



# TSWELOPELE

LOCAL MUNICIPALITY

A MUNICIPALITY IN PROGRESS

## TSWELOPELE LOCAL MUNICIPALITY ANNUAL REPORT

2022/23

01 Bosman Street  
Bultfontein 9670

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## 2 GENERAL INFORMATION

### MUNICIPAL GENERAL INFORMATION

MUNICIPALITY	TSWELOPELE LOCAL MUNICIPALITY
REGISTRATION NUMBER	FS183
PHYSICAL ADDRESS	01 Bosman Street Bultfontein 9670
POSTAL ADREESS	Tswelopele Local Municipality P.O. Box 3 Bultfontein 9670
TELEPHONE NUMBER	051 853 1111
FAX NUMBER	051 853 1332
EMAIL ADDRESS	<a href="mailto:admin@tswelopele.org">admin@tswelopele.org</a> and <a href="mailto:logov@tswelopele.org">logov@tswelopele.org</a>
WEBSITE ADDRESS	<a href="http://www.tswelopele.gov.za">www.tswelopele.gov.za</a>

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## STRATEGIC OVERVIEW

### OUR MOTTO

“A municipality in progress”

### OUR VISION

To be an accountable, transparent, non-racial Municipality that promotes economic development and provides sustainable services and improves the quality of life in the Community.

### OUR MISSION

Tswelopele Local Municipality is committed to effective and transparent governance by:

- (a) Promoting economic development;
- (b) Providing sustainable services; and
- (c) Improving the quality of life of all people

### VALUES

- Democratic values
- Good governance
- Transparency
- Honesty
- Equity
- Commitment
- Accountability
- Professionalism

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## MAYOR'S FOREWORD



It is with exceptional desire that I present the Annual Report of the Tswelopele Local Municipality for the 2022/23 financial year. As we enter this process of reflection and transparency as mandated by Municipal Finance Management Act no 56 of 2003, I am filled with immense positivity, pride and gratitude that, amongst the countless of challenges and opportunities that were before us we remain undefeated. I will forever continue to express my gratitude for the opportunity to lead the municipality as we are in the fourth year of the 5<sup>th</sup> generation of Integrated Development Plan.

I will like to restate that our municipality has set enormous targets before itself in an as far as Integrated Development Plan and budget is concerned, therefore we need all the stakeholders involved more especially the community members who can pay for their municipal service accounts. Our debtors' book and bulk purchases

accounts (Eskom and Sandvet) are increasing drastically due to amongst other causes, high employment rate, non-billing of new establishments, flat-rate charge, high water and electricity losses due to aging infrastructure and lack of cost-reflective municipal rates.

Despite these challenges, the municipality is sacred to have courageous and dedicated municipal council, senior management and employees who strive on a daily basis to improve the municipal operations. Many special programs that were geared to improve employee health and financial wellness, productivity and moral were realised in the current financial year and will be consistently implemented yearly thereafter. I would like to state that a culture of health and wellness makes employees feel valued and appreciated because it shows that the organization supports them professionally and personally. In the next financial year, we will be honouring the best performing employees because it is our duty to recognise those who are dedicated in their mandate and pull those who face challenges in meeting the work requirements of the municipality.

Our municipality remains committed to improving the quality of life of our community but lack of employees in critical service delivery positions possess as a high risk. As such the municipality has implemented a phased in approach in filling service delivery positions, which during this period of reflection we are able to assess the effect it has on the salary bill and ultimately the budget of the municipality. To fund this initiative which has been a challenge in prior years we call those who can pay for services to come make payments arrangements for their municipal accounts and also encourage all the families falling under the threshold of indigents to come to the municipal offices with all relevant documentations to apply for free basic services. We also call upon all interested qualified applicants to apply for all advertised positions and I assure the community that fair employment processes will be adhered to.

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We acknowledge the trials we face in different key performance areas as such we encourage our communities to participate in the affairs of the municipality. A thorough public participation will be undertaken on this report which gives current insights to operations and challenges experienced and still facing the municipality. Cognisance should be taken that a lot of developments will be realised in the next financial year as such participation will enable members to stay abreast and contribute accordingly.

Our main aim is service delivery and we commit that we will remain steadfast to realise this mandate however, it is vitally important to manage the expectations of our people. Cognisance should also be taken that we are a grant reliant municipality with limited resources as such all our needs and desires will never be fully fulfilled or executed in an ideal short period of time. Consultation with external donors is undertaken continuously to source funds in order to implement some of our identified unfunded needs.

We also welcome the audit report of the Auditor General with the few matters of concern raised and our municipality has developed an audit action plan to address all the issues identified by the office of the Auditor General on the audit of 2022/ 2023 financial statements, performance information and compliance. This audit action plan will be monitored on a monthly basis by internal audit, audit committee and the council to ensure effective implementation thereof.

In conclusion I would like to take this opportunity to acknowledge the efforts of the municipal leadership, management, supporting sector departments and municipal employees in their efforts to reach municipal strategic and operational objectives for the reporting financial year.

**CLLR KR PHUKUNTSI**

**MAYOR**

**25 JANUARY 2024**



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## MUNICIPAL MANAGER'S REPORT

I hereby present the Tswelopele Local Municipality's 2022 / 23 Annual Report. Through this report, we acknowledge the great efforts undertaken by the Municipal Council to ensure that the municipality achieves the goals set in the Integrated Development Plan and Medium-Term Revenue and Expenditure Framework.

In terms of section 121 of the Municipal Finance Management Act no 56 of 2003 it stipulates that every municipality must for each financial year prepare an annual report and section 129 thereafter further states that the council of a municipality must within nine months after the end of the financial year deal with the annual report of the municipality. It is therefore in line with the above that this report that reflects on operational results for 2022/23 financial year is prepared.

The constitution mandates municipalities to serve the interests of communities and as such we have made immense efforts in ensuring that we achieve the targets set before us. This has been realised through the effective and functional governance structures established that oversee the municipal operations in line with the key performance areas prescribed. The other prominent factor is the performance contracts of the municipality's senior management that are clearly linked to the Service Delivery Budget Implementation Plan (SDBIP), this serves as a commitment by management to council.

We are a municipality in progress and has for many consecutive years achieved an unqualified audit opinion with few matters of emphasis. This enormous milestone is achieved through coordinated efforts and support from Municipal Council to administration. Our municipal employees are motivated, we have prioritised employee continuous development and introduced employee wellness programmes that aims at addressing the widely challenge of over-reliance on service consultants and low staff morale in the public sector. The vision of delivering professional, diverse and competent human capital is achieved through our Human Resources Policies, which is implemented across the municipality.

All regulatory reports were approved and distributed to all relevant stakeholders. However, the municipality faces a lot of financial challenges due to non-payment of municipal services, over-reliance on grants and tariffs that are not cost-reflective. We are also experiencing major backlogs in service delivery areas [water and sanitation, electricity, roads and waste] due to lack of approved master plans, funded maintenance plans and more funding to complete infrastructure projects promptly. A comprehensive revenue enhancement strategy and funding plan is needed, along with strict implementation of by-laws, credit control measures, installation of smart water and electricity meters.

We welcome the statistics which has further shown the economic downturn in the area as most people are unemployed. The unemployment rates have resulted in the non-paying of municipal services by community members as such the municipality has challenges in meeting its legal commitments on a monthly basis [Eskom and Sandvet]. The implementation of LED driven projects will also assist the community members to maintain their municipal rates accounts and ultimately enabling the municipality to recover for costs incurred in rendering services. The municipality also needs to encourage those who can pay to do so and apply strict credit control measures against households, businesses and government entities who owe the municipality.

Despite these financial challenges we experience we have managed to acquire service delivery assets with internally generated funds and implemented funded capital projects which contribute to the betterment of the

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community. Special gratitude goes to the management team and our established Project Management Unit for the effective implementation of capital projects in line with approved implementation plans which has resulted in additional funding being distributed to the municipality. These excess funds are also used in implementing unfunded projects aimed at addressing community needs.

We are also fairly filling critical vacancies but the existing vacancies in the Technical Services Department mainly general workers in different units is of great concern to management and Council. The over reliance on project workers and subsequent overspending on the EPWP grant are the direct outcomes of these prolonged vacancies.

This report reflects on 2022/23 financial year operations and will also emerge to assist Council, committees of Council, Management, employees and other stakeholders in providing a roadmap for strategic interventions and action plans that will be pivotal in steering Tswelopele Municipality towards a sustainable and service-oriented future. Through collaborative and dedicated efforts, we aim to address the identified challenges and set the foundation for a thriving municipality that serves the best interests of its residents and stakeholders.

I would like commend and thank the political leadership in Council, the Mayor, and the Speaker, EXCO, Audit, Performance and Risk Management Committee and Municipal Public Accounts Committee. Administratively I would like to thank the Management team and the entire staff of the Municipality for their continued support.

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**MR. SS RABANYE**

**ACTING MUNICIPAL MANAGER**

**25 JANUARY 2024**

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### 3 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

#### BACKGROUND DATA

Tswelopele Local Municipality falls in the Lejweleputswa district area which is situated in the central Free State about a 100 km north west of Bloemfontein. It consists of Bultfontein, Phahameng, Hoopstad and Tikwana and their surrounding rural areas.

Tswelopele Local Municipality has a total population of 47 626 people, of which 91% are African Black, 7% are White, with the other population groups making up the remaining 2%. The Municipality is 6 506, 68 square kilometres in extent and with the surface area of 652 544, 3 Ha.

The municipal unemployment rate stands at 34, 8%. 14 868 people are economically active (employed or unemployed but looking for work), and of these 35% are unemployed. Of the 8145 economically active youth (15 – 34 years) in the area, 46% are unemployed. The municipality is awaiting the final issuance of the recent 2022 statistics which the draft indicates gross fluctuations in different focus municipal areas.

Tswelopele Local Municipality is a Collective Executive Committee System and it consists of the Council, which is the highest decision-making body and it meets quarterly with the Executive Committee meeting once in every month. Tswelopele Local Council is constituted of 17 Councillors (i.e.9 ward councillors and 8 Proportional Representative Councillors).

#### DEMOGRAPHIC PROFILE

All municipal demographic statistics as depicted by the different tables underneath relates to the census survey of 2011 that was conducted by the Statistics South Africa. The data is for statistical purpose only as it does not relate to the year reported herein.

Tswelopele Municipality is 6 506 68 square kilometres in extent. The demographic profile of the municipality according to the most recent information available is shown in the table below:

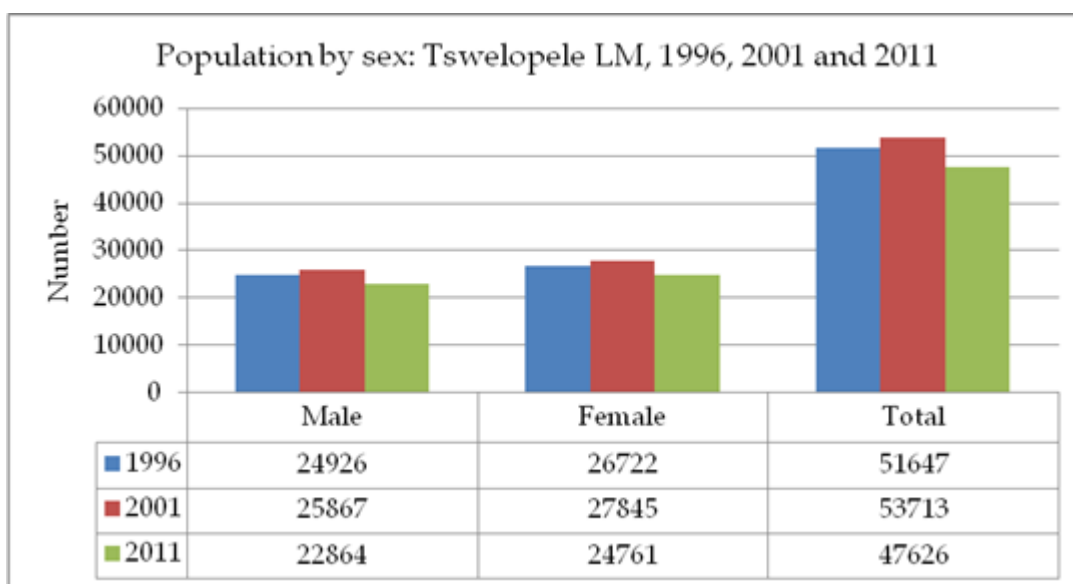
Description	1996 – Stats SA	2001 - Stats SA	2007– Community Survey	2011 - Stats SA	2016 – Stats SA
<b>No. of households</b>	12 623	12 624	12 987	11 992	13 705
<b>Average people</b>	4,40	4,2	8.18	4	3.5
<b>Total population</b>	58 858	55 591	53 713	47 625	47 373

The key statistics mentioned above as reflected in Census 2001 are shown to place the municipality's performance in the proper context.

According to the graph below, the population number in the municipality appears to decline, recording a marginal decline of 1.2% over 2001 to 2011. The number of households has declined from 12 624 in 2001 to 11 992 in 2011.

The number of households has declined from 12430 in 2001 to 11 992 in 2011 and increased to 13 705 in 2016 community survey

**Figure 1: Distribution of population by sex: Tswelopele LM, 1996, 2001 and 2011**



Source: Statistics SA, Census, 1996, 2001 and 2011

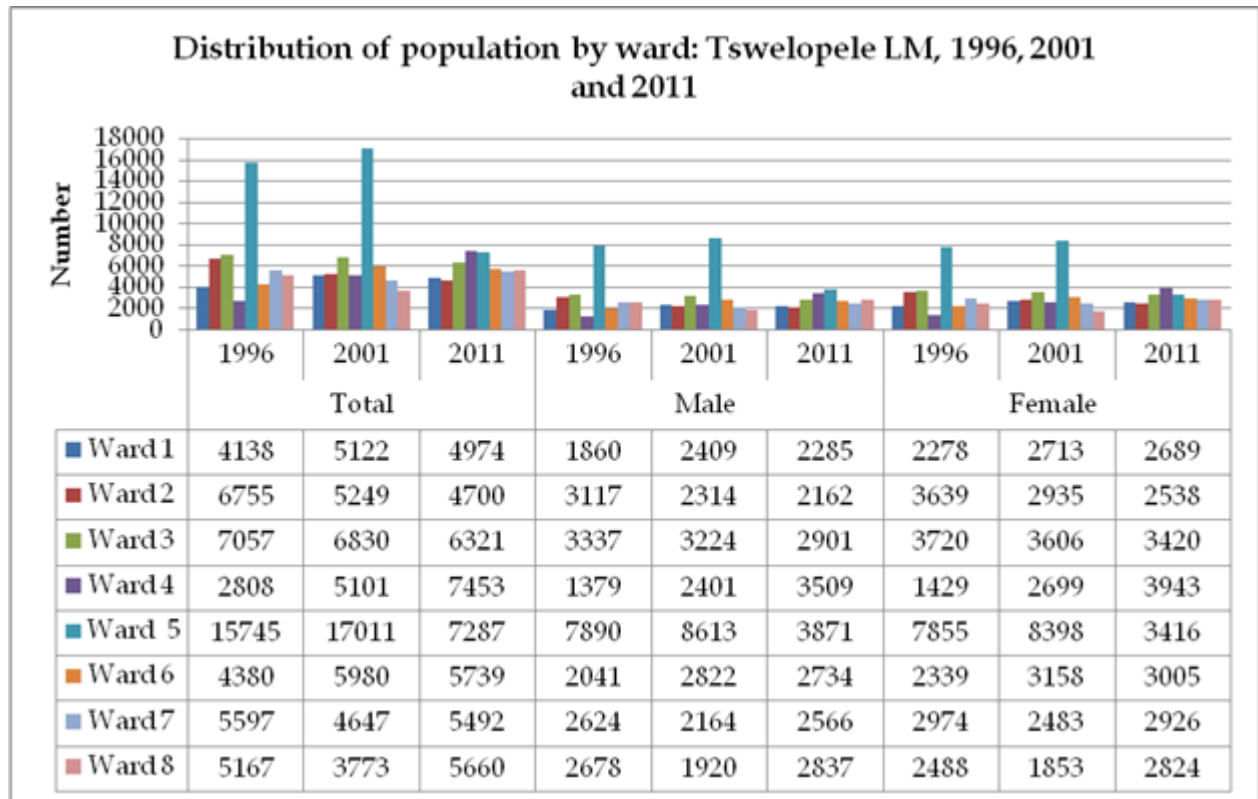
This graph shows that the population in terms of males increased by 3.8% from 1996 to 2001 and showed a decrease of 11.6% in 2011 the reasons for this decrease should be investigated as they might have negative impact on the local economic development of the area. The population in terms of females showed an increase of 4.2% from 1996 to 2001 and showed a decrease of 11% which is more or less the same decrease of the males in 2011. The reasons for this decrease must be investigated.

The 2016 community survey shows a slight decrease in the total population of men as compared to 2011 sensors count from 22 864 to 22 858 which is a decrease of 6 men. The reasons to this slight decrease are not known and might be investigated.

The 2016 community survey also shows a slight decrease in the total population of women as compared to 2011 sensors count from 24 761 to 22 515 which is a decrease of 6 women. The reasons to this slight decrease are not known and might be investigated.

## POPULATION BREAKDOWN PER WARD, AGE AND GENDER

**Figure 3: Distribution of population by sex: Tswelopele LM, 1996, 2001 and 2011**



Analysis are made in terms of population per ward and that the most popular ward and which shows high population vacillations is ward 5, as per the above table the ward had a population of 15 745 people in 1996 and increased to 17 011 people in 2001, the statistics showed an enormous to 7 287 people in 2011 and this is due to the demarcation processes that took out extension 7 & 8 and the ward thereafter consisted of the farms only. As a result of demarcation processes undertaken every 5 years the municipality cannot make a clear analysis of population vacillations per ward to the local economic development abroad.

## POPULATION PER MUNICIPAL AREA

Population Group	Sanded		Hoopstad		Tikwana		Tswelopele NU		Bultfontein		Phahameng	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Black African	9	3	237	144	6744	7605	3711	3189	420	420	9615	11355
Coloured	-	-	12	12	156	144	90	57	3	6	39	57
Indian or Asian	-	-	12	6	39	3	-	3	15	3	78	18
White	-	-	405	450	9	15	609	537	567	702	6	3

Other	-	-	15	9	21	3	15	6	27	15	15	-
Sub-total	9	3	681	621	6969	7770	4425	3792	1032	1146	9753	11433
Total	12		1302		14739		8217		2178		21186	
Statistics South Africa: Census 2011												

### SOCIO ECONOMIC STATUS INDIVIDUAL MONTHLY INCOME

Ward	R 1 - R 800	R 801 - R 3 200	R 3 201 - R 12 800	R 12 801 - R 51 200	R 51 201 - R 204 800	R 204 801 or more	No income	Unspecified	Not applicable
Ward 1	1923	813	105	30	3	-	2016	81	-
Ward 2	1653	747	147	21	-	3	2067	66	-
Ward 3	2121	1335	282	36	3	-	2430	111	-
Ward 4	2424	1263	528	159	15	3	2643	300	117
Ward 5	1842	2361	216	99	36	12	2268	423	30
Ward 6	2028	921	123	24	6	-	2460	177	-
Ward 7	1638	1098	267	57	-	-	2238	189	-
Ward 8	1572	978	363	135	18	15	1845	351	378

Statistics South Africa: Census 2011

### EMPLOYMENT STATUS

Ward	Employed		Unemployed		Discouraged work-seeker		Other not economically active		Age less than 15 years		Not applicable	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Ward 1	369	282	252	450	192	252	435	639	-	-	1038	1068
Ward 2	318	249	348	384	138	216	438	624	-	-	918	1068
Ward 3	480	393	330	405	66	141	792	1131	-	-	1233	1347
Ward 4	948	513	450	696	102	213	564	864	-	-	1446	1659
Ward 5	2130	849	75	192	18	150	387	1080	-	-	1260	1140
Ward 6	519	324	204	291	120	186	798	1017	-	-	1095	1185
Ward 7	543	441	246	330	171	243	603	831	-	-	1005	1086
Ward 8	882	453	204	315	57	99	651	870	-	-	1044	1083

Statistics South Africa: Census 2011

### OVERVIEW OF NEIGHBOURING MUNICIPALITIES

Local Municipality	Black African		Coloured		Indian or Asian		White		Other		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Masilonyana	29250	28764	402	324	174	33	2004	2211	129	39	63330
Tokololo	12135	12348	660	666	174	21	1380	1503	63	36	28986
Tswelopele	20733	22719	303	273	141	30	1596	1704	93	33	47625
Matjhabeng	176805	179544	4251	4482	1002	453	18915	20217	534	255	406458

<b>Nala</b>	36078	39573	237	264	162	45	2250	2424	138	45	81216
<b>Grand Total</b>	275001	282948	5853	6009	1653	582	26145	28059	957	408	627615

Statistics South Africa: Census 2011

## 4 MUNICIPAL FUNCTIONS

Tswelopele Local Municipality is dedicated to the provision of sustainable quality services to its residents. The municipality is responsible for the provision of basic services and constitutionally mandated to perform in terms of Schedule 4 (Part B) and Schedule 5 (Part B) of the Constitution of Republic of South Africa, 1996

## 5 SERVICE DELIVERY OVERVIEW

The municipality is making immense efforts to ensure the sustainable provision of services to the community. However, the ever-increasing population and households places a strain on existing social and economic infrastructure. Aging infrastructure and inadequate resources to fund the maintenance of the present infrastructure also places great challenge in enabling the municipality to fully meet its constitutional mandate.

