-	-	-	-	-
ABSA Bank Limited at 10%	89514989	01/06/2022	-	-	-	-	-	-
ABSA Bank Limited at 10%	89516256	01/06/2022	-	-	-	-	-	-
ABSA Bank Limited at 10%	89515861	01/06/2022	-	-	-	-	-	-
ABSA Bank Limited at 10%	89516272	01/06/2022	-	-	-	-	-	-
ABSA Bank Limited at 10%	89515110	01/07/2022	50 432	415	50 847	-	-	-
ABSA Bank Limited at 10%	89514009	01/07/2022	22 879	188	23 067	-	-	-
ABSA Bank Limited at 10%	89514076	01/07/2022	22 879	188	23 067	-	-	-
ABSA Bank Limited at 10%	89516795	01/06/2022	-	-	-	-	-	-
ABSA Bank Limited at 10%	89516779	01/06/2022	-	-	-	-	-	-
ABSA Bank Limited at 10%	89517519	01/09/2022	95 126	1 594	96 720	-	-	-
ABSA Bank Limited at 10%	89512457	01/09/2022	212 488	3 561	216 049	-	-	-
ABSA Bank Limited at 10%	89512260	01/09/2022	95 177	1 594	96 771	-	-	-
ABSA Bank Limited at 10%	89645145	01/08/2022	100 068	1 249	101 317	-	-	-
			599 049	8 789	607 838	-	-	-
Instalment sales agreement - Wesbank								
Wesbank, a division of First Rand Limited	85265501996	01/08/2022	-	-	-	-	-	-
Wesbank, a division of First Rand Limited	85265447849	01/09/2022	86 648	2 703	89 351	-	-	-
Wesbank, a division of First Rand Limited	85264693609	01/09/2022	291 041	5 989	297 030	-	-	-

Setsoto Local Municipality

Appendix A

June 2023

Schedule of external loans as at 30 June 2023

	Loan Number	Redeemable	Balance at Thursday, 30 June 2022	Interest for the period	Redeemed written off during the period	Balance at Friday, 30 June 2023	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			Rand	Rand	Rand	Rand		
Wesbank, a division of First Rand Limited	85264694308	01/09/2022	291 041	5 989	297 030	-	-	-
Wesbank, a division of First Rand Limited	85266334438	01/09/2022	108 890	3 397	112 287	-	-	-
Wesbank, a division of First Rand Limited	85266283448	01/09/2022	108 890	3 397	112 287	-	-	-
Wesbank, a division of First Rand Limited	85266628441	01/09/2022	54 826	1 710	56 536	-	-	-
Wesbank, a division of First Rand Limited	8526537408	01/09/2022	86 648	2 703	89 351	-	-	-
			1 027 984	25 888	1 053 872	-	-	-
Total external loans								
Development Bank of South Africa			1 999 335	207 489	941 721	1 265 103	-	-
Instalment sales agreements - ABSA Bank Limited			599 049	8 789	607 838	-	-	-
Instalment sales agreement - Wesbank			1 027 984	25 888	1 053 872	-	-	-
			3 626 368	242 166	2 603 431	1 265 103	-	-