Various issues affect the provision of services in an ideal manner and it has been notable that the public members who are not willing to maintain their municipal service accounts are contributing to these current dreadful circumstances. Despite that, those who cannot pay were called and have been registered in the indigent register and continued to benefit from subsidised municipal services.

Historical challenges ranging from community unrests, provision of unserviced land, lack of skilled labours, inadequate planning, etc. keeps prevailing even in current financial years. We are experiencing service delivery interruptions this results in increased operational costs as a result of outsourcing certain skills and assets to at least attend to services delivery needs of the community.

The municipality held various sessions highlighting critical challenges faced by the municipality in fulfilling its key service delivery mandates and identified solutions to enhance its capacity to effectively serve the community. The municipality is participating in various government support programmes designed to enhance the municipality's capacity and capability to deliver services to its communities. Extra efforts will be made as well with internal coffers to procure additional service delivery assets.

Below is the status quo with regards to basic municipal services:

### ELECTRICITY SERVICES

The municipality only provides electricity in the towns [Bultfontein and Hoopstad] and formalised households, public facilities and businesses have access to electricity services. Applications for new connections in town are also done by the municipality while Eskom provides electricity in the townships. Each registered indigent household receives 50kW of electricity per month. The municipality managed to reduce electricity losses to 8% this is due to regular meter audits, strict electricity cut-offs, penalties imposed for electricity meter tempering, replacement of aging infrastructure, etc.

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With the assistance of provincial CoGTA and treasury the municipality is implementing a project of replacing old infrastructure and with its internal coffers is installing smart electricity meters aimed at enabling early warning mechanisms to identify and detect theft of electricity. The department of Department of Mineral Sources and Energy has assisted the municipality to implement energy saving initiatives. The three (3) projects have resulted in losses reduction, low energy costs and improvement of revenue collection.

Electrification of the new Ext. 10 in Phahameng/Bultfontein and Ext. 5 Tikwana/Hoopstad is currently awaiting approval from Eskom and both projects are anticipated to be undertaken in 2023/24 and 2024/25 financial years.

## WATER SERVICES

The municipality is a water services authority and is responsible for provision of water to all the households in the municipality in both towns and townships. The water is abstracted from the Vet River by the Tswelopele Local Municipality and purified at the water treatment works, and pumped through bulk supply lines to storage facilities and to the end users.

The municipality does not have operations and maintenance plan and is facing various water challenges. We are unable to meet the demand of water versus the supply due to the increase of the population and the ever-leaking toilets in Phahameng and Tikwana leads to high water losses. Furthermore, the new establishments or developments are not yet billed due to non-provision of other services.

The ever-increasing water chemicals to purify raw water is of serious concern and affects the financial viability of the municipality.

In an effort to curb the high-water loss volume the Municipality in previous financial years has introduced and continues to institute a temporary planned water supply interruption at specific intervals to increase the water level of the reservoirs in order to build up enough pressure head to provide water to all households at a given time. The temporary planned water supply interruption is also used to save costs on cleaning chemicals. There is project budgeted to attend to the leaking toilet systems and replacement of non-functioning water meters in the 2023/24 financial year.

## SANITATION SERVICES

The municipality is committed to a clean environment and provision of sanitation services to all the household in line with the RDP standards. Formalised households have got access to sanitation services in both towns and the municipality is also focusing on servicing the new developments in both towns. The challenge of informal settlements still persists however we intend to move the beneficiaries to the formalized areas and eradicate informal settlements.



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The municipality managed to achieve 2022/23 targets set for the construction of sewer reticulation in Phahameng/Bultfontein Ext 10, refurbishment of pump station in Phahameng and fencing of waste water treatment plant in Tikwana.

The sewer reticulation in Phahameng/Bultfontein Ext 9 project was affected and delayed by community unrests, the unrests affected the contractor's progress because every time the construction ensued the contractor had to halt construction for the safety of his employees and machinery. The unrest occurred twice since the commencement of the project. Intervention was sought and as such the project is anticipated to be completed by December 2023.

## REFUSE REMOVAL AND WASTE MANAGEMENT

The municipality collects refuse from all the formalised households in both towns and townships on a weekly basis. Refuse is also collected in the CBD streets of both towns on a daily basis to ensure a clean town and also to attract investments and tourism in our towns. The municipality continues with limited resources to clean the illegal dumps in both townships and towns, clean the parks, stadiums, cemeteries and open spaces on a regular basis in order to promote a clean environment.

The municipality has two landfill sites that are situated in the two towns. Both the two landfill licenses have been licensed. Waste is not compacted and covered on a daily basis due to lack of proper machinery. The landfill site in Hoopstad is now fenced. The municipality has employed a landfill attendant for each landfill site. Recyclers/reclaimers collect waste at the site. The Bultfontein landfill site is fenced and there is access control. Lack of a yellow fleet is a major challenge for the management of the two landfill sites. The aged tractors are no longer effective and efficient to manage waste in the municipality, budget constraints to procure new equipment and machinery and townships growing in size whilst municipal resources are not adjusted accordingly are major challenges in the refuse removal and waste management function.

## ROADS AND STORMWATER

The municipality is facing challenges with lack of fleet and equipment to maintain roads and stormwater infrastructure. Also, over-reliance on project workers that comes from prior financial years poses human resource challenges, as we are unable to transfer skills and develop capacity internally. The municipality is phasing out tarred roads with pavement roads in road intersections with internally generated funds. Efforts are being made by management to source funding to replace and construct deteriorated road infrastructure in towns and new developments.

It is worth noting that the state of road infrastructure in the municipal areas has deteriorated due to aging infrastructure and heavy traffic i.e., trucks and construction vehicles moving in and out of our towns. The municipality is maintaining the tarred roads by fixing the potholes internally and is in the process of regulating the heavy vehicles in both towns to minimize more damage to the roads.

In the 2022/23 financial year the following were achieved with internal funds and resources:

1. Potholes were repaired;
2. Roads were graded;
3. Storm water channels were cleaned;
4. Road signs were replaced; and
5. Dilapidated roads were paved.

## 6 FINANCIAL HEALTH OVERVIEW

### ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

Descriptions	2022/ 2023 Final Budget	2022/ 2023 Actual	2022/ 2023 Variance	2022/ 2023 Variance
	R	R	R	%
<b>REVENUE</b>				
Property Rates	31 367 000	36 647 353	5 280 353	16.8
Service Charges – electricity revenue	53 681 000	46 385 375	(7 295 625)	(13.6)
Service charges – water revenue	5 333 000	5 279 052	(53 948)	(1.0)
Service Charges – Sanitation revenue	6 408 000	6 599 209	191 209	3
Service Charges – Refuse revenue	3 743 000	3 754 739	11 739	0.3
Rental of Facilities and equipment	387 000	1 854 104	1 467 104	379.1
Interest earned – external investments	1 300 000	1 934 365	634 365	48.8
Interest earned – Taxation revenue	281 000	6 271 001	5 990 001	2131.7

<b>Dividends Received</b>	180 000	116 750	(63 250)	(35.1)
<b>Fines, penalties and forfeits</b>	596 000	760 550	164 550	27.6
<b>Licences and permits</b>	70 000	133 405	63 405	90.6
<b>Transfers and subsidies</b>	144 937 000	173 685 563	28 748 563	19.8
<b>Donations</b>	0	2 383 148	2 383 148	100
<b>Other transfer revenue</b>	0	2 787 690	2 787 690	100
<b>Other revenue</b>	1 300 000	1 934 365	634 365	48.8
<b>TOTAL REVENUE</b>	<b>254 053 000</b>	<b>292 863 317</b>	<b>38 810 317</b>	<b>15.3</b>
<b>EXPENDITURE</b>				
<b>Employee related costs</b>	(78 875 000)	(79 693 677)	(818 677)	(1.0)
<b>Remuneration of councillors</b>	(6 569 000)	(6 491 480)	77 520	1.2
<b>Debt impairment</b>	(13 000 000)	(25 506 991)	(12 506 991)	(96.2)
<b>Depreciation and asset impairment</b>	(20 000 000)	(29 871 685)	(9 871 685)	(49.4)
<b>Finance charges</b>	(4 000 000)	(15 628 455)	(11 628 455)	(290.7)
<b>Bulk purchases</b>	(44 066 000)	(50 233 536)	(6 167 536)	(14.0)
<b>Lease rentals on operating lease</b>	0	(158 209)	(158 209)	(100)
<b>Contracted services</b>	(40 741 000)	(13 691 516)	27 049 484	66.4
<b>Community donations</b>	0	(11 119 285)	(11 119 285)	(100)

<b>Bad Debts written off</b>	0	(455 159)	(455 159)	(100)
<b>Other expenditure</b>	(34 955 000)	(51 446 532)	(16 491 532)	(47.2)
<b>TOTAL EXPENDITURE</b>	<b>(242 206 000)</b>	<b>(284 296 525)</b>	<b>(42 090 525)</b>	<b>(17.4)</b>
<b>Loss on biological assets</b>	0	(609 800)	(609 800)	(100)
<b>Fair Value Adjustments</b>	0	181 914	181 914	100
<b>Loss on disposal of assets/liabilities</b>	0	(609 800)	(609 800)	(100)
<b>Actuarial Gains/losses</b>	0	419 043	419 043	100
<b>SURPLUS/ (DEFICIT) FOR THE YEAR</b>	<b>11 847 000</b>	<b>(4 150 280)</b>	<b>(15 997 280)</b>	<b>(135)</b>

## 7 ORGANISATIONAL DEVELOPMENT OVERVIEW

### ORGANISATIONAL DEVELOPMENT PERFORMANCE

The role of corporate services department within the institution is to provide administrative, legal and human resource management function to the Council, EXCO, the Municipal Manager and other employees of Council. The department also deals with issues such as training, recruitment and skills development of employees.

The positions of the municipal manager became vacant from May 2022. The position of chief financial officer, director community services, director corporate services and the director technical services have been filled. There are key vacant positions and the municipality is in the process of filling the key vacant positions. In addressing the new staff regulations that are effective from 01 July 2022, the municipality as part of IDP and Budget reviewed its organisational structure and all vacant positions are budgeted for.

Employees and councillors participated in different learning programmes and interventions during the 2022 / 23 financial year in terms of the Workplace Skills Plan submitted to LGSETA. Graduates and experiential learners received training in various fields (on the job training).

## AUDITOR-GENERAL REPORT

The municipality has in the 2022/ 2023 financial year received an unqualified audit opinion. The municipality has developed an audit action plan to this effect to address all the issues identified by the office of the Auditor General on the audit of financial statements, performance information and compliance. This audit action plan will be monitored closely by Internal Audit, management and the council of the municipality to ensure effective implementation thereof. The implementation of the audit action plan is a priority of management and standing item to both the Audit committee and Management meetings.

## STATUTORY ANNUAL REPORT PROCESS

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

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## 8 GOVERNANCE

### POLITICAL GOVERNANCE

#### INTRODUCTION TO POLITICAL GOVERNANCE

The mayor is the key figure in the municipality in terms of section 52 of the Municipal Finance Management Act, 2003, [Act 56 of 2003]. Mayor is the chairperson of the Executive Committee [EXCO] that is responsible for receiving reports from various Section 80 Committees of Council and makes recommendations to Council as determined by Section 49 of the Municipal Structures Act, Act 117 of 1998]. The mayor's duties and functions include any ceremonial functions, and exercise powers delegated to the Mayor by Council or the Executive Committee.

The speaker is the chairperson of Council and performs function as stipulated in section 37 of the Municipal Structures Act, 1998, [Act 117 of 1998]. The speaker ensures that the council meets at least quarterly, ensuring compliance in the Council and Council Committees with code of conduct.

The Audit Committee consists of four members and met as scheduled, at-least four times per annum in terms of its approved terms of reference. The Audit Committee has reviewed and discussed with the Accounting Officer the Audited Financial Statements to be included in the annual report, reviewed the accounting policies and practices.

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## 9 POLITICAL STRUCTURE

### MAYOR

The Mayor presides at the meetings of the Executive Committee. The Mayor performs duties and functions including any ceremonial functions, and exercise powers delegated to the Mayor by Council or the Executive Committee.

### SPEAKER

Presides at Council meetings and performs duties and exercises powers delegated to the Speaker in terms of section 59 of Local Government: Municipal Systems Act, 2000 [Act 32 of 2000]. Furthermore, the Speaker has the following functions:

- To ensure that the council meets at least quarterly
- To maintain order during council meetings
- To ensure compliance in the council and council committees with the Code of Conduct
- To ensure that council meetings are conducted in accordance with rules and orders of the Council.

### EXECUTIVE COMMITTEE

The executive committee of the municipality consisted of the following councillors during the year under review:

Current Term of new Council

- Mayor;
- One Councillor of the ruling party; and
- One councillor of the opposition.

Tswelopele Local Municipality is a collective executive committee system and it consists of the council, which is the highest decision-making body and it meets quarterly with the Executive Committee meeting once in every month.

Below is the names of councillors and constituencies:

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WARD COUNCILLORS

WARD	WARD COUNCILLORS
Ward 1	Monnapule Rabanye
Ward 2	Mantsho Radienyane
Ward 3	Ramotlamela Potsanyane
Ward 4	Kholise Piet Dial
Ward 5	Motshabinyana Welhemina Raseu
Ward 6	Moeketsi Mphatsoe
Ward 7	Wangile Nkomo
Ward 8	Mzonakele Simon Baleni
Ward 9	Sedumedi Gaebee

PR COUNCILLORS

PR. COUNCILLORS
Kenalemang Rose Phukuntsi
Michael Muller
Nzima Twana
Moshe Moses Snyer



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Estelle Pretorious
Elize Pretorious
Teboho Alec Soaisa
T Shuping

## POLITICAL DECISION-MAKING

The Council of the Tswelopele Local Municipality is the highest decision-making authority in the institution. It guides and instructs the administrative component, which implements the decisions taken by the political component through resolution implementation process. The council resolution execution register is kept and maintained by the Office of the Municipal Manager, in order to track the implementation of all resolutions taken at different committees.

## 10 OTHER COUNCIL GOVERNANCE STRUCTURES

### AUDIT, PERFORMANCE AND RISK COMMITTEE

The Municipality has a functional Audit, Performance and Risk Committee in place, guided by an Audit, Performance and Risk Committee Charter. The members of the committee are all external individuals and advise council on matters relating to governance, internal control, risk management, performance and compliance issues quarterly. The committee sits as per the approved Council's schedule and as and when need arises.

### MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

The municipal council has appointed Municipal Public Account Committee to handle matters of oversight and other municipal operations. For the reporting period, the committee conducted MPAC meetings to scrutinise and advice council on the annual report. MPAC sat in several meetings as well informally and formally to investigate unauthorised, irregular and fruitless expenditure, recommendations on how to deal with such expenditures were made to Council.

### ADMINISTRATIVE GOVERNANCE

The municipal manager is the head of the administration and accounting officer of the institution. The political leadership through the mayor and the administration through the municipal manager complement each other in

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implementing council resolutions and other municipal programmes that are promoting good governance and public participation. However, the prolonged challenge of filling the vacancy of the municipal manager affects accountability.

## INTERGOVERNMENTAL RELATIONS

Intergovernmental relations are intended to promote and facilitate cooperative decision making and to ensure that policies and activities across all spheres of government encourage service delivery and meet the needs of citizens in an effective way also to assist in curbing the duplication of various resources.

## 11 PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The objective is achieved by holding public meetings, ward meetings, communication with and through non-governmental organisations and with the use of Community Development Workers. Political leaders of parties represented in council also give feedback to the community through meetings of those structures and the municipal website which is updated on the regular basis.

## PUBLIC MEETINGS

### COMMUNICATION, PARTICIPATION AND FORUMS

The following mechanisms are used as tools to ensure public participation and communication with the community of Tswelopele: loud-hailers, ward councillor's meeting, Community Development Workers and ward committees hold their sectional meetings in their respective wards to enhance public participation.

The IDP and budget consultative meetings are held, as stipulated by law, through different forums and they are inclusive of steering committee, stakeholder's forum, sectional meetings, ward and mass meetings. All these meetings are held on scheduled dates and communicated to the public through announcements, invites or municipal notice boards as prescribed by law.

The municipality is committed to public engagement and participation in planning and decision-making processes. In this regard, it has established a broad spectrum of engagement and consultation programmes and platforms aimed at the various communities.

Ward committees have a crucial role of ensuring that community needs are reported to the municipality through the Office of the Speaker. The municipality is in full support of all ward committees and to sustain their existence as they serve as a point of contact between the municipality and the residents.

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## IDP PARTICIPATION AND ALIGNMENT

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

## 12 CORPORATE GOVERNANCE

### RISK MANAGEMENT

The Municipality have an approved risk management policy which outlines the municipality's commitment to managing risks events which might impact on the achievement of our objectives. Furthermore, the Municipality have an approved risks management strategy which details our plan of action on how to effectively implement the risk management policy in day-to-day activities.

In executing the risk management strategy risk assessments were conducted and the risk register was compiled accordingly. Furthermore, the risk response plans to further mitigate the risks were documented and monitoring thereof was undertaken to ensure that risks owners are effectively managing risks in their respective areas of work.

The municipality had a functional Audit, Risk and Performance committee chaired by an independent person. The committee which provides oversight on risk management activities. This committee has met on quarterly basis as scheduled.

The charter for the combined committee has been amended with the responsibilities of the committee on aspects of risk management clause.

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## ANTI-CORRUPTION AND FRAUD

To promote zero tolerance environment to fraudulent and corrupt activities, the Municipality Fraud and Corruption Policy and Fraud and Corruption Prevention Plan were approved by council which were also communicated to all officials.

Management, officials and the audit, performance and risk committee members' have also signed disclosure of interest forms to ensure that there won't be conflict of interest.

## SUPPLY CHAIN MANAGEMENT

### SUPPLY CHAIN MANAGEMENT UNIT

The Supply Chain Management unit operates under direct supervision of the CFO. The Manager: SCM & expenditure reports to the CFO.

The SCM regulations stipulate the following:

- a) SCM regulation 6(2) (a) (i) - that the council of a municipality must maintain oversight over the implementation of its SCM policy. For the purpose of such oversight the accounting officer must within 30 days of each financial year submit a report on the implementation of the SCM policy of the municipality to the Council.
- b) SCM regulation 6(2) (3) – the Accounting Officer shall within 10 days after the end of each quarter submit implementation reports on SCM to the mayor.

### Adoption of SCM Policy

The SCM policy has been adopted by council, the management reports to council on quarterly basis on the implementation of the SCM policy as required by the regulations.

## BY-LAWS

A by-law is a law that is passed by the council of a municipality to regulate the affairs and the services it provides within its area of jurisdiction.

As people have a right and duty to participate in government and civil society, public participation conducted included holding community meetings, joining civil and / or political organisations, public hearings and public consultation meetings.

All by-laws are enforced by way of policies or municipal courts and notices in Provincial Gazette. Public hearings are held in all the towns falling under the jurisdiction of our Municipality. The inputs of the community are

incorporated into the document, after completion of this process; the by-laws were been promulgated in the Provincial Gazette to have an effect of the law.

## WEBSITE

Documents published on the Municipality's Website	Yes / No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual reports	Yes
The annual report (2021 / 20) published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2023 / 22) and resulting scorecards	Yes
All service delivery agreements	Yes
All long-term borrowing contracts	N/A
All supply chain management contracts above a prescribed value	Yes
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	Yes
Contracts agreed in to which subsection (1) of section 33 apply, subject to subsection (3) of that section	Yes
Public-private partnership agreements referred to in section 120	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during the year (The municipality also placed the section 72 reports-Mid Year Assessment)	Yes

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## MUNICIPAL WEBSITE CONTENT AND ACCESS

The municipal website has been updated with recent municipal information as guided by section 75 of the MFMA.

All the information relating to quotations, procurement advertisement is uploaded through Corporate Services department by the office of Information Technology. The IT division has also developed a procedure to be followed when uploading information: -

- Users complete a form when requesting the information to be uploaded
- Head of Corporate services authorises the form and acknowledges the information to be uploaded
- The information is then forwarded to the IT office in a soft copy format
- Thereafter the IT Officer will login as the administrator and upload the information on the website
- Upon successful uploading of information, it should be accessible within five minutes.

## PUBLIC SATISFACTION ON MUNICIPAL SERVICES

The municipality has a manual complaint and compliments registers used by the community members for any complaints and compliments with regard to the services provided by the municipality in both Hoopstad and Bultfontein. The register is monitored by the senior management to ensure that all the issues raised by the community in the register have been addressed.

The municipality did not conduct any public satisfaction surveys on municipal services for the period under review. The office of the Speaker will be conducting community satisfactory survey going-forward and the report from the survey will be publicised once finalized and approved by council.

## 13 SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

The municipality is committed to quality service delivery for residents of Tswelopele and to the extension of basic services to those who were previously denied access.

These sections of the report put focus on the service delivery related areas of the municipality, including performance highlights as they prevailed for the period reported herein.

## WATER PROVISION

The municipal strategic approach to the provision of water services is contained in the Water Services Development Plan (WSDP) that has been developed and is currently under review. The municipality will continue to curb the water losses that is being experienced and unaccounted. Strict measures are enforced to deal with water wastage as a result the municipality reported an average 15,42% of water losses for the reporting period.

99,13% (11045) of households and 100% (490) of public facilities and businesses were supplied with clean, quality and sustainable water services.

The following achievements were noted with regards to water projects to assist in improving the quality and sustainable water supply and curb the water losses:

- Construction of Water Reticulation in Phahameng/Bultfontein Ext 10 (426 sites) 100% complete
- Upgrading of bulk water supply in Hoopstad (Phase 3) 100% complete
- Upgrading of bulk water supply in Hoopstad (Phase 4) 88.3% complete
- Upgrading of bulk water supply in Bultfontein (Phase 3) 100% complete
- Upgrading of bulk water supply in Bultfontein (Phase 4) 50% complete

The table below shows the level of distribution of water in cubic meters to various sectors and households in the municipality and also provide the water losses for the financial year under review.

Total Use of Water by Sector (cubic meters)				
Year	Agriculture	Forestry	Industrial & Domestic	Unaccountable water losses
2015/ 16	N/A	N/A	2 628 674	892 367
2016/ 17	N/A	N/A	4 895 903	339 101
2017/ 18	N/A	N/A	2 335 180	343 000
2018/ 19	N/A	N/A	2 701 629	610 299
2019/20	N/A	N/A	3 331 458	543 461
2020/21	N/A	N/A	3 369 468	824 652
2021/22	N/A	N/A	3 214 812	749 738
2022/23	N/A	N/A	3 889 835	599 333

Description	2018/ 2019	2019/2020	2020/2021	2021/2022	2022/23
	Actual	Actual	Actual	Actual	Actual
<b><u>Water:</u> (above min level)</b>					
Piped water inside dwelling	3820	3820	3820	3820	3820
Piped water inside yard (but not in dwelling)	8172	8172	8172	8172	8172
Using public tap (within 200m from dwelling )					
Other water supply (within 200m)					
<b>Minimum Service Level and Above sub-total</b>	12523	12523	12523	12523	12523
<b>Minimum Service Level and Above Percentage</b>	91%	91%	91%	91%	91%

<b>Water: (below min level)</b>					
Using public tap (more than 200m from dwelling)					
Other water supply (more than 200m from dwelling)	NA	NA	NA	NA	NA
No water supply					
<b>Below Minimum Service Level sub-total</b>	0	0	0	0	0
<b>Below Minimum Service Level Percentage</b>	0%	0%	0%	0%	0%
<b>Total number of households*</b>	<b>12523</b>	<b>12523</b>	<b>12523</b>	<b>12523</b>	<b>12523</b>

The table above shows that 12523 households in the municipality have access to piped water services, there is total number of 1182 households that have below RDP standards basic services which are the new developments. The municipality has made an application for funding to service the new development in both towns. Currently the municipality has a committed funding from MIG to service the 499 sites (new development) in Tikwana and the project is in progress.

Description	2017/ 2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023		
	Original					Actual	Adjusted	Original
	No.	No.	No.	No.		No.		
<b>Total households</b>	11992	12523	12523	12523	12523	12523	-	12523
<b>Households below minimum service level</b>	0		1182	1182	1182	1182		1182
<b>Proportion of households below minimum service level</b>	0		0	0	0	0	-	0
<b>Total households</b>	-		-	-	-	-	-	-
<b>Households below minimum service level</b>	0		0	0	0	0	-	-
<b>Proportion of households below minimum service level</b>	0		0	0	0	0	-	-

## SANITATION PROVISION

The municipality is committed to a clean environment and provision of sanitation services to all the households in line with the RDP standards. Formalised households have got access to sanitation services in both towns and the municipality is also focusing on servicing the new developments in both towns.

Ext. 5 in Tikwana/Hoopstad also known as “499 sites” construction for the internal sewerage network and toilets top structures is currently on hold as the municipality has applied for additional funding to successfully complete the project.

The municipality for the reporting period has achieved the following projects’ milestones:

- Construction of Sewer Reticulation in Phahameng/Bultfontein Ext 10 (426 sites) 100% complete



- Construction of Sewer Reticulation in Phahameng/Bultfontein Ext 9 (476 sites) 33% complete
- Refurbishment of pump station in Phahameng 100% complete
- Fencing of Waste Water Treatment Plant in Tikwana (Hoopstad) 90% complete

Description	2018/ 19	2019/ 20	2020/21	2021/22	2022/23
	Actual	Actual	Actual	Actual	Actual
	No.	No.	No.	No.	No.
<b><u>Sanitation/sewerage:</u> (above minimum level)</b>					
Flush toilet (connected to sewerage)	12523	12523	12523	12523	12523
Flush toilet (with septic tank)	17	17	17	17	17
Chemical toilet	0	0	0	0	0
Pit toilet (ventilated)	0	0	0	0	0
Other toilet provisions (above minimum. Service level)					
<b>Minimum Service Level and Above sub-total</b>	12523	12523	12523	12523	12523
<b>Minimum Service Level and Above Percentage</b>	91%	91%	91%	91%	91%
<b><u>Sanitation/sewerage:</u> (below minimum level)</b>					
Bucket toilet	0	0	0	0	0
Other toilet provisions (below min.service level)	1182	1182	1182	1182	1182
No toilet provisions	0	0	0	0	0
<b>Below Minimum Service Level sub-total</b>	1182	1182	1182	1182	1182
<b>Below Minimum Service Level Percentage</b>					
<b>Total households</b>	<b>13705</b>	<b>13705</b>	<b>13705</b>	<b>13705</b>	<b>13705</b>

## ELECTRICITY

The basic level of access to electricity is defined as including connection of the household to the grid and basic level of service includes 10 AMP connection. Electricity generation and transmission is the sole responsibility of ESKOM. The municipality has been licensed by NERSA for distribution only. The municipality has applied for funding to electrify new developments and is awaiting Eskom approval.

The following initiatives and projects were implemented:

- Installation of electricity smart meters for households, businesses and public facilities in Bultfontein and Hoopstad 95% complete (969 of 1022)
- Refurbishment of electricity infrastructure in Bultfontein and Hoopstad 54% complete
- Refurbishment of electricity/energy demand management in Hoopstad and Bultfontein 100% complete

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The municipality through the implementation of extensive credit control measures and energy efficiency initiatives managed to curb electricity losses to an average 8% and this equal to the normal or technical losses norm.

## WASTE MANAGEMENT

Residents of the municipality were rendered weekly refuse collection throughout the financial year. The municipality still has shortage of yellow fleet as such in both towns there were occasional disruptions due to breakdowns as the municipality's fleet is aged. Shortage of personnel has also affected the weekly operations in some areas which has necessitated the overuse of project workers.

The two municipal landfill sites are licensed and still have enough air space to receive waste for more years to come. Each landfill site has a site office and the municipality has allocated a landfill attendant to each site. The sites are registered on the National Waste Information System. This enables the sites to report estimates of waste that enter the site on a monthly basis, this information can be used to inform planning of waste initiatives at all levels. The municipality is unable to clean the sites without the appropriate machinery.

The municipality managed to procure with internal coffers two (2) new bakkies to improve the waste management service. The municipality is currently engaging a lot of donors for the funding of compactor trucks and yellow fleet for servicing the landfill sites.



## HUMAN SETTLEMENT

Human Settlement in the Free State Province is a provincial competency unless in instances where a municipality has been accredited by the provincial government to build government funded houses. The responsibility of Tswelopele Municipality with regards to human settlement is beneficiary management through management of

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waiting list for residents applying for sites and beneficiaries who have service sites but are in need of RDP houses.

The municipality ensures the provision of land and use of municipal owned land in support of the human settlement programme as initiated by the province. The municipality also conducts identification of well-located land suitable for social and other housing through Local Spatial Development Framework (LSDF) processes. The Municipality also allows for basic considerations, such as suitability and servicing, and applications are approved accordingly through Council resolutions.

Community Services department reviewed internally the Human Settlement Sector Plan and was approved by council with the IDP in May 2023. The Human Settlement Plan addresses all housing challenges and remedial action including informal settlement related issues. Apart from that, it is a legislative requirement for Municipalities to compile a human settlement/ Housing Sector plan that form part of the Integrated Development Plan. One of the core functions of a municipality is to ensure that service delivery reaches community at large and human settlement is a core function of a municipality.

The municipality has included in the integrated development plan the backlog of RDP houses in Tikwana (2115) and Phahameng (2263). The list of number of people entered on housing and ervens waiting list increases daily. The municipality continued with the allocation of sites in extension 10 in Bultfontein. The Municipality has township establishment of (499) in Tikwana –Extension 4 and allocated 470 sites to date.

#### **SITE ALLOCATION – 2022/23 FINANCIAL YEAR**

<b>EXTENSION</b>	<b>NO. OF SITE</b>	<b>SITE ALLOCATED TO DATE</b>
<b>Ext. 4 Tikwana</b>	499	499
<b>Ext. 9 Phahameng</b>	481	443
<b>Ext. 10 Phahameng / Bultfontein</b>	426	135
<b>652 Erven Tikwana</b>	652	442

There are a number of title deed which are in the position of the Municipality. The title deeds are categorised per Ward, as indicated in the table below:

#### **Title deeds received from different conveyances for Phahameng and Tikwana**

- 1) Phahameng/Bultfontein received two (2) title deeds.
- 2) Tikwana/Hoopstad received ninety-six (96) title deeds.

<b>BULTFONTEIN / PHAHAMENG</b>		
<b>WARD NUMBER</b>	<b>ISSUED OUT</b>	<b>REMAINING TITLE DEEDS</b>

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Ward 1	0	22
Ward 2	0	16
Ward 3	0	31
Ward 4	0	13
Ward 5	0	0
TOTAL REMAINING WITHIN THE MUNICIPALITY: BULTFONTEIN		82
HOOPSTAD / TIKWANA		
WARD NUMBER	ISSUED OUT	REMAINING TITLE DEEDS
Ward 6	0	352
Ward 7	0	99
Ward 8	0	13
Ward 9	0	0
TOTAL REMAINING WITHIN THE MUNICIPALITY: HOOPSTAD		464

## BASIC SERVICES AND INDIGENT SUPPORT

The municipal council must give priority to the basic needs of the community, promote the social and economic development of the community and ensure that all residents and communities in the municipality have access to at least the minimum level of basic municipal services in terms of section 152(1) (b) and 153(b) of the Constitution.

Basic services are generally regarded to be access to electricity, access to clean water within a reasonable distance of one's dwelling, basic sanitation, solid waste removal and access to and availability of roads. The key purpose of an indigent subsidy policy is to ensure that households with no or lower income are not denied a reasonable service, and on the contrary, the Municipality is not financially burdened with non-payment of services. Provided that grants are received and funds are available, the indigent subsidy policy should remain intact.

The Indigent Subsidy Scheme was introduced by the municipality in order to provide basic services to poor households (water, sanitation, refuse and energy). On an annual basis the indigent register is reviewed and residents who qualify are encouraged to apply. Entry level amount for the 2022 / 2023 financial year is determined as R4 500 per month. Grants-in-aid may, within the financial ability of the municipality, be allocated to household owners or tenants of premises who receive electricity, refuse removal, water and sewer services as well as assessment rate services, in respect of charges payable to the municipality for such services.

### Free Basic Services

Free Basic Services To Low Income Households										
	Number Of Households									
	Total	Households Earning Less Than R 3 500.00 per Month								
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
		Total	Access	%	Access	%	Access	%	Access	%
2022 / 23	12523	4260	4230	99.3%	4230	99.3%	4889	99.4%	4230	99.3%

## TRAFFIC TRANSPORT

The municipality is required to provide safe, affordable, sustainable and accessible road network services and infrastructure that promotes integrated land use development. The municipality is not responsible for any road transport.

Gravel Road Infrastructure				
Financial year	Kilometres			
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to pave	Gravel graded/maintained roads
2011 / 12	98.8	500 m	0	180,5
2012 / 13	93.8	1 km	5 km	180.5

2013 / 14	92.3	1.5 km	0	120
2014 / 15	90.8	0	1.5 km	40 km
2015 / 16	90.8	0	0	50km
2016/ 17	90.8	0	0	36Km
2017/18	90.8	0	2 km	35 km
2018/19	90.8	0	0	37 km
2019/20	90.8	0	0	20km
2020/21	90.8	0	1.3km	25km
2021/22	90.8	0	0	0
2022/23	90.8	0	0.93km	6km

Tarred Road Infrastructure						
Kilometres						
Financial year	Total roads	tarred	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2011 / 12	54 km		0	0	0	5 km
2012 / 13	61 km		5 km	0	0	6 km
2013 / 14	61 km		0	0	0	1.5 km
2014 / 15	61 km		0	0	0	5 km
2015 / 16	61km		0	0	0	10
2016/ 17	61Km		0	0	0	2 km
2017/18	61km		0	0	0	2km
2018/19	61km		0	0	0	1km
2019/20	61km		0	0	0	500 m
2020/21	61km		0	0	0	1km
2021/22	61Km		0	0	0	2km
2022/23	61km		0	300m	0	2.1km

## PLANNING AND DEVELOPMENT

Planning is administered within Community Services department where all land development application, township establishment applications are handled. The Municipality has a functional Municipal Planning Tribunal which is in operation and consists of Planners from CoGTA as well as relevant Municipal Officials. The Municipality has Planning Municipal Land Use and Planning By-laws that includes all land within the jurisdiction of Tswelopele Local Municipality including all farm land.

The Municipality is in a process of finalising the Land Use Management Scheme with the assistance from CoGTA and currently all Municipal township still do not have a Land Use Scheme and under the Black Communities Development Act, (Act No. 4 of 1984) which poses a limit in development as the Act is only limited to a number of land uses which it allows and which lead to slow growth within the townships. The Spatial Development Framework is currently under review 2022/23 financial year and includes all both township and town areas.

The municipality needs to ensure the enforcement and building control on numerous illegal land users. The practice of erecting new houses and extension of existing housing units occurs without residents submitting



building plans to the municipality for approval. As a result, Building Control Division conducts National Building Standards and regulations awareness's to the Community members and for the reporting date one awareness campaign was held to educate the Community members about the importance of submitting building plans for approval before erecting any structure, Building Control division compiled pamphlets to be handed to the community members by conducting door to door visits, since Building Control Division has taken into note that most of the Community members of Tswelopele Local Municipality are not aware of the importance of submitting building plans before erecting any structure.

**NATIONAL BUILDING STANDARDS AND REGULATIONS AWARENESS CONDUCTED FOR 2022/2023 FINANCIAL YEAR**

QUARTER	WARD	PLACE	DATE
1 <sup>ST</sup> Quarter	2	Phahameng	29 September 2022
	8	Tikwana	23 September 2022
2 <sup>ND</sup> Quarter	4	Phahameng	23 November 2022
	7	Tikwana	24 November 2022
3 <sup>RD</sup> Quarter	9	Phahameng	23 March 2023
	6	Tikwana	24 March 2023
4 <sup>TH</sup> Quarter	8	Tikwana	05 May 2023
	4	Phahameng	18 May 2023

Building Control division approved ninety-one (91) building plans for the 2022/2023 financial year and the building application fees paid to the Municipality amount to a total of R23 810.42. Every year, Building Control Division compiles a list of completed buildings that have been erected around Tswelopele Local Municipality to be submitted to the Finance department for the purpose of valuation roll to be updated. In 2022/23 the supplementary valuation roll was finalised and property rates charged accordingly.

**LOCAL ECONOMIC DEVELOPMENT AND TOURISM**

The vision, mission and the objectives of the local economic development unit is to support the following strategic focus areas in stimulating the local economy:



- 
- Agriculture Sector
  - Tourism Sector
  - Manufacturing
  - SMME's Promotion

## **SMME'S DEVELOPMENT**

The municipality has developed local economic development strategy which is reviewed by the department of Cooperative Governance and Traditional Affairs.

Subsequent to that process LED unit identified skills gaps that existed within the Small, Micro and Medium Enterprises (SMMEs) fraternity and in responding to that challenge a series of trainings were organized as follows:

- 94 Business licenses were issued for the year under review;
- 7 Street trading permits were issued for the year under review; and
- Training all Small, Micro and Medium Enterprises (SMMEs) with Lejweleputswa District Municipality and SEDA.

In further continuing developing Agriculture sector in the area the municipality is continuing to avail land to emerging farmers so that they can create sustainable jobs for themselves

Tswelopele Local Municipality places SMME's development high on its agenda since it is one of the main pillars for the local economic development within the municipality and on that note a total amount of more than 5 million was spent on local suppliers for the financial year 2022/2023.

The Expanded Public Works Programme is one of government's programmes aimed at providing poverty and income relief through temporary work for the unemployed and as such the municipality has been able to create a number of jobs through this initiative.

## **14 COMMUNITY & SOCIAL SERVICES**

### **MUNICIPAL FACILITIES**

Tswelopele Local Municipality has the following facilities which are managed within Community Services Department, namely

- Amanda Coetzer Hall (Lapa)
- Bultfontein Town Hall
- Bultfontein Stadium
- Hoopstad Town Hall
- Hoopstad Stadium

- 
- Louis Botha Hall (Pan Palace)
  - Phahameng Hall
  - Phahameng Stadium
  - Solomon Mahlangu Hall
  - Sebokolodi Hall
  - Tikwana Stadium

As part of service delivery, the Municipality offer services for catering for the community's events by availing the above-mentioned facilities for various types of events. With the reopening of economic activities, the municipality has seen a slight increase in the renting of the above facilities for reporting period.

Community Services has approved procedure manuals which provide detailed information on how to acquire and utilise municipal facilities. The above-mentioned facilities are not in a satisfactory state as there is a need for refurbishment of the facilities. All Municipal facilities have standard tariff fees allocated. The Municipality is in a process of refurbishing all facilities per phases. Municipal facilities are rented out the general public and accessible to all. The Municipality still applies the first-come-first serve process.

## CEMETERIES AND CREMATORIUMS

Tswelopele Local Municipality has a pauper burial policy where only the indigent and unknown deceased residents within the municipality are assisted with the burial process namely:

1. A free grave
2. Coffin (R1 500.00 for adult and R500.00 for children)

The applicants submit the required information to the municipality and the councillor / CDW (Community Development Workers) conduct a household study in order to determine the living conditions of the applicant. Community Services then verify whether the applicant is in the indigent registry. When all information meets all requirements then the municipality pays the funds to the undertaker on behalf of the family members.

Tswelopele Municipality does not own or provide crematorium facilities and services. The municipality is committed to creating and maintaining landscaped cemeteries in a sustainable, clean and safe environment.

## TRAFFIC MANAGEMENT

Tswelopele Local Municipality has four (4) traffic officers with a functional structure; all four traffic officers are servicing both towns (Bultfontein & Hoopstad) on a rotational basis. Their function includes law enforcement and traffic management. The unit prepares weekly plans as well as reports which details all activities undertaken. The main activities conducted by Traffic Division include amongst others ensuring that all road users comply with the rules and regulations of the road. Road Users transgressing National Road Traffic Act and related legislations are issued with Section 56 Notices and when there is a need arrested. The Unit also serves warrants of arrests for those who do not pay notices and fail to appear in court.

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Traffic Division also on regular basis conducts multi-stakeholder joint operations and roadblocks in collaboration with Provincial Traffic and South African Police Service. The division also work with the Department of Police, Roads and Transport particularly Road Safety Directorate to conduct road safety educational campaigns and training of Scholar Patrols at schools.

The unit ensures monthly reporting and consolidation of traffic fines which are submitted to internal audit and performance office. Traffic notices were issued during the 2022/ 2023 and the amount equal to R217 680-00 was received from magistrate court.

## DISASTER MANAGEMENT

Municipality have a Disaster Management Office and One (1) Official appointed as Disaster Management Officer. Disaster Risk Management plan was developed and adopted by Council in May 2023 and the plan deals specifically with the following:

- Disaster Risk Assessment,
- Disaster Risk Reduction,
- Response and Recovery,
- Public and Scholar's Awareness on risk disaster and climate change management.

The division deals with fire incidents and have affiliated with Fire Protection Association – that deals with veld fires and other fire related issues / matters.

### Committees:

- Local Disaster Management committee meet once on quarterly basis and,
- Attend – District Disaster Management on quarterly basis.
- Attends Provincial Fire Services Committee meeting on quarterly basis.

## EXECUTIVE AND COUNCIL

Tswelopele is a collective type municipality. Council structures are as follows: EXCO, Ward Committees, etc. Committees are accountable to the Speaker. Staff is as follows: Office Manager, PPO and Driver.

The legislative and executive authority of a municipality is vested in its municipal council. Municipal council resolutions and recommendations are implemented. The municipal council exercise oversight authority over the executive actions of the mayor and the municipal manager in terms of delegated authority.

Sections 11 of MSA, directs a council to monitor municipal services, monitor the impact and effectiveness of services, policies, programmes and plans. Section 40 directs the council to monitor and review the council's performance management systems of specific responsibilities.

The Manager in the Office of the Mayor is responsible for public participation and managing the office and the staff. The Public Participation Officer is responsible to ensure the community becomes involved in the affairs of the municipality. In the Office of the Mayor, we have PA to the Mayor who is responsible for day to day running of

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the mayor's office, Special Programmes Officer is responsible for transversal issues and Community Liason Officer is responsible for escalating and addressing community needs, challenges and grievances.

## FINANCIAL SERVICE

The Financial Department is primarily responsible for executing all the financial management of the municipality. The functions of one of the sections, namely the Budget and Treasury Office, may be broken into the following components:

1. Budget and Reporting: this function spearheads the preparations and monitoring of the budgeting process. This also include mandatory reporting to all external stakeholders like National Treasury, Provincial Treasury among others
2. Supply Chain and Expenditure Management: this function is responsible for managing the entire procurement process according to legislation and regulations. This is essential as all departments provisions within municipality are sourced through Supply Chain Processes. Expenditure management relates to all payments done within the municipality to service providers.
3. Revenue Management: this involves billing the customers for services provided by municipality and the collection process. This is key function as the municipality cannot function properly without funding. Consequently, this function allows the municipality to continue to offer services to its customers.
4. Asset Management: This involves asset management processes in accordance to legislation and council policies. Proper procurement, managing, safeguarding and disposal of assets will assist the municipality in efficient and effective service delivery to the community.
5. Financial reporting: This involves the preparation of Annual Financial Statements and all mandatory reconciliations/reports to support the audit file.

The financial administration is done together with all the departments within the municipality with the BTO taking the leading supportive role.

## HUMAN RESOURCE SERVICES

Human resources are the primary investment for the municipality and the municipality endeavours to maintain its investment in its staff hence the municipality is in the process of the recruitment of qualified individuals in line with the critical posts identified, organizational structure review, training of staff members as per the annual Workplace Skills Plan (WSP), comprehensive capacity building program for Councillors and a sound and conducive labour relations environment.

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## INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

*Note: MSA 2000 S68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.*

Tswelopele Local Municipality is conscious of a lack of both infrastructure and skilled workforce to meet the needs of delivery services to our communities.

In managing workforce capacity development the municipality has developed a strategy with the following goals:-

- The right people with the right skills will be in the right place at the right time
- Analysis of the existing workplace to determine expected and internal supply
- Analysis of the gap between existing and future needs.
- Predict workforce needs for the future
- Develop strategies to address the gaps
- Continuously evaluate the process

In order to fully achieve the goals listed above, the municipality is investing in training of our personnel to become highly skilled.

### CAPACITATION OF THE MUNICIPAL WORKFORCE:

Workforce training and development learning interventions were implemented satisfactory as planned.

Capacity building is an ongoing process that requires continuous engagements with stakeholders, improved planning and regular planning and evaluation of progress made. The relevant beneficiaries for the minimum competencies have achieved the desired end results, however the training is also continuous as per the new appointments are made.

A number of programmes are in place to assist the employees and the municipality and all initiative programmes are aimed at building capacity for acceleration of knowledge and competencies. The municipality could not adequately budget for employees and councillors' trainings as identified by skills audit conducted as such only critical trainings were approved and attended.

Work Skills Plan was compiled and submitted to LGSETA on 30 April 2023. The following training were conducted:

- B.Compt – 8 Councillors
- MFMP – 9 Councillors, 11 municipal officials and 3 financial Interns
- Bachelor of Business Administration - 1 Official
- Labour Intensive construction - 1 Official

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The municipality also provides for the health and welfare of all its employees. The municipality is having a dedicated Health and Safety Committee and regular workshops or awareness campaigns are conducted for all employees.

## INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The municipality has deployed clearOS Firewall/Proxy on its network to guard against cyber-crimes, to block certain websites that are not work related and spoofing e-mails. Furthermore, the municipality on an annual basis renews its ESET anti-virus protection also to guard municipality systems against viruses.

The municipality has appointed Ntelecom company to host the municipality with, e-mails and VOIP services and Internet, the connection was also upgraded to 10Mbps in prior financial years. The municipality has also put on the Virtual Private Network (VPN) with 8 Mbps connection in place to connect the remote site to the main site for financial system purposes. The municipality has appointed Munsoft to run the financial system that is MSCOA compliant hence there is a need to upgrade the internet speed and network infrastructure because the system has to run live at all times and for backup purposes too.

The municipality has developed an ICT Strategic Plan and the purpose of the Municipality's IT strategic plan is to ensure that the municipality will allocate sufficient resources and establish priorities using the municipality's broader vision to enhance the business processes.

The municipality to gain a competitive advantage in the use of Information Technology has to ensure that the following are implemented as short-term, medium-term or long-term projects:

### **Network Connectivity**

This will be done in phases:

1.1 Upgraded and constant network connectivity.

### **Review the Financial Management Systems**

2.1 Financial Management Systems that complies with the Municipal Finance Management Act (MFMA) and MSCOA.

### **Hardware and Software**

3.1 Standardised licensed hardware and software for the municipality.

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This was just to name few projects that the municipality should ensure that these projects are implemented within the timeframes. Budget constraints is the root-cause for the non-implementation of the highlighted mandatory projects.

## RISK MANAGEMENT SERVICES

### RISK MANAGEMENT

The role of Risk Management in the municipality is to co-ordinate and offer guidance with regard to the process of managing risks in the municipality and the following were taken into consideration.

- By ensuring that there is regular updating of risks on quarterly basis in the risk registers in pursuit of set objectives and improved risk maturity level
- By ensuring that there is embedding of risk management culture in the municipality by the risk owners and other role players
- Ensure that there is functional and effective Risk Management Committee in place to play an oversight role over risk management matters.

In terms of the Risk Management Strategy, risk management is not a stand-alone function, but is part of the strategic planning, business process and operational activities.



**TSWELOPELE**  
LOCAL MUNICIPALITY  
A MUNICIPALITY IN PROGRESS

**TSWELOPELE LOCAL MUNICIPALITY**

**ANNUAL PERFORMANCE REPORT (QUARTER 1 - 4)**



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## **TLM NON-FINANCIAL PERFORMANCE REPORT (Q1 JULY 2022 TO Q4 JUNE 2023)**

**REPORTING PERIOD: AS AT 30 JUNE 2023**

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### **1. INTRODUCTION**

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Performance management is a process which measures the implementation of actions identified to achieve the organisation's strategy. It assists management to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality. According to the Local Government Municipal Finance Management Act, Act 56 of 2003, Section 52 (c) thereof, the Mayor must take all reasonable steps to ensure that the municipality performs its Constitutional and statutory functions within the limits of the municipality's approved budget.

Performance management is prescribed by chapter 6 of the Municipal Systems Act 2000 and the Municipal Planning and Performance Regulation of August 2001. Section 7 of the aforementioned regulation states that "A municipality's performance management systems 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, organized and managed, including determining the responsibilities of different role players" This framework should reflect the linkage between the IDP, Budget and SDBIP.

The constitution of S.A (1996), section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of section 195 (1) are also linked with the concept of performance management, with reference to the principles of inter alia:

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

The Municipal Systems Act (MSA), no. 32 of 2000, requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA), no. 56 of 2003, requires the Integrated

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Development Plan (IDP) to be aligned with the municipal budget and be monitored for the performance of the budget against the IDP by using the Service Delivery and the Budget Implementation Plan (SDBIP).

## **2. LEGISLATIVE REQUIREMENTS**

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In terms of section 46(1)(a) of the MSA, a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with performance in the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the municipality for the following financial year and measures that were or are to be taken to improve performance.

## **3. TLM STRATEGIC PERFORMANCE**

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Strategic performance indicates how well the municipality is meeting its objectives and which policies and processes are working. All government institutions must report on strategic performance to ensure that service delivery is efficient, effective and economical. Municipalities must develop strategic plans and allocate resources for the implementation. The implementation must be monitored on an ongoing basis and the results must be reported during the financial year to various role-players so as to enable them to timeously implement corrective measures where required.

This report highlight the strategic performance in terms of the municipality's Top Layer Service Delivery Budget Implementation Plan (SDBIP), high level performance in terms of the National Key Performance Areas and an overall summary of performance at a functional level. Details regarding specific basic service delivery targets, achievements and challenges will be included in this report as well as the detailed Annual Report of the municipality.

Tswelopele Local Municipality compiled its consolidated performance report (Q1 to Q4) in line with the above mentioned legislation. The purpose of the report is to outline the achievements of the municipality in the period under review. The report further seeks to outline challenges and remedial actions that have been implored as corrective measures thereto.

The purpose of this performance report is as follows:

- 
- To analyze the performance of the municipality for the entire financial year
  - To track progress against the targets set in the SDBIP.
  - Inform decision making and future goal setting
  - To identify problems regarding performance of municipal programmes with a view to obtain solutions.
  - To determine whether the objectives of various programmes have been met and whether it is appropriate to review and amend them given the changing circumstances.

For the financial year under review, the Municipality (TLM) comprised of five departments, namely; Municipal Manager's Office, Finance, Corporate Services, Community Services and Technical Services. All Heads of Department positions have been filled except the municipal manager position but the recruitment processes have commenced.

This report covers the performance information from 1 July 2022 to 30 June 2023 and focuses on the implementation of the Service Delivery Budget and Implementation Plan (SDBIP), in relation to the Integrated Development Plan (IDP). In addition, the report provides an overview of improvements made to the performance management system and shortcomings that still need to be addressed and progress made in the implementation.

#### **4. INSTITUTIONAL PERFORMANCE MANAGEMENT PROCESS OVERVIEW**

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At the commencement of the financial year, every attempt was made to ensure that the municipality complies with legislation concerning the development, operation, compliance and maintenance of a performance management system that is commensurate to the institutional service delivery objectives captured in the IDP. Tswelopele Local Municipality continued to maintain the effective operation of the following mechanisms:

- The Strategic Services Division conducts individual meetings with the nominated PMS Champions.
- PMS Champions then coordinates the collection of data and supporting evidence within their respective departments.
- All objectives and targets as contained in the performance plan and SDBIP are reported.
- Upon receipt of documentation, the Strategic Services Division analyses the submitted information and prepares a performance report.
- Draft performance report gets presented to the PMS Champion with the view of reaching consensus.
- Thereafter submitted evidence together with the draft performance report is then submitted to the Internal Audit Division for auditing, verification and quality assurance. Thus quarterly performance reports with supporting evidence were prepared by managers directly reporting to the Municipal Manager (MM). Quarterly performance reports were objectively and independently audited by the Internal Audit unit to verify and to

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confirm performance information as reflected in the reports; the unit also confirms the credibility of evidence that was submitted.

- Meetings take place between the Internal Audit and Strategic Services Division to deliberate intensively on the report.

## **5. PERFORMANCE MANAGEMENT SYSTEM FOLLOWED FOR THE FINANCIAL YEAR 2022/23**

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- Adoption of the Performance Management System Policy and Framework

Performance management is prescribed by chapter 6 of the Municipal Systems Act, Act 32 of 2000 and the Municipal Planning and Performance Management Regulations of August 2001. Section 7 (1) of the aforementioned regulation states 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, organized and managed, including determining the responsibilities of the different role players.” This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and service provider performance. The municipality adopted a performance management policy framework which was followed in managing performance throughout the financial year. The policy and framework will be reviewed annually and inputs will be solicited from various stakeholders.

- Municipal IDP and Budget

The IDP was revised and updated for 2022/23 as well as the budget, the documents were approved by Council in May 2022. The municipality started with the process of aligning the IDP with the performance management requirements and has improved the alignment of the IDP, Budget and the SDBIP for the 2022/23 financial year.

- The Service Delivery Budget Implementation Plan

The organisational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level and through the service delivery budget implementation plan (SDBIP) at directorate levels.

The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business process of the municipality is implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and budget.

The MFMA Circular No.13 prescribes that:

- The IDP and budget must be aligned;
- The budget must address the strategic priorities;
- The SDBIP should indicate what the municipality is going to do during next 12 months; and
- The SDBIP should form the basis for measuring the performance against goals set during the budget /IDP processes.

The SDBIP was prepared, as prescribed by legislation and approved by the Mayor in June 2022 and later revised during February 2023.

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## **MUNICIPAL SCORECARD (TOP LAYER SDBIP)**

The municipal scorecard (Top Layer SDBIP) consolidate service delivery targets set by Council and provides the overall picture of performance for the municipality as a whole, reflecting performance on its strategic priorities.

Components of the Top Layer SDBIP included:

- Monthly projections of revenue to be collected for each source;
- Expected revenue to be collected not billed;
- Monthly projections of expenditure (operating and capital) and revenue for each vote;
- Quarterly projections of service delivery targets and performance indicators for each vote;
- Non-financial measurable performance objectives in the form of targets and indicators; and
- Detailed capital project plan broken down by ward over three years.

Top layer SDBIP gets operationalized into directorate scorecards (performance plans) it captures the performance of each directorate. Unlike the municipal scorecard, which reflects on the strategic performance of the municipality, the performance plan provides a comprehensive picture of the performance of that directorate.

## **6. ORGANISATIONAL PERFORMANCE MANAGEMENT SYSTEM**

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The organisational performance was monitored and evaluated within the SDBIP and the performance process can be summarised as follows:

- The Top Layer SDBIP was approved by the Mayor and the information was loaded to municipal website.
- The actual results against monthly and quarterly targets set, were discussed in the management meetings to determine early warning indicators and discuss corrective measures that were needed in cases of non-performance.
- The first and second quarterly report formed part of the section 72 report in terms of the Municipal Finance Management Act, which was submitted to the Mayor in January 2023.
- The Quarterly SDBIP performance reports were also submitted to the Audit Committee.
- Internal Audit performed a statutory compliance review which included revision of the information contained in the budget, SDBIP, reviewed IDP and reported thereon. Continuous validation of reported performance has been maintained.

## **7. INDIVIDUAL PERFORMANCE MANAGEMENT**

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Municipal Manager and Managers Directly Accountable to the Municipal Manager

The Municipal Systems Act, 2000 (Act 32 of 2000) prescribes that the municipality must enter into performance-based agreements with the all s57-employees and that performance agreements must be reviewed annually. This process

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and the format are further regulated by Regulation 805 (August 2006). All Heads of Departments have signed the performance agreements and performance plans.

The appraisal of the actual performance in terms of the signed agreement did not take place as regulated whereby the MM and Managers reporting directly to him should be assessed and evaluated.

#### Other Municipal Personnel

The municipality has not yet initiated a process of implementing individual performance management to lower-level staff, however as required by the staff regulations performance for lower level staff will be monitored from 1 July 2023. Performance agreements/scorecard will be developed and signed between the staff on other post levels and immediate managers/ supervisors. Progress in this regard will be reported on in future.

## **8. SERVICE DELIVERY KEY MUNICIPAL PERFORMANCE FOR 2022/23 AND MEASURES TAKEN TO IMPROVE OVERALL MUNICIPAL PERFORMANCE**

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This section provides an overview on the strategic achievements of the municipality in terms of deliverables achieved. The Top Layer SDBIP and the municipality's strategic plan shows strategic alignment between the IDP, budget and the performance plans.

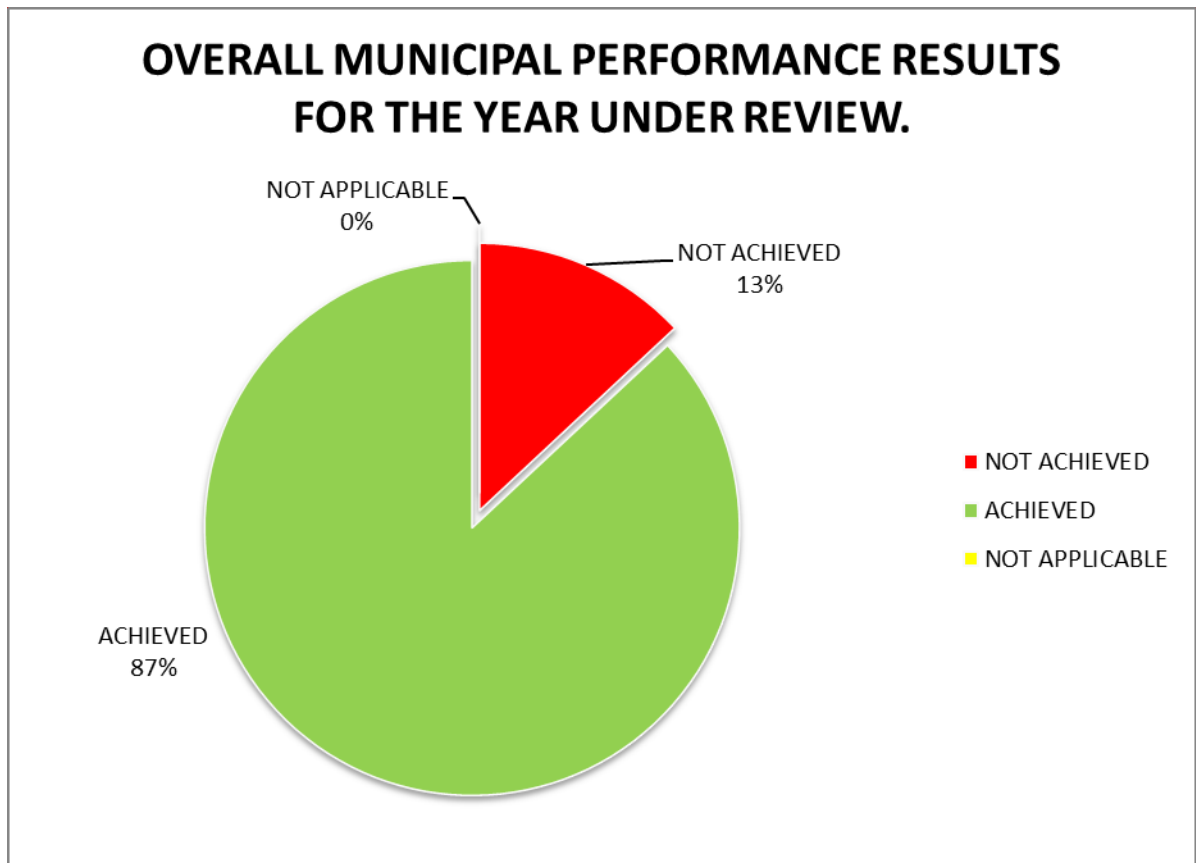
Strategic performance of the municipality was therefore measured in terms of the municipality's performance on its key performance indicators set in the Top Layer SDBIP. The sections below illustrates the performance achieved according to the 5 National Key Performance Areas (KPA) linked to the IDP objectives.

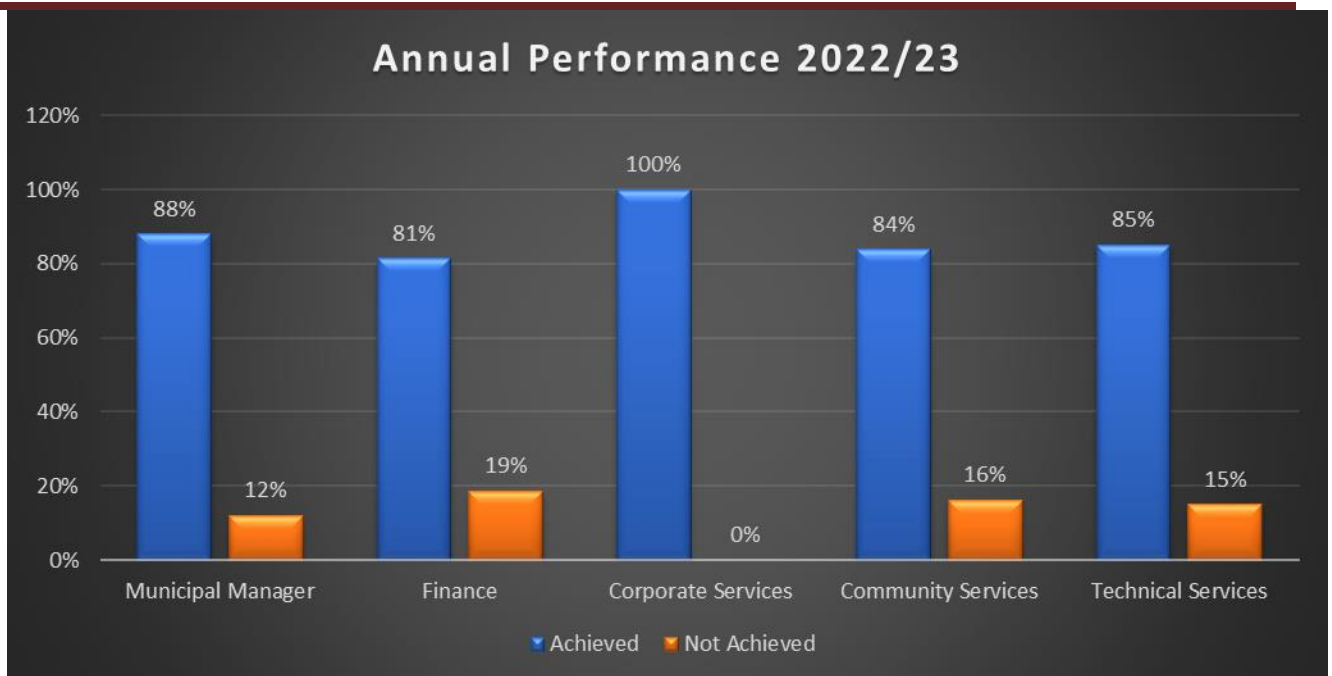
The overall assessment of actual performance against targets set for the key performance indicators as documented in the SDBIP is illustrated in terms of the following assessment methodology.

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## SYNOPSIS OF MUNICIPAL PERFORMANCE RESULTS AT A STRATEGIC LEVEL

The following graph illustrate the overall performance of the municipality measured in terms of the Top Layer (strategic) SDBIP and performance plans. The performance is measured and reported per National KPA.





#### **MUNICIPAL MANAGERS OFFICE**

The Municipal Manager's Office had (50) targets set as per the key performance indicators; Attained (44), not achieved (6).

#### **FINANCE**

The Finance Department had (43) targets set as per the key performance indicators; Attained (35), not achieved (8).

#### **CORPORATE SERVICES**

The Corporate Services had (33) targets set as per the key performance indicators; Attained (33), not achieved (0).

#### **COMMUNITY SERVICES**

The Corporate Services had (37) targets set as per the key performance indicators; Attained (31), not achieved (6).

#### **TECHNICAL SERVICES**

The Technical Services had (67) targets set as per the key performance indicators; Attained (57), not achieved (10).



## PERFORMANCE DEFICIENCIES AND CORRECTIVE MEASURES PER DEPARTMENT

### DEPARTMENT: MUNICIPAL MANAGER

No.	Actual performance reported	Reasons for non-achievement	Actions to improve performance
1.	Annual Performance Evaluations were not performed for 2022/23 financial year.	Pack for performance evaluations of senior managers was ready after the finalization of the annual report, however availability of evaluation panel could not be secured.	Management has scheduled performance evaluations for 2022/23 after appointment of the municipal manager
2.	95% (969 of 1022) electricity smart meters have been installed	The municipality and service provider had disagreements on the baseline (Standard charge amount) as such the service provider halted the installations until such time a consensus was reached.	A revised project plan was concluded and the service provider submitted a commitment letter to that effect.
3.	0% of budget was spent on the Fencing of cemeteries in Tikwana Erf 695&3654.	The Project went through the normal SCM processes and as per the MIG implementation plan the construction was supposed to kick start in May 2023, but the registered amount with the MIG was not matching the tender price of the successful bidder. The municipality was not allowed to commence with the project due to budget maintenance.	The municipality will timeously advertise projects and for 2023/24 the department will draft a process plan with realistic timeframes and ensure by end of march all adverts are published.
4.	88,3% (R20 938 544,58 / R23 786 174,37) of budget was spent on the upgrade of bulk water supply Phase 4 in Hoopstad.	The Contractor delayed the project due to cash-flow problems as a result due to the nature of the project the delay had an impact on long-lead items / components of	The Contractor also experienced disruptions beyond his control whereby the community disrupted progress on the site (Unrest). Penalties were imposed for non-adherence to

	the Project.	Contract.	
5.	<p>33% (8 868 518,85/ 26 705 158,14) of budget spent on the construction of Sewer Reticulation in Phahameng/Bultfontein Ext 9 (476 sites)</p>	<p>The project was affected and delayed by community unrests, the unrests affected the contractor's progress because every time the construction ensued the contractor had to halt construction for the safety of his employees and machinery. The unrest occurred twice since the commencement of the project.</p>	<p>The remedy to the issue of the unrest was discussed with council to ensure the affected community members get formally introduced to the project prior to the commencement date and also the issue of local laborer's employment should be transparent.</p>
6.	<p>The overall organizational overtime has increased by 6,7% (3 985 564,27 - 3 733 586,19 / 3 733 586,19 x 100</p>	<p>Overtime increase is due to high vacancy rates in service delivery positions.</p>	<p>The Management appointed 34 personnel to permanent vacant positions and is looking into filling the remaining vacant posts in a phased in approach to avoid bloating the municipal finances.</p>

## DEPARTMENT: FINANCIAL SERVICES

No.	Actual performance reported	Reasons for non-achievement	Actions to improve performance
1.	Performance agreements for all departmental staff were not signed.	The department has reviewed its organization structure as such new divisions and positions were created, subsequently job descriptions for such positions were under extreme reviews.	The department is also awaiting SALGA workshop to give guidance in reviewing and concluding performance agreements.
2.	99,3% (4 230/4 260) of registered indigent	The source of income changed for 30 indigent households	Management will formalize in-year indigent verification process

	households were provided with free basic water	during the year, and they no longer qualified for indigent benefit.	and the initial target will only be amended during the revised SDBIP and adjustment budget processes
3.	99,4% (4 889/4 919) of registered indigent households were provided with free basic electricity.	The source of income changed for 30 indigent households during the year, and they no longer qualified for indigent benefit.	Management will formalize in-year indigent verification process and the initial target will only be amended during the revised SDBIP and adjustment budget processes
4.	99,3% (4 230/4 260) of registered indigent households were provided with free basic sanitation	The source of income changed for 30 indigent households during the year, and they no longer qualified for indigent benefit.	Management will formalize in-year indigent verification process and the initial target will only be amended during the revised SDBIP and adjustment budget processes
5.	99,3% (4 230/4 260) of registered indigent households provided with free basic refuse removal.	The source of income changed for 30 indigent households during the year, and they no longer qualified for indigent benefit.	Management will formalize in-year indigent verification process and the initial target will only be amended during the revised SDBIP and adjustment budget processes

6.	The UIF reduction plan was not developed, however the municipality developed a UIF reduction policy which still needs to be submitted to MPAC.	The reduction plan was developed but not yet submitted to MPAC for review.	The department has submitted the UIF reduction strategy to MPAC for review. The strategy will be implemented in the 2023-2024 financial year after it has been reviewed and approved by Council.
7.	Only 76% of issues raised and proposed corrective measures by the AGSA were attended to	Thorough time-consuming investigations were required to resolve the issues raised by the AGSA.	The department will ensure that all outstanding issues are resolved before the AFS are finalized and submitted to the Auditor General.
8.	Only 63% of issues raised and proposed corrective measures by the internal auditors were attended to	Revenue and expenditure progress is not yet received.	Internal audit recovery plan will be a standing departmental meeting item and all managers will be required to provide progress.

## DEPARTMENT: COMMUNITY SERVICES

No.	Actual performance reported	Reasons for non-achievement	Actions to improve performance
1.	Disaster Management Plan was not reviewed and submitted to Council	Due to lack of internal capacity, we relied on Lejweleputswa District for assistance. The review was completed after May 2023 Council meeting.	The reviewed Disaster Management Plan will be submitted to Council during the Revised IDP/Budget in January 2024 Council meeting.

No.	Actual performance reported	Reasons for non-achievement	Actions to improve performance
2.	No evidence was provided on the Sub-division and rezoning of ERF 5229 park Phahameng EXT.5	The Department of Human Settlement did not appoint a service provide to start the project.	Municipality to write a letter to DHS requesting the start date of the project.
3.	Service provider for the expansion of 2 old municipal cemeteries in Bultfontein and Hoopstad was not appointed.	Non-achievement of the target is because there was no budget for the advertisement of a service provider for the expansion of 2 old municipal cemeteries in Bultfontein and Hoopstad.	Budget allocation was made for 2023/24 financial year and advert processes have commenced.
4.	Only 2 business forum meetings were held.	<p>Community protest which created confusion across stakeholders.</p> <p>It turn to be a single sector, construction, that insist on formation of business forum.</p> <p>The status quo of business forum ultimately was not recognized by municipal officials due to its operational set up.</p>	A clear and concise message was municipality administrative staff due presented to entire stakeholders from all sector on formation of business forum. This was launched successfully on end of June 2023.
5.	7 street trading permits were issues during the period under review	<p>Government made a temporary suspension of municipality that issue trading permit during 2020 and 2021.</p> <p>The result was that the stakeholder mindset became permanently changed for seeking to make an application</p>	Broad-base engagement across all stakeholders that include formal community-based forums especially which tackle issues of self-employment for poverty alleviation.

No.	Actual performance reported	Reasons for non-achievement	Actions to improve performance
		to operate legally.	
6.	LED strategy has been reviewed and not yet submitted to Council.	Due to lack of internal capacity, we relied on FS CoGTA for assistance. The review was completed after May 2023 Council meeting.	The reviewed LED Strategy will be submitted to Council during the Revised IDP/Budget in January 2024 Council meeting.

#### DEPARTMENT: TECHNICAL SERVICES

No.	Actual performance reported	Reasons for non-achievement	Actions to improve performance
1.	Water losses for 2022/2023 amounted to 15,42%	High water losses is as a result of leaking toilet cisterns in both phahameng and tikwana.	The municipality will install additional bulk meters at strategic points and also to attend to the townships leaking toilets cisterns as already budgeted for 2023 / 2024 Financial Year.
2.	88,3% (R20 938 544,58 / R23 786 174,37) of budget was spent on the upgrade of bulk water supply Phase 4 in Hoopstad.	The Contractor delayed the project due to cash-flow problems as a result due to the nature of the project the delay had an impact on long-lead items / components of the Project.	The Contractor also experienced disruptions beyond his control whereby the community disrupted progress on the site (Unrest). Penalties were imposed for non-adherence to Contract.
3.	95% (969 of 1022) electricity smart meters	The municipality and service provider had disagreements on the baseline (Standard charge amount) as such the service	A revised project plan was concluded and the service

No.	Actual performance reported	Reasons for non-achievement	Actions to improve performance
	have been installed	provider halted the installations until such time a consensus was reached.	provider submitted a commitment letter to that effect.
4.	0% of budget was spent on the Fencing of cemeteries in Tikwana Erf 695&3654.	The Project went through the normal SCM processes and as per the MIG implementation plan the construction was supposed to kick start in May 2023, but the registered amount with the MIG was not matching the tender price of the successful bidder. The municipality was not allowed to commence with the project due to budget maintenance.	The municipality will timeously advertise projects and for 2023/24 the department will draft a process plan with realistic timeframes and ensure by end of march all adverts are published.
5.	0,05km road was graveled in Bultfontein / Phahameng only.	The target could not be achieved due to lack of machinery in both towns (Bultfontein and Hoopstad)	The Department will review the target to set one that is achievable given the prevailing circumstances.
6.	33% (8 868 518,85/ 26 705 158,14) of budget spent on the construction of Sewer Reticulation in Phahameng/Bultfontein Ext 9 (476 sites)	The project was affected and delayed by community unrests, the unrests affected the contractor's progress because every time the construction ensued the contractor had to halt construction for the safety of his employees and machinery. The unrest occurred twice since the commencement of the project.	The remedy to the issue of the unrest was discussed with council to ensure the affected community members get formally introduced to the project prior to the commencement date and also the issue of local laborer's employment should be transparent.
7.	The departmental overtime increased by 12,5% (3 765 134,15 - 3 345 239,46 / 3 345 239,46 x 100	Overtime increase is due to high vacancy rates in service delivery positions.	The Management appointed 34 personnel to permanent vacant positions and is looking into filling the remaining vacant posts in a phased in approach to avoid bloating the

No.	Actual performance reported	Reasons for non-achievement	Actions to improve performance
			municipal finances.
8.	The departmental standby expenditure was reduced by only 6% (1 244 062,91 - 1 319 637,63 / 1 319 637,63 x 100)	Standby expenditure increase was due to high vacancy rates and the management is planning to fill all vacancies in phases.	Stand-by will be regulated in a way of having a clear schedule which will be in rotational basis.
9.	Only 94% of issues raised and proposed corrective measures by the AGSA attended to	Standby expenditure increase was due to high vacancy rates and the management is planning to fill all vacancies in phases.	AGSA recovery plan will be a standing departmental meeting item and all managers will be required to provide progress.
10.	Only 58% of issues raised and proposed corrective measures by the internal auditors were attended to	Non-implementation of water and waste management plan and awareness sessions of illegal dumping not conducted.	Internal audit recovery plan will be a standing departmental meeting item and all managers will be required to provide progress.

## CONCLUSION



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This report reflects the municipal performance as at 30 June 2023. This is a high-level report based on the scores obtained through a process whereby Key Performance Indicators and targets are compared to the initial planning as contained in the 2022/23 SDBIP.

Where under-performance or zero achievement of indicators have been experienced the respective concerns or mitigating reasons are highlighted and detailed pertaining to the relevant measures being implemented or those that need to be implemented.

For the reporting period there was an improvement in the achievement of set objectives as per the approved Service delivery and budget implementation plan of the municipality. Emphasis was made during the financial year that management need to develop early warning indicators for non-achievement of key performance indicators and take steps to improve performance in order to maintain the 90% target.

The municipality will continue improving on its performance management system, particularly, in the application of the SMART principle. With effect from 1 July 2023 cascading of PMS to all employees will be mandatory in order to promote accountability across all post levels.

16 TSWELOPELE LOCAL MUNICIPALITY SERVICE PROVIDERS PERFORMANCE FOR 2022/ 2023

TSWELOPELE LOCAL MUNICIPALITY SERVICE PROVIDERS PERFORMANCE QUARTER 1- 4 FOR 2022/ 2023 FINANCIAL YEAR									
#	SERVICE PROVIDER	PROJECT NAME	BUDGET VALUE	CONTRACT DURATION	CONTRACT END DATE	PROJECT STATUS	END USER REMARKS ON OVERALL PERFORMANCE BY THE PROVIDER	IS THERE A NEED	PLAN TO DO AWAY WITH SERVICE PROVIDER
CORPORATE SERVICE									
1	Atcomm T/A Ntelecomm	Supply and Installation of VOIP/ DATA Solution, Internet, Email services and VPN Hosting for Period ending 30 June 2020.	R29 500 pm fixed rental, without usage.	36 Months – 1 Delivery per year	30/06/2022	100% complete 30 at June 2020 (contract extended on the month-to-month basis from July 2020 to June 2022)	Satisfied with the overall performance provided to the municipality.	N/A	N/A

2	<b>Digicoms</b>	Supply and Installation of VOIP/ DATA Solution, Internet, Email services and VPN Hosting for Period ending 30 June 2025.	As per the tender document.	36 Months	30/06/2024	Still in Progress	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
3	<b>ITec</b>	Proposal for the Provision of three (3) year lease and Maintenance agreement of Business machines (Photocopiers, printers& faxes) Period ended 30 June 2023.	As per the tender document.	36 Months – 1 delivery per year	30/06/2023	Still in Progress	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
4	<b>KBG</b>	Maintenance agreement of Business machines (Photocopiers, printers& faxes)	As per the tender document.	2 Months	<b>N/A</b>	100 % complete	The overall performance provided to the municipality was average.	<b>N/A</b>	<b>N/A</b>

5	Sipumeza Occupational Health Services	,	R11 129,45	36 Months	30/06/2023	Still in Progress	Satisfied with the overall performance provided to the municipality.	Yes	No
<b>TECHNICAL SERVICE (PROJECT PERFORMANCE)</b>									
6	Zalisile Msebenzi Civils	Upgrading of Bulk water supply Phase3-Contract B Hoopstad.	R9 435 136.2 3	48 Weeks	30/08/2022	100% Complete	Satisfied with the overall performance provided to the municipality.	Yes	No
7	MLK Engineering and Consultants PTY(LTD)	Upgrading of Bulk Water supply Phase3- Contract A(Bultfontein)	R14 386 190. 24	46 Months	30/09/2022 revised completion date: 22 November 2022	100 % Complete	Satisfied with the overall performance provided by the contractor.	Yes	No
8	Unathi Civil Constructio n	The Construction of 837 toilet structure in Ext 7&8 Phahameng Bultfontein.	R861 209	6 Months	According to SLA	100 % Complete	Satisfied with the overall performance provided to the municipality.	Yes	No

9	<b>Casnan &amp; Tamane Jv</b>	Phahameng / Bultfontein Upgrading of Sport Facilities Phase 5	R 2 718 573.62	8 months	15/08/2022	100 % Complete	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
10	<b>Irrigation Equipment Supplies</b>	The Construction of toilet structures-reticulation (499) Tikwana / Hoopstad.	R 3 483 953.64	12 Months	According to SLA	99 % Complete	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
11	<b>Test It lab</b>	Water and wastewater analysis Reporting	R 590 000	36 Months	30/06/2023	Project went out on Tender, closing on the 12th of May 2023 (Contract has not ended)	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
12	<b>Mega Water</b>	Supply and delivery of water-purification Chemicals to Tswelopele Local Municipality for period ending 30 June 2020	R 9 000 000	32 Months	30/06/2023	Project went out on Tender closing on the 29th of May 2023 (Contract has not ended)	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>

13	<b>Ultimate Dynamics and Ndabu Four JV</b>	Phahameng /Bultfontein: Construction of water Reticulation in ext.10 (426 sites)	R 3 917 574,71	6 Months	30/09/2022	100 % Complete	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
14	<b>NSM Professional Services and Tamane Civils JV</b>	Phahameng Bultfontein: Construction of Sewer Reticulation in ext 10	R 5 080 221,09	8 Months	30/01/2023	100 % Complete	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
15	<b>Sihle Civil and Project Development</b>	Upgrading of Bulk-water Supply Phase 4 - Contract A Hoopstad	R 8 293 965,18	7 Months	30/10/2022	75 % Complete	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
16	<b>Khanya Lesedi</b>	Upgrading of Bulk-water Supply Phase 4 - Contract B ] Bultfontein	R 27 651 275.82	13 Months	2023/02/19	35%	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>

17	<b>Energy Dots</b>	Implementing agent to provide full service for the design and implementation of energy efficiency and demand side management (EEDSM) program for a period ending 30 June 2025,	As per tender document	As per tender document	30/09/2025	100%	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
18	<b>BBT Construction</b>	Phahameng Extension 9 sewer reticulation and 476 Toilet structures	As per tender document	As per tender document	30/06/2023	60%	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
19	<b>Ramsentik (PTY) Ltd</b>	Hoopstad Tikwana: Fencing of waste water treatment plant	As per tender document	As per tender document	30/06/2023	100%	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
20	<b>NSM Professional Services and Tamane Civils JV</b>	Bultfontein Refurbishment of a Sewer Pump Station	As per tender document	As per tender document	07-Apr-23	96%	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
<b>FINANCE DEPARTMENT (PERFORMANCE)</b>									

21	<b>EMS Solution</b>	Proposal for complication of Grap Complaint annual financial Statement and Assets Register for Financial Year 21/22	R 1454 371.50	24 Months	30/11/2022	100 % Complete	Satisfied with the overall performance provided to the municipality (Contract ends: 30 November 2022)	<b>Yes</b>	<b>Yes</b>
	<b>EMS Solution</b>	Proposal for complication of Grap Complaint annual financial Statement and Assets Register for Financial Year 22/23	R2 000 000	10 Months	30/11/2023	70%	Satisfied with the overall performance provided to the municipality (Contract ends: 30 November 2023)	<b>Yes</b>	<b>No</b>
22	<b>DDP values</b>	Valuation roll	R 1 417 412.95	72 Months	30/06/2027	Still in Progress (Contract has not ended)	Satisfied with the overall performance provided to the municipality (Contract has not ended).	<b>Yes</b>	<b>No</b>



23	<b>Fidelity Cash Solutions</b>	Cash in transit services	R 401 760.00 for 3 years with 10% escalation	36 Months	30/06/2023	100% Complete (contract extended with 6 months)	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
	<b>Fidelity Cash Solutions</b>	Cash in transit services			30/06/2024				
24	<b>Newton Gate</b>	Supply and Delivery of diesel/fuel for Tswelopele Local Municipality: Bultfontein and Hoopstad Unit	9 000 000.00	33 Months	30/06/2023	Still in Progress (Contract has not ended)	No satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
25	<b>Opulentia</b>	Short Term insurance for up to 30 June 2023	R2 199 144	36 Months	30/06/2023	Still in Progress (Contract has not ended)	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
		Short Term insurance for up to 30 June 2023							
26	<b>InfraTec</b>	Compilation of GRAP Compliant FAR for 2021-2022 financial year	R 1 467 624.25	5 Months	30/11/2022	Still in Progress (Contract has not ended)	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>

27	<b>Pump Shop Africa (Pty) Ltd</b>	Repairs and maintenance of Pumps	As per tender document	36 Months	30/06/2023	Still in Progress (Contract has not ended)	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
28	<b>Phutadicha ba Trading Enterprises CC</b>	Security services from competent service provider for period of 3 years	R9 617 569.4 2	36 Months	As per tender document	Still in Progress (Contract has not ended)	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
29	<b>Cigicell (PTY) LTD</b>	Prepaid Meters	As per tender document	As per tender document	30/06/2024	Still in Progress (Contract has not ended)	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>
30	<b>Mothebe wheels</b>	Supply and delivery of 4 new tractors	As per tender document	As per tender document	30/06/2022	Still in Progress (Contract has not ended)	Satisfied with the overall performance provided to the municipality.	<b>Yes</b>	<b>No</b>

## 17 ORGANISATIONAL DEVELOPMENT PERFORMANCE

### EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Relevant Department	Approved posts	Employees No	Vacancies No	Vacancies %
30 JUNE 2022				
TECHNICAL SERVICES	121	79	42	34,71%
COMMUNITY SERVICES	118	82	36	30,51%
FINANCIAL SERVICES	34	26	8	23,53%
CORPORATE SERVICES	25	13	12	48%
MUNICIPAL MANAGER	7	3	4	57%
30 JUNE 2023				
TECHNICAL SERVICES	238	138	100	42%
COMMUNITY SERVICES	22	20	2	9,09%

FINANCIAL SERVICES	34	27	7	20.59%
CORPORATE SERVICES	30	28	2	6.9%
MUNICIPAL MANAGER	7	5	2	29%

## MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The municipality has developed and adopted number of policies that are intended to create a fair, efficient and transparent system on matters affecting the employees. The municipality reviews these policies regularly to ensure that they are on par with best practices, new and amended legislation.

The Municipality has approved policies and procedures used to govern the institution, and these policies and procedures are communicated to the staff. As the municipality we do have the Employment Equity Plan however we do not meet the provincial equity targets. We have introduced disclosure of interest and related parties form and confidentiality and non-disclosure declaration. Municipality complies with BCEA and other labour related legislation at workplace. All councillors have signed the disclosure of interest for the financial year under review.

### INJURIES, SICKNESS AND SUSPENSIONS

The report covers the progress of Health and Safety Division and includes the following reports:

- ♦ IOD investigations and the response from the Department of Labour.
- ♦ IOD'S attended to during 2022/ 2023.

Employees injured on duty:

- ♦ Hoopstad and Bultfontein : 12

TYPES	CAUSE OF INJURY	NUMBER OF AFFECTED EMPLOYEES
Trailers	Falling from trailer behind the tractor and causing injuries.	1
Tools	Not handling tools accordingly can injure a person.	2
Negligence	Not paying attention when preforming duties.	6
Hit by an objects	Flying object from mowing machines.	2
Object lifting	Employees lift heavy object and strain themselves [they don't ask for help].	1
Slipped / fell	Employees don't pay attention to slippery places or floors. They don't check steps.	2
Others	Some employees were stung by bees and bitten by spiders. Foreign particle in the eye.	1

Total number of injured employees	15
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TYPE OF INJURY		INJURY DAYS TAKEN	LEAVE DAYS	EMPLOYEE INJURY DAYS	USING LEAVE	AVERAGE INJURY LEAVE PER EMPLOYEE DAYS
Need basic medical attention	0	0		0		0
Temporary disablement	0	0		0		0
Permanent disablement	0	0		0		0
Fatal	0	0		0		0
Total	0	0		0		0

The total number of IOD leave days taken by injured employees was 0 days.

**NB:** Health and Safety officer follow-up all cases with doctors who examined the injured employees and submit all documentation [i.e. first, progress and final reports] to the Department of Labour.

Awareness Campaigns:

Awareness campaigns conducted were on:

- Talking ladder safety.
- Protection of integrated eyes, head and face.
- Using machine safety.
- Blind sport psychological factors that can get you injured.
- A guide to eye wash emergency shower station.
- Awareness on manholes entrance.
- 4 tips to make your safety observation more impactful.

## PERFORMANCE REWARDS

The municipality in the financial year under review conducted quarterly performance assessments and mid-year performance assessments for senior managers. Formal annual performance assessments were scheduled however due to availability challenges they could not be concluded before the end of 2023 financial year.

## EMPLOYEES CAPACITY DEVELOPMENT

Work Skills Plan drawn in terms of the Skills Development Act. Assessment of skills levels of employees and gaps are regularly identified and external interventions sought and implemented in line with the Plan.

The municipality has the Human Resource Policy, which gives directives for appointment of sufficiently experienced and skilled personnel. We have conducted skills audit as part of skills intervention to determine how many employees need training intervention as part of capacity building. In terms of our WSP we have identified which employees need capacity development.

The municipal budget for capacitating the employees in the financial year under review was greatly limited, therefore there has not been a significant capacitation of the workforce in the reporting period. The municipality has applied for funding from the LGSETA in order to be able to subject workforce to the training as per the approved work skill plan.

## SKILLS DEVELOPMENT AND TRAINING

LGSETA STRATEGIC FOCUS AREA	MUNICIPAL KEY PERFORMANCE AREA	MAIN IDP PRIORITY LINKED TO KEY PERFORMANCE AREA	TOTAL NUMBER TRAINED					
			EMPLOYED		TOTAL	UNEMPLOYED		TOTAL
			FEMALE	MALE		FEMALE	MALE	
Infrastructure and Service Delivery	Basic Service Delivery and Infrastructure Development	To ensure access to basic service delivery	10	15	25	0	0	0
Community Based Participation and Planning	Good Governance and the Deepening of Democracy	To build and enhance the governance system	8	14	22	0	0	0
Management and Leadership	Municipal Transformation and Institutional Development	To enhance public participation	2	0	2	0	0	0
Financial Viability	Municipal Financial Viability and Management	To strengthen the financial management system	5	5	10	0	0	0
Community Based Participation and Planning	Sustainable Local Economic Development	To enhance public participation	0	3	3	10	10	20
SUB-TOTAL			25	37	62	10	10	20
NUMBER OF BENEFICIARIES WHO COMPLETED TRAINING BY TYPE OF LEARNING INTERVENTION								
TYPE OF LEARNING	NUMBER OF BENEFICIARIES BY OCCUPATION CATEGORY							TOTAL



INTERVENTION	Legislators	Managers	Professionals	Technicians and Trade Workers	Community and Personal Services Workers	Clerical and Administrative Workers	Sales and Service Workers	Machine ry Operators and Drivers	Elementary Workers	57
Apprenticeship	0	0	0	0	0	0	0	0	0	0
Bursary	0	0	0	0	0	0	0	0	0	0
Learnership	0	0	3	0	0	0	0	0	0	3
RPL	0	0	0	0	0	0	0	0	0	0
Skills Programme	0	0	0	0	0	0	0	0	0	0
Short Course: Non-credit	0	0	0	0	0	0	0	0	0	0
TOTAL	0	0	3	0	0	0	0	0	0	3

# TYPE OF LEARNING INTERVENTION BY NQF LEVEL

TYPE OF LEARNING INTERVENTION	NQF LEVEL OF LEARNING INTERVENTIONS										TOTAL
	1	2	3	4	5	6	7	8	9	10	
Apprenticeship	0	0	0	0	0	0	0	0	0	0	0
Bursary	0	0	0	0	0	0	0	0	0	0	0
Learnership	0	0	0	0	0	10	0	0	0	0	10
RPL	0	0	0	0	0	0	0	0	0	0	0
Skills Programme	0	0	2	0	0	1	1	1	1	0	6
Short Course: Non-credit	0	0	0	0	0	0	0	0	0	0	0
TOTAL	0	0	2	0	0	11	1	1	1	0	16

## 18 FINANCIAL PERFORMANCE

This chapter comprises of three components:

- Component A: Statements of Financial Performance
- Component B: Cash Flow Management and Investments
- Component C: Other Financial Matters

### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

Tswelopele Local Municipality

(Registration number FS183)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	2023	2022
		Restated*
<b>Revenue</b>		
<b>Revenue from exchange transactions</b>		
Service charges	62 018 375	61 642 271
Rental of facilities and equipment	1 854 104	1 603 389
Licences and permits	133 405	97 103
Operational revenue	3 873 446	3 583 063
Interest received - investment	1 934 365	839 714
Dividends received	116 750	96 173
<b>Total revenue from exchange transactions</b>	<b>69 930 445</b>	<b>67 861 713</b>
<b>Revenue from non-exchange transactions</b>		
<b>Taxation revenue</b>		
Property rates	36 647 353	26 429 031
Availability Charges	397 567	368 809
Interest - Property rates	6 271 001	3 173 250
<b>Transfer revenue</b>		
Government grants & subsidies	173 685 563	143 919 479

Public contributions and donations	2 383 148	-
Fines, penalties and forfeits	760 550	460 500
Debt forgiveness	2 787 690	648 321
<b>Total revenue from non-exchange transactions</b>	<b>222 932 872</b>	<b>174 999 390</b>
<b>Total revenue</b>	<b>292 863 317</b>	<b>242 861 103</b>
<b>Expenditure</b>		
<b>Expenditure</b>		
Employee related costs	(79 693 677)	(71 835 786)
Remuneration of councillors	(6 491 480)	(6 175 513)
Community donations	(11 119 285)	-
Depreciation and amortisation	(29 871 685)	(29 637 289)
Impairment of assets	(455 159)	(1 877 474)
Finance costs	(15 628 455)	(12 024 454)
Lease rentals on operating lease	(158 209)	(211 954)
Debt impairment	(25 506 991)	(24 335 271)
Bulk purchases	(50 233 536)	(51 335 052)
Contracted services	(13 691 516)	(11 414 997)
General Expenses	(51 446 532)	(45 854 480)
<b>Total expenditure</b>	<b>(284 296 525)</b>	<b>(254 702 270)</b>
Loss on disposal of assets and liabilities	(12 708 229)	(1 652 302)
Fair value adjustments	181 914	144 418
Actuarial gains/losses	419 043	319 752
(Loss)/Gains on biological assets and agricultural produce	(609 800)	4 600
<b>(Deficit) for the year end</b>	<b>(4 150 280)</b>	<b>(13 024 699)</b>

## GRANTS

<b>Government grants and subsidies</b>	<b>2023</b>	<b>2022</b>
<b>Capital and operating grants</b>		
Equitable share	91 219 000	81 535 000
Financial Management Grant	2 100 000	2 100 000
EPWP Government Grant	1 141 000	985 000
Low Voltage Grant	3 418 269	-
Debt Forgiveness	2 787 690	648 321
Water Services Infrastructure Grant	12 255 484	12 000 000
Regional Bulk Infrastructure	33 210 915	30 107 479
Municipal infrastructure grant	25 340 895	17 192 000
Department of Mineral Resources and Energy	5 000 000	-
	<b>176 473 253</b>	<b>144 567 800</b>

## ASSET MANAGEMENT

Monthly monitoring and preparation of reconciliations of votes for assets acquired is conducted and newly acquired assets can also be detected if they were not reported in advance by the SCM Unit. Assets are then registered and dispatched to the relevant user after all asset management processes have been exhausted i.e. classification, coding, etc.

The municipality has a dedicated unit adequately to execute proper and improved management of assets in the municipality.

The following issues were raised by the Auditor General and subsequently included in the recovery plan of 2023/24 financial year:

- Lack of adequate asset verifications
- Lack of proper safeguarding and record keeping of assets
- Disposal of assets not in line with the regulations
- Incorrect capturing of details in the asset register

## SOURCES OF FINANCE

Figures in Rand	2023	2022
Service charges	62 018 375	61 642 271
Rental of facilities and equipment	1 854 104	1 603 389
Licences and permits	133 405	97 103
Operational revenue	3 873 446	3 583 063
Interest received - investment	1 934 365	839 714
Dividends received	116 750	96 173
<b>Total revenue from exchange transactions</b>	<b>69 930 445</b>	<b>67 861 713</b>

## CASH FLOW MANAGEMENT AND INVESTMENTS

### Cash Flow Statement

Figures in Rand	2023	2022
		Restated*
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Sale of goods and services	30 050 022	37 827 441
Grants	178 300 555	143 919 479
Interest income	1 934 365	839 714
Dividends or similar distributions received	116 750	96 173
Property rates	36 871 779	30 759 082
	<b>247 273 471</b>	<b>213 441 889</b>
<b>Payments</b>		
Employee costs	(88 130 390)	(79 475 976)
Suppliers	(83 274 276)	(87 567 277)
Finance costs	-	-
	<b>(171 404 666)</b>	<b>(167 043 253)</b>
<b>Net cash flows from operating activities</b>	<b>75 868 805</b>	<b>46 398 636</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(68 196 485)	(52 730 641)
<b>Net cash flows from investing activities</b>	<b>(68 196 485)</b>	<b>(52 730 641)</b>
<b>Cash flows from financing activities</b>		
Repayment of other financial liabilities		
Finance lease payments	(54 207)	(177 350)
Repayments of other financial liabilities	(1 716 598)	(1 398 504)

<b>Net cash flows from financing activities</b>	<b>(1 770 805)</b>	<b>(1 575 854)</b>
<hr/>		
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>5 901 515</b>	<b>(7 907 859)</b>
Cash and cash equivalents at the beginning of the year	4 579 228	12 487 087
<b>Cash and cash equivalents at the end of the year</b>	<b>10 480 743</b>	<b>4 579 228</b>

#### OTHER FINANCIAL MATTERS

The information will be included in the final audited set of the 2022/ 2023 Financial Statements.

#### SUPPLY CHAIN MANAGEMENT

##### SUPPLY CHAIN MANAGEMENT UNIT

The functions of the SCM unit involve:

1. Managing demand procedures and acquisitions including policies, procedures, database, compliance and adherence to prescribed procurement practices
2. Ensuring tender evaluation and contract prescript are adhered to
3. Managing compliance, risks, performance and reporting in the supply chain management system
4. Coordinating, controlling and applying logistics management practices and procedures in order to administer and manage the receipt, safeguarding and issuing of store items.

Tswelopele Supply Chain Management is a unit within the Finance Section. It is comprised of:

- The Chief Financial Officer (Head of SCM Unit)
- Manager: SCM & Expenditure
- SCM Practitioner
- 2 x Principle Procurement Clerks

The SCM regulations stipulate the following:

- a) SCM regulation 6(2) (a) (i) - that the council of a municipality must maintain oversight over the implementation of its SCM policy. For the purpose of such oversight the accounting officer must within 30 days of each financial year submit a report on the implementation of the SCM policy of the municipality to the Council.
- b) SCM regulation 6(2) (3) – the Accounting Officer shall within 10 days after the end of each quarter submit implementation reports on SCM to the Mayor.

#### INTERNAL SCM PROCEDURES AND PROCESSES



## **Threshold values**

The threshold values have been determined as follows:

1. Petty cash purchases, up to a transaction value of R2 000 (VAT included);
2. Written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);
3. Formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and
4. A competitive bidding process for–
  - (i) procurements above a transaction value of R200 000 (VAT included); and
  - (ii) the procurement of long-term contracts.

## **SCM Process for acquisitions up to R200 000.00**

The SCM process of Tswelopele Local Municipality operates as follows;

- Demand Form – The requesting department completes a demand form which is approved by the Head of Department or any delegated official. The demand form is submitted to SCM practitioner who sources quotations.
- A requisition is raised by the SCM Practitioner and approved by the CFO and the Municipal Manager.
- Purchase Order – Based on the above thresholds, quotations are sourced from potential suppliers. A purchase order is raised for the awarded quotation. The orders are done in triplicate of which one copy is sent to the supplier, one copy for filing and one copy is sent to creditors for processing. The order numbers are sequentially numbered from the system. The purchase orders are approved by the CFO and in his absence by a Senior Official delegated by the CFO.

The SCM processes are monitored monthly by use of irregular expenditure registers and deviations registers.

## **SCM Process for acquisition above R200 000.00**

### **Bid Documents**

The bids documents are as prescribed by the National Treasury include the General Conditions of Contract.

### **Bid Committee Structures**

The following committees have been established:

- i) The bid specification committee
- ii) The bid evaluation committee
- iii) The adjudication committee

The Accounting Officer appoints members for each committee.

According to the SCM policy the composition of the above committees should be as follows:

- i) Bid Specification committee – must be composed of:
  - a) One or more officials of the municipality, preferably from user departments requiring the goods or services.
  - b) SCM practitioners
  - c) And when appropriate, include external technical specialists.
- ii) Bid evaluation committee – must as far as possible be composed of:
  - a) Officials from departments requiring the goods and services
  - b) At least one SCM practitioner of the municipality
- iii) Bid adjudication committee – must consist of
  - a) At least four senior managers of the municipality (including the CFO)
  - b) At least one SCM practitioner who is an official of the municipality
  - c) A technical expert in the relevant field who is an official of the municipality

**Compliance** – The bid committees meet the requirements of the SCM policy and SCM regulations.

#### MUNICIPAL SERVICE CHARGES ASSESSMENT AND OUTSTANDING DEBTORS.

	2023	2022
<b>Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	17 945 240	16 339 949
Water	17 327 576	16 221 509
Sewerage	26 391 006	23 999 987
Refuse	17 624 404	16 525 866
Other	9 479 655	8 523 194
	<b>88 767 881</b>	<b>81 610 505</b>

## Report of the auditor-general to the Free State Provincial Legislature and the council on the Tswelopele Local Municipality

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Tswelopele 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 Tswelopele 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.

## **Material uncertainty relating to going concern**

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. Note 62 to the financial statements indicates that the municipality incurred a net loss of R4 150 280 during the year ended 30 June 2023 and, as of that date the municipality's current liabilities exceeded its current assets by R82 084 556. In addition, the municipality owed Eskom R110 285 514 (2022: R71 064 141) and the water board R17 363 908 (2022: R14 415 790) which was long overdue. These events or conditions, along with other matters as set forth in note 62, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

## **Emphasis of matters**

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

## **Restatement of corresponding figures**

9. As disclosed in note 50 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 impairment**

10. As disclosed in note 37 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R25 506 991 (2022: R24 335 271).

## **Unauthorised expenditure**

11. As disclosed in note 54 to the financial statements, unauthorised expenditure of R6 085 826 (2022: R18 763 709) was incurred, due to overspending of the budget.

## **Irregular expenditure**

12. As disclosed in note 56 to the financial statements, irregular expenditure of R52 370 821 (2022: R35 882 570) was incurred, due to non-compliance with supply chain management (SCM) requirements.

## **Fruitless and wasteful expenditure**

13. As disclosed in note 55 to the financial statements, fruitless and wasteful expenditure of R9 366 529 (2022: R3 734 381) was incurred, due to payments not being made within 30 days resulting in interest being charged on overdue accounts.

### **Other matter**

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

### **Unaudited disclosure notes**

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

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

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 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 information against predetermined objectives for the selected material indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

21. I selected the following material performance indicators related to infrastructure development and service delivery presented in the annual performance report for the year ended 30 June 2023. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- Upgrading of bulk water supply in Hoopstad (Phase 4)
- Limit water network losses to less than 15% by 30 June 2023. (difference between water supplied and water billed) (number of kilolitres water purchased - number of kilolitres water sold)/number of kilolitres water purchased x 100) in both towns.
- Provide registered indigent households with free basic electricity
- Provide registered indigent households with free basic sanitation
- Provide registered indigent households with free basic refuse removal
- Installation of electricity smart meters for households, businesses and public facilities in Bultfontein and Hoopstad.
- Refurbishment of electricity Infrastructure in Bultfontein and Hoopstad
- Refurbishment of electricity/energy demand management in Hoopstad and Bultfontein (Department of Mineral Sources and Energy)
- Construction of 2km paved road and stormwater drainage in Hoopstad
- Construction of water Reticulation in Phahameng/Bultfontein Ext 10 (426 sites)
- Upgrading of bulk water supply in Hoopstad (Phase 3)
- Upgrading of bulk water supply in Bultfontein (Phase 4)
- Upgrading of bulk water supply in Bultfontein (Phase 3)
- Construction of Sewer Reticulation in Phahameng/ Bultfontein Ext 10 (426 sites)
- Construction of Sewer Reticulation in Phahameng/ Bultfontein Ext 9 (476 sites)

- Refurbishment of pump station in Phahameng
- Provide households with access to clean, quality, and sustainable water services.
- Provide public facilities and businesses with access to clean, quality, and sustainable water services.
- Construction of water Reticulation in Phamameng/ Bultfontein Ext 10 (426 sites)
- Provide public facilities and businesses with access to safe and sustainable sanitation services.
- Provide households, public facilities and businesses in Bultfontein and Hoopstad towns with access to electricity services.
- Limit electricity losses to less than 15% by 30 June 2023.  $(\text{number of electricity units purchased} - \text{number of electricity units sold}) / \text{number of electricity units purchased} \times 100$ .
- Filling of potholes in Bultfontein and Hoopstad
- Grading of 6km roads in Bultfontein and Hoopstad
- Gravelling of 1km road in Bultfontein and Hoopstad
- Cleaning 6 storm water channels in Bultfontein and Hoopstad
- Revitalisation of tar surfaces segmented paving blocks in Bultfontein and Hoopstad.
- Provide household with weekly waste collection services (refuse removal)
- Provide public facilities and businesses with weekly waste collection services/refuse removal.
- Provide indigent households with free basic water

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

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 achievements reported and for the measures taken to improve performance.

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

25. The material finding on the reported performance information for the selected material indicators is as follows:

[Provide registered indigent households with free basic refuse removal.](#)

26. Evidence was not provided to confirm that processes had been established to consistently measure and reliably report on this indicator. This was due to insufficient measurement definitions and processes. Consequently, I could not confirm the reliability of the reported achievement

## **Other matters**

27. I draw attention to the matters below.

### **Achievement of planned targets**

28. 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 misstatement**

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



## **Report on compliance with legislation**

30. 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.
31. 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.
32. 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.
33. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### **Annual financial statements**

34. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

### **Expenditure management**

35. Money owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.
36. Reasonable steps were not taken to prevent irregular expenditure amounting to R52 370 821 as disclosed in note 56 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by approved contract amounts exceeded as well as non-compliance with SCM requirements.
37. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R9 366 529, as disclosed in note 55 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charged on overdue accounts.
38. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R6 085 826, as disclosed in note 54 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by the overspending of the budget.

## **Assets management**

39. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
40. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services.

## **Strategic planning and performance management**

41. The service delivery and budget implementation plan for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote, as required by section 1 of the MFMA.

## **Consequence management**

42. 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.
43. 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.
44. 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.

## **Procurement and contract management**

45. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
46. 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.
47. Some of the contracts were awarded to bidders based on points given for legislative requirement that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations.
48. Measures to combat the abuse of the SCM system were not implemented as per the requirements of SCM Regulation 38(1), because some of the contracts were awarded to providers who abused the SCM system of the municipality.
49. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2020.

50. Some of the tenders which achieved the minimum qualifying score for functionality legislative requirement were not evaluated further in accordance with 2017 Preferential Procurement Regulation 5(7). Similar non-compliance was also reported in the prior year.
51. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5. Similar non-compliance was also reported in the prior year.
52. 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) of the MFMA. Similar limitation was also reported in the prior year.
53. 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. This limitation was identified in the procurement processes for some projects carried out by the municipality

#### **Other information in the annual report**

54. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators presented in the annual performance report that have been specifically reported on in this auditor's report.
55. 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.
56. 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 material indicators presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
57. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

#### **Internal control deficiencies**

58. 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.
59. 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.
60. Leadership and oversight bodies did not adequately monitor and enforce compliance with SCM prescripts and hold responsible municipal officials accountable for flouting the requirements of SCM laws and regulations. Consequence management and remedial actions were also not applied in a timely manner.
61. Corrective measures were not taken by management to address the drivers of non-compliance with applicable laws and regulations. Moreover, proper reviews were not performed to prevent, detect and correct material misstatements in the annual performance report and annual financial statements before the reports were submitted for audit.

Bloemfontein

30 November 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 financial statements and the procedures performed on reported performance information for selected material indicators and on the municipality's compliance with selected requirements in key legislation.

#### Financial statements

3. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

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

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

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

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

## Compliance with legislation – selected legislative requirements

6. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	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)

Legislation	Sections or regulations
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8) Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2) Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

## 20 ANNUAL FINANCIAL STATEMENTS (ANNEXURE A)





# TSWELOPELE

LOCAL MUNICIPALITY  
A MUNICIPALITY IN PROGRESS

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## AUDIT, PERFORMANCE AND RISK COMMITTEE ANNUAL REPORT 2022-2023



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## **ANNUAL REPORT OF THE AUDIT, PERFORMANCE AND RISK COMMITTEE OF TSWELOPELE LOCAL MUNICIPALITY FOR THE YEAR 2022/2023**

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We are pleased to present our report for the financial year ended 30 June 2023.

### **1. PURPOSE**

The Audit, Performance and Risk Committee presents its report for the financial year ended 30 June 2023. We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of Section 166 of the Municipal Finance Management Act (MFMA). We would further like to report that we have conducted our affairs in compliance with the Committee charter.

### **2. BACKGROUND**

The mandate of the Audit Committee is legislated in terms of section 166 of the Municipal Finance Management Act, 2003 (MFMA) which requires the Audit, Performance and Risk Committee to advise the Accounting Officer and Council on matters relating to:

1. Internal financial controls;
2. Internal controls;
3. Risk management;
4. Reliability and accuracy of financial reporting and information;
5. Accounting policies;
6. Performance management and evaluation;
7. Effective governance;
8. Compliance with the MFMA;
9. The Annual Division of Revenue Act (DORA) and any other applicable legislation and / or policies and any other issues referred to it by the municipality.

The Audit, Performance and Risk Committee is also required to fulfil the functions of a Performance Management Committee constituted in terms of Regulation 14(2) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

The Municipal Finance Management Act requires the Audit, Performance and Risk Committee to review the annual financial statements, respond to Council on matters raised by the Auditor General and carry out investigations into the financial affairs of the Municipality.

### **3. AUDIT, PERFORMANCE AND RISK COMMITTEE MEMBERS AND ATTENDANCE**

The Audit, Performance and Risk Committee consisted of four (4) members at the beginning of the financial year. The Audit, Performance and Risk Committee had a Council approved schedule of meetings for the 2022-2023 financial year.

All Audit, Performance and Risk Committee members are not employed by the Municipality and during the year for which this report refers, six (6) meetings were held and attendance of members is indicated hereunder:

MEMBER	PERIOD OF MEMBERSHIP	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED 2022/2023
<b>Ms. DS Nage</b>	<ul style="list-style-type: none"> <li>Appointed in February 2017</li> <li>Appointed Chairperson August 2017</li> <li>Initial contract comes to an end on 30 June 2020</li> <li>Term extended by Council for three years and ended 30 June 2023</li> </ul>	6	6

<b>Mrs. M Mototo</b>	<ul style="list-style-type: none"> <li>Appointed in 7 July 2020</li> <li>Term extended by Council for three years, term expired on 30 June 2023.</li> </ul>	6	5
<b>Mr. I Mpatlanyane</b>	<ul style="list-style-type: none"> <li>Appointed in February 2017</li> <li>Contract comes to an end on 30 June 2020</li> <li>Term extended by Council for three years</li> </ul>	6	6
<b>Mr. O Thenga</b>	<ul style="list-style-type: none"> <li>Appointed in July 2017</li> <li>Contract comes to an end on 30 June 2020</li> <li>Term extended by Council for two years term expired on 30 June 2023.</li> </ul>	6	4

**Number of meetings held per quarter:**

<b>QUARTER</b>	<b>DATE</b>
<b>1<sup>st</sup> Quarter Meeting</b>	23 August 2022
<b>Review of AFS and APR meeting</b>	27 August 2022
<b>Attend to first quarter activities Meeting</b>	02 December 2022
<b>2<sup>nd</sup> Quarter Meeting with AGSA Meeting</b>	09 March 2023
<b>3<sup>rd</sup> Quarter Meeting</b>	30 May 2023
<b>Review and Approval of Strategic Documents Meeting [Awaiting Council approval]</b>	26 June 2023

1. The Audit, Performance and Risk Committee Charter for 2023/2024 was reviewed and approved by the Audit, Performance and Risk Committee on the 26<sup>th</sup> June 2023.
2. The Internal Audit Charter was reviewed for the 2023/2024 financial year and it was approved on the 26th June 2023.
3. The Internal Audit Methodology was reviewed for the 2023/2024 financial year and it was approved on the 26th June 2023.
4. The Three-year rolling Risk based Plan for the 2023/2024 financial year and it was approved on the 26th June 2023.
5. The Internal Audit Annual Plan for the 2023/2024 financial year and it was approved on the 26th June 2023.
6. The Quality Assurance and Improvement Program for the 2023/2024 financial year and it was approved on the 26th June 2023.

#### **4. INTERNAL AUDIT**

We are satisfied that the internal audit unit is operating effectively and that it has addressed most risks relevant to the municipality in its assurance audits

The Audit, Performance and Risk Committee is satisfied that the Internal Audit plan represents a clear alignment with the key risks, has adequate information systems coverage, and a good balance across the different categories of audits, i.e. risk-based, mandatory, performance, and follow-up audits. All control, compliance and performance weaknesses revealed have been raised with management.

##### **4.1 Internal Audit Plan**

The following internal audit work was completed during the year under review:

1. Quarterly Performance Information audits;
2. Review of the Annual financial statements;
3. Supply Chain and Inventory Management;
4. Water and Electricity Services Management;
5. Inspection on the condition of municipal roads;
6. Institutional Governance and Public participation;
7. Waste and Environmental Services Management;

8. Human Resource and Payroll
9. Indigent Register
10. Valuation roll vs Financial System
11. Revenue Management
12. Supply Chain Management
13. Expenditure Management;
14. Grants and Subsidies
15. Asset Management
16. Review of risk management
17. Review of IDP and SDBIP and
18. Quarterly follow-up audits.

An action plan on all findings raised by Internal Audit in 2022/23 financial year was developed and followed up every quarter. There was little improvement in the implementation of external and internal audit action plans.

The AGSA finalized the audit of 2022/2023 financial year on 30 November 202 and the final audit report was shared with the municipality and Council. The municipality thereafter developed the audit action plan to address all the findings raised. Management progress is being monitored on a quarterly basis.

## 4.2 Internal Audit Unit

The approved municipal organisational structure of the internal audit unit is as follows:

POSITION	NAME	OCCUPANCY	CURRENT STATUS
<b>Manager Internal Audit and Risk Management</b>	<b>Ms L Pitso</b>	<b>FILLED</b>	Manager Internal Audit was appointed in December 2022
<b>Internal Auditor</b>	<b>Ms M Masiteng</b>	<b>FILLED</b>	Internal Auditor appointed in July 2020

Internal Audit Intern	Ms M Lesibe	FILLED	Intern was appointed in April 2023
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## 5. THE ADEQUACY AND EFFECTIVENESS OF GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

The internal audit unit has provided the Audit, Performance and Risk Committee with reports for the evaluation of the adequacy and effectiveness of governance, risk management and internal control processes within the Municipality.

The committee has indicated to the management the need to put more effort in ensuring effective Governance, Risk Management and Internal Control Processes. More efforts should be maintained to enhance the internal control environment of the Municipality.

### 5.1 Governance

Governance comprises of a set of processes, practices, policies, laws and regulations affecting the way an institution is directed, administered or controlled. Governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

All significant governance structures and processes that provide strategic direction in the Tswelopele Local Municipality have been assessed by the Internal Audit Unit through its disbursement and delivery of their Internal Audit Plan. The Governance structures referred to include the Council, the Audit, Performance and Risk Committee, Municipal Public Accounts Committee, Management, Risk Management Unit, the Internal Audit Unit and the Municipal Directorates including their Staff.

The committee takes note that MPAC has investigated some of previous financial years Irregular, Unauthorised, Fruitless and Wasteful expenditure. The committee recommends that MPAC adheres to the meetings schedule and that management



should also be available and provide necessary support to the committee in order to fulfil its role of investigations of Irregular, Unauthorised, Fruitless and Wasteful expenditure. This has been the major concern for the Auditor General as well

## **5.2 Risk Management**

The Strategic and Operational Risk Register for 2023/2024 was reviewed by the Audit, Performance and Risk Committee. The Internal audit unit performed a review on the risk management processes and the results of the review were discussed with management and the audit committee.

## **5.3 Fraud and Anti-Corruption Strategy**

The Municipality has implemented a Fraud and Anti-Corruption Strategy as part of the overall governance strategy. The effectiveness of the Fraud and Anti-Corruption Strategy is monitored on a quarterly basis and this was also stressed out in every Audit, Performance and Risk Committee Meetings.

Management is responsible for the prevention of incidents and occurrences of fraud and corruption, and does this through the design, implementation and monitoring of a sound system of internal controls.

The risk assessment and awareness on fraud and corruption was conducted and monitored for the year under review. The committee advised the management that education and awareness of potential incidents of fraud and corruption should be conducted on a regular basis.

## **5.4 Internal Controls**

The Audit, Performance and Risk Committee commends the management for the internal controls that were mostly adequate in most areas within the municipality during the term of the committee ended that ended 30 June 2023. However, the

committee has advised management to address the deficiencies identified by Internal Audit on the assurance audits.

The committee is concerned about the number of increasing repeat findings that are not addressed by management. The committee advises once again that the management should implement all the recommendations given by Internal Audit and those raised by the Audit General in the management report.

## **6. THE QUALITY OF MANAGEMENT AND MONTHLY/QUARTERLY REPORTS SUBMITTED IN TERMS OF THE ACT**

The quality of in-year management quarterly reports submitted in terms of the MFMA and the Division of Revenue Act were reasonable. The reports were as follows:

1. Quarterly Financial Reports; and
2. Quarterly Performance Management reports;

The committee advises the management to compile monthly reports and present them in management meetings in order to identify any deficiencies that can hamper the achievement of objectives timely.

## **7. EVALUATION OF FINANCIAL STATEMENTS**

The Audit, Performance and Risk Committee has:

1. Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the Accounting Officer;
2. Reviewed the Audit Report of the Auditor-General SA (AGSA);
3. Reviewed the AGSA Management Report and Management's response thereto;
4. Noted and reviewed the AGSA's assessment of the usefulness and reliability of performance information examined;

5. Reviewed the Municipality's compliance with legal and regulatory provisions; and
6. Reviewed significant adjustments resulting from the audit.

The Audit, Performance and Risk Committee concurs with and accepts the AGSA's conclusions on the Annual Financial Statements and other legal and regulatory matters, and is of the view that the audited Annual Financial Statements be accepted and read together with the report of the AGSA.

The management has been advised that they need to prioritise internal control deficiencies, review of consultant work and compliance issues related to the municipality in order to improve the audit opinion.

## **8. PERFORMANCE MANAGEMENT**

The AGSA's review of performance against predetermined objectives has indicated that not all the supporting information supplied by the Municipality was useful and reliable. The municipality received an unqualified audit opinion on the overall audit and no audit opinion was expressed on the performance however there were findings which relate none achievement of indicators which indicates that closer attention needs to be paid to this area of reporting.

The committee has advised management to monitor performance information monthly to detect poor performance and information flaws.

## **9. APPRECIATION**

The Audit, Performance and Risk Committee greatly acknowledges the dedication and work performed by the Council, Acting Municipal Manager, Management and Officials of the Municipality and appreciates the Unqualified audit opinion .

The Audit Performance and Risk Committee also wishes to express its appreciation to Management, the AGSA and the Internal Audit Unit for the co-operation and information they have provided to enable us to discharge our responsibilities.

## **10. RECOMMENDATIONS**

That Management prioritise the filling of all the key vacancies, monitor performance monthly and report on the developed compliance register to assist in enhancing the internal control environment as well as maintaining the audit opinion.

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Duly Signed on behalf of the Audit, Performance and Risk Committee:

**R Mabunda**

**AUDIT, PERFORMANCE AND RISK COMMITTEE CHAIRPERSON**

## 22 EXTERNAL AUDIT RECOVERY PLAN



No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
1	Property, Plant & Equipment	CoAF 59: Overstatement of PPE opening balances	1,assets were recorded as prior period error however these assets existed in the prior period asset register and the ID code removed in the current year. 2,During asset verification assets were identified as being part of current year additions projects but was included as prior period error. 3,From the supporting documentation provided the following movable assets have been added at the cost of new assets and not the fair value	This is due to management not ensuring that the fixed asset register submitted for audit is accurate and correct in terms of the financial reporting framework.	1. Management should perform an asset verification to ensure that prior year adjustments made a valid.	CFO, Manager AFS and Manager Assets	15-Aug-24	Updated Assets Register and Reconciliations including a list of all assets to be recorded of a prior period error
					Management to perform a reconciliation for the aquation dates of assets and ensure that year captured in the correct period	CFO, Manager AFS and Manager Assets	15-Aug-24	Updated Assets Register and Reconciliations
					3. Management to ensure that assets are capitalised at the fair value /cost on aquation/transfer date	CFO, Manager AFS and Manager Assets	15-Aug-24	Updated Assets Register and Reconciliations  Supporting file including invoices indicating aquation dates
2	Property, Plant & Equipment	CoAF 27: Losses on the disposal of assets	The lack of proper management and safeguarding of the assets resulted in the municipality recognising a loss on disposal of assets of R 12 708 229.	This is due to lack of proper safeguarding and record keeping of assets to ensure that	Management should ensure that assets written off are sufficiently evaluated before being recommended for council write off	CFO, Manager AFS and Manager Assets	Quarterly WEF 31/01/2024	Fixed Assets Register and Reconciliations  List of all assets disposed assets with the council resolution for disposal.

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
				complete, relevant and accurate information is accessible and available to support financial and performance reporting				
3	Council Committees	CoAF 8: Internal control deficiency: MPAC meetings not properly documented and approved.	The minutes of the MPAC were requested from management on RFI 13. Management did not submit minutes but instead submitted the recordings of the meetings that were held by MPAC. Therefore, auditors could not obtain a clear record of the investigations that were undertaken by MPAC as well as the resolutions taken on these investigations.	Management did not implement controls to ensure that the minutes of meetings are properly recorded in writing as required by MPAC practical guidance.	Management should ensure that minutes for meetings are recorded in writing.	Council Clerk/Chairperson MPAC	Monthly with effect from 2024/01/31	Written Minutes of MPAC sittings
					The committee chairperson should ensure that the minutes are prepared and adopted/approved in the next MPAC committee meeting and records maintained for internal and external	Council Clerk/Chairperson MPAC	Monthly with effect from 2024/01/31	MPAC minutes indicating approval/adoption of prior meeting events



No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
					consumption.			
4	Technical Services and contract management	CoAF 31– SCM (Contract management) – Irregular expenditure	1. During the audit of SCM, the following issues were identified: 1.1 The total payments made under the contracts up to date exceeded the original contract price and no variation orders were available for audit inspection	This is due to inconsistent documentation submitted to support the variation orders and/or extensions of the municipality.	Management should perform monthly reconciliations between the contracted amount as per the SLA and commitment register.	Director Technical Services, CFO and Manager SCM	Monthly with effect from 2024/01/31	Reviewed contact register indicating the contract amounts and payments made to suppliers.
5	Property, Plant & Equipment	CoAF 28: Non-compliance – disposal of municipal assets	During the audit of property, plant and equipment, it was noted that: · The municipality disposed of the municipal capital assets in a meeting not open to the public on 30 August 2023 · Investigation was not performed to before disposal to decide on reasonable grounds that	This is due to lack of management oversight to ensure compliance with applicable laws and regulations	Management should investigate and decide on reasonable grounds before disposal of municipal capital assets to ensure that the assets are not needed to provide the minimum level of basic municipal services.	CFO, Director Community and Asset Manager	Monthly with effect from 2024/06/30	Notice of invitation to the public for disposal of asset.

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
			the assets are not needed to provide basic municipal services.		It should be noted that all assets are considered to be required for basic services.		Monthly with effect from 2024/06/30	Investigation report indicating a list of assets to be disposed and council resolution for disposal
6	Procurement and contract management	CoAF 78 - Quotes not evaluated in terms of preferential point system.	During the audit of SCM, management did not submit documentation to confirm that preference point system	This is due to the non-application of Preference point system by management	<p>Management should ensure that all quotations are evaluated in terms of preferential point system.</p> <p>The management should refer the matter to MPAC for investigation and Council for recommendation/consideration.</p>	CFO and Manager Supply chain and Expenditure	Monthly with effect from 2024/01/31	Evaluation sheets for quotations indicating the preferential point system has been applied attached to the relevant payment voucher.

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
7	Procurement and contract management	CoAF 71: SCM – understatement of deviations and irregular expenditure	During the audit of SCM the following transaction with value above R200 000 were not procured through a competitive bidding process	This is due to inconsistent documentation submitted to support the compliance activities of the municipality	Management should ensure that transaction above R200 000 are procured in in with the approved SCM Policy.  Management should refer the matter to MPAC for investigation and Council for recommendation/consideration.	CFO and Manager Supply chain and Expenditure	Monthly with effect from 2024 /01/31	Tender documents for all procurement above R200 000
8	Procurement and contract management	CoAF 76 – Contract register not complete	Auditors identified that the contracts are not included on the contract register	These matters resulted due to internal controls not being adequately established and implemented by management.	Management ensure that all contracts are included in the contract register	CFO and Manager Supply chain and Expenditure	Monthly with effect from 2024 /01/31	Updated Contract Register, indicating the date of appointment, initial contract value, extensions to the contract and expenditure to date per contract

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
9	Procurement and contract management	CoaF 80 - SCM Non-compliance with PPR2022 - Construction of 2.0km paved road	During the audit of the competitive bidding process, the following issues were identified: SCM TSW 17 2022-2023 - Construction of 2.0km Paved road and Stormwater in Tikwana	The bid evaluation and adjudication committees did not detect the shortcomings in the procurement documentation to prevent non-compliance.	<p>The bid evaluation committee should ensure that bidders are evaluated as per the detailed indicated in the approved tender document</p> <p>The municipality should utilise the pink program provided by national treasury as a guidance to ensure that compliance criteria are being followed.</p> <p>Management should refer the matter to MPAC for investigation and Council for recommendation/consideration</p>	Bid evaluation committee and Bid Adjudication Committee	Monthly with effect from 2024/01/31	Bid Committees minutes

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
10	Procurement and contract management	CoAF 79 - SCM Possible bid rigging and irregular expenditure	Bid number - SCM TSW06 2022 - Provision of CIT Services Service provider: Fidelity Cash Solutions (Pty) Ltd Contract amount: R648 000 The appointed bidder "Fidelity Cash Solutions" is a subcontractor to the other bidder "ABSA" in the same tender application. The bid document for ABSA and Fidelity were inspected and it was confirmed that the bidders did not declare the interests that they have in each other. Both these bidders were however accepted and evaluated further on functionality and preference point system	The bid evaluation and adjudication committees did not detect the shortcomings in the procurement documentation to prevent non-compliance.	<p>The bid evaluation committee should ensure that bidders are evaluated as per the detailed indicated in the approved tender document</p> <p>The municipality should utilise the pink program provided by national treasury as a guidance to ensure that compliance criteria are being followed.</p> <p>Management should refer the matter to MPAC for investigation and Council for recommendation/consideration</p>	Manager Supply chain and Expenditure	Monthly with effect from 2024 /01/31	Bid Committees minutes

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
					The management should refer the matter to MPAC for investigation and Council for recommendation/consideration.	Manager Supply chain and Expenditure	Monthly with effect from 2024/01/31	Mpac meetings attendance register and minutes and Reviewed AFS
11	Procurement and contract management	CoAF 75: SCM Quotations – Three quotations not obtained as required by SCM policy Requirement	The municipality did not obtain three written quotations for the following payments and no motivation for deviating was provided	Management did not review and monitor compliance with applicable laws and regulations.	Management should comply with the SCM policy for procurement of goods and services .  Management should develop a standard template for deviation motivations and utilise pink programme to guide in validating motivations	Manager Supply chain and Expenditure	Monthly with effect from 2024/01/31	A quotation register per service requested.
			The reasons included in the document for only sourcing one quote cannot be being undertaken in the case of an emergency were not considered reasonable		Management should develop a standard template for deviation motivations and utilise pink programme to guide in validating	CFO and Manager SCM	Monthly with effect from 2024	Tender documents for all procurement above R200 000

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
			or justifiable for the winning provider		motivations.  The management should refer the matter to MPAC for investigation and Council for recommendation/consideration.		/01/31	
12	Procurement and contract management	CoAF 66 - SCM Competitive Bidding non-compliance with PPR2022 (Panel)	Overall Bid evaluation: SCM/TSW/02/2022- Appointment of panel of service providers (a) The closing date on the advert is stated as 17 March 2023 however the opening register states that the tender was closed on the 13 March 2023 (b) The	The bid evaluation and adjudication committees did not detect the shortcomings in the procurement documentation to prevent	Management to comply with the laws and regulations  The municipality should utilise the pink program provided by national treasury as a guidance to ensure that compliance criteria are being followed.	Bid evaluation committee and Bid Adjudication Committee	Monthly with effect from 2024/01/31	Bid Committees minutes

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			invitation/advertisement to bid for the appointment of panel for service providers does not include a clear methodology or matrix on how points for specific goal will be allocated and claimed for a particular level achieved by a tenderer. Example of methodology to claim points for specific goals related to persons or categories of persons historically disadvantaged by unfair discrimination can be found in par.6.7.4 of the PPR 2022 implementation guide. (c) During the audit of the bid documents for panel for services providers, it was identified that the Municipality included under MBD 6.1, additional specific goals such as Location of the	non-compliance.	Management should refer the matter to MPAC for investigation and Council for recommendation/consideration.	CFO, Manager SCM	Monthly with effect from 2024/01/31	MPAC investigation reports



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			<p>bidder and indicated the points that would be awarded based on this. This is non-compliance with the implementation guide which stated that the specific goals should be in terms of section 2(1) (d) of the preferential procurement policy act. An organ of state is not presently permitted to pursue other specific goals outside the provisions of the Act. (d) Further during the audit of the BEC report for the panel of service providers, it was determined that the BEC used the 80:20 points system to evaluate the bids, where 20 points were allocated to the BBEE level for the suppliers. This is not in accordance with the implementation guide on the PPR 2022 to award</p>					

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			points to specific goals as stipulated on the bid invitation. (e) The evaluation that is performed by the BEC on required documents is not in line with the requirements as set out in the bid. Please see below the BEC evaluation criteria vs the documents required in the Bid document					
13	Procurement and contract management	CoAF 65 - SCM Quotations non-compliance with PPR 2017 and 2022	During the audit of SCM, management did not submit documentation to prove that Preference point system was followed	This is due to the non application of Preference point system by management	Management should review the SCM policy to include the preference point system.  Utilise pink program toolkits to comply with SCM regulations	Manager SCM and SCM Practitioner	Monthly with effect from 2024/01/31	Updated SCM policy that includes the preference point system

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14	Procurement and contract management	CoAF 55: Competitive bidding processes not followed	During performing audit procedures on testing the project with reference number SCM/TSW/16/2022-2023/TLM, it was determined that the competitive bidding process was not followed by the municipality to appoint the Consultant. Contract value: 12% of the funding received (R6000 000) plus transport (S&T) according to AA rates. The municipality appointed the consultant to source funding on behalf of the municipality from COGTA. Further upon request of the proposal from the consultant and application by the consultant to COGTA for the funds RFI 98, the information was not submitted and subsequently issued	The above is due to management not implementing controls to ensure that the SCM requirements are followed prior to appointing a service provider	Management to comply with the laws and regulations	Bid evaluation committee and Bid Adjudication Committee	Monthly with effect from 2024 /01/31	Bid Committees minutes
					Management should refer the matter to MPAC for investigation and Council for recommendation/consideration.	CFO, Manager SCM	Monthly with effect from 2024 /01/31	MPAC investigation reports

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			limitation in COAF 70 of 2023. Auditors received the application letter dated 12 August 2022 and signed by the Acting Municipal Manager requesting the funds from COGTA. This gives an indication that the application was initiated by the Municipality before appointing the consultant as the appointment letter of the consultant is dated 01 November 2022.					
15	Procurement and contract management	CoAF 54– SCM (Contract management) – Cession agreement not approved by accounting officer	Cession agreement for the following contract was approved by Mr Malokase (Director: technical services) instead of the Municipal Manager	This was caused by inadequate controls over approving of cession agreements in relation to procurement and contract management.	Management will ensure that cessions are signed by the Municipal Manager  The management should refer the matter to MPAC for investigation and Council for recommendation/consideration.	Municipal Manager	Monthly with effect from 2024 /01/31	Signed cession agreements

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16	Procurement and contract management	CoAF 41– SCM deviations – Reasons for procurement being considered an emergency not justifiable.	<p>Note 1 The municipality provided the following reasons in the motivation for procuring as a matter of urgency: The municipality needed to clean all the hoopstad illegal dumping sites.   66 From the reasons stated above, Lack of or bad planning does not constitute an urgency or emergency for cleaning of dumping site. Therefore, it is concluded that there are no grounds for this procurement to be classified as an emergency.</p> <p>Note 2 The municipality provided the following reasons in the motivation for procuring as a matter of urgency: The municipality was experiencing a problem of an expired Microsoft office licenses and it locked certain work function which makes it</p>	These matters resulted due to internal controls not being adequately established and implemented by management	<p>Management should develop a standard template for deviation motivations and utilise pink programme to guide in validating motivations.</p> <p>The management should refer the matter to MPAC for investigation and Council for recommendation/consideration.</p>	CFO and Manager SCM	Monthly with effect from 2024 /01/31	Tender documents for all procurement above R200 000

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			difficult for employees to perform some of the Microsoft related duties. The reason is due to bad planning from management as the municipality could have monitored					
17	Procurement and contract management	CoAF 36: SCM Non-compliance with procurement regulations - supply and installation of VOIP/Data solutions	During the audit of SCM Competitive bidding process, the following issues were identified: Tender number: SCM/TSW/03/2021- Supply and installation of VOIP/Data solutions, Internet, Email services and VPN Hosting   71 Contract amount: R30 452,92 per month	The bid evaluation and adjudication committees did not detect the shortcomings in the procurement documentation to prevent non-compliance.	<p>Management to comply with the laws and regulations</p> <p>The municipality should utilise the pink program provided by national treasury as a guidance to ensure that compliance criteria are being followed.</p> <p>The management should refer the matter to MPAC for investigation and Council for</p>	Manager SCM/SCM Practitioner	Monthly with effect from 2024/01/31	<p>Bid committee minutes and attendance registers</p> <p>MPAC investigation reports</p>

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					recommendation/consideration.		from 2024/01/31	
18	Procurement and contract management	CoAF 35 - Upgrading of Bulkwater supply Phase 4 - Contract B - Bultfontein (unfair disqualification) Competitive bids – SCM/TSW/10B/PH4RBIG/2022-2023 - tender which complied with the stipulated qualifying criteria were not considered as acceptable	During the audit of Supply chain management, the following finding was identified on bid number SCM/TSW/10B/PH4RBIG/2022-2023: Contract Value: R27 651 275,82 Differences identified in functionality points awarded by BEC and the auditor's evaluation, this resulted in a tenderer that obtained the minimum qualifying score for functionality not evaluated further by BEC in terms of price and preference point system	The bid evaluation and adjudication committees did not detect the shortcomings in the procurement documentation to prevent non-compliance.	<p>Management to comply with the laws and regulations</p> <p>The municipality should utilise the pink program provided by national treasury as a guidance to ensure that compliance criteria are being followed.</p>	<p>Manager SCM/SCM Practitioner</p> <p>CFO / manager SCM</p>	<p>Monthly with effect from 2024/01/31</p> <p>Monthly with effect from 2024/01/31</p>	<p>Bid committee minutes and attendance registers</p> <p>MPAC investigation reports</p>

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19	Procurement and contract management	CoAF 21 - Contract management – Performance evaluation and monitoring	During the audit of contract management, not all monthly performance evaluation reports and site meetings as requested in RFI 59 of 2023 (requested all for the year under review) were submitted by management, the auditor could not confirm that the following contracts were evaluated and monitored as required by legislation	Lack of adequate controls over contract management and monitoring	Management will develop effective measures to monitor contract performance and delivery. Measures to include the quality of material used and progress compared to planned progress at time of reporting.	Director Technical Services and PMU Manager	Monthly with effect from 2024/01/31	Reviewed performance monitoring reports
20	Expenditure Management	CoAF 23 – Payments not made within 30 days	During the audit of Expenditure, it was identified that the following payments were made 30 days after the receipt date of the invoices/billings/statements.	This occurred due to inadequate controls in place to ensure that payments to suppliers are made within 30 days.	Management should ensure that payments are made to service providers within 30 days of receipt of the invoice	Manager SCM and Expenditure and Expenditure Accountant	Monthly with effect from 31 January 2024	Invoice list vs payment list



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21	Procurement and contract management	CoAF 32– SCM (Contract management) – Contract not signed	Through inspection of the contract, it was confirmed that the SLA was not signed by the municipality	This was caused by inadequate controls on procurement and contract management. Ineffective contract management	The accounting officer should ensure that all SLA's are signed by the municipality	Supply chain and Expenditure	Monthly with effect from 31 January 2024	Signed contracts
22	SDBIP & Performance	CoaF 15: AoPO – Performance targets not consistent	During the testing of usefulness of performance indicators and targets, it was noted that some of the performance targets were not consistent between the APP and the APR. To conclude on whether the performance target is consistent, we consider whether the reported indicator is consistent with planned indicator, reported targets are consistent with planned targets, and reported achievement is consistent with planned	Management did not exercise proper reviews of the annual performance plan to ensure that means of verification is well-defined and data is collected consistently and also for intended users to understand the flow of information	Management should ensure that the reported achievements as per the APR are consistent with the annual planning document (Reviewed SDBIP).	Strategic Manager	2233:38:00	Reviewed revised SDBIP
							31-Aug-24	Reviewed APR

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			and reported indicator and targets. During the testing of consistency, it was noted that reported achievement was not consistent with planned and reported indicator and targets	reported.				
23	SDBIP & Performance	CoaF 26: AoPO – Misstatements in reported achievement on the APR	Through the testing performed on the indicator: Provide registered indigent households with access to free basic electricity, the differences were identified	This occurred due to a lack of review of the APR to ensure that the supporting documentation provided for the reported achievement agrees with reported outcome in the APR.	Management should ensure that the targets reported in the APR are consistent to the APP	Strategic Manager	31-Aug-24	Quarterly performance reports and POE files  Reviewed APR

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24	SDBIP & Performance	CoaF 82: AoPO – Misstatement in free basic services provided to indigents	During testing of the following indicators; provide registered indigent households with free basic sanitation, provide registered indigent households with free basic electricity, and provide registered indigent households with free basic refuse removal, it was noted that some of the consumers listed as indigents were billed as normal consumers. Upon enquiry with management, it was noted that some residents registered as indigents were billed as normal due to the fact that some residents subsequently did not meet the requirements of being classified as indigents, thus they were subsequently billed as normal consumers.	Management did not exercise proper reviews of the annual performance plan to ensure that means of verification is well-defined and data is collected consistently and also for intended users to understand the flow of information reported.	Management should adjust the APR to reflect the accurate achievement of the targets	Strategic Manager		
					Management should ensure that the reported achievement is based on the actual number of indigent with access to free basic services, not the number of indigent as per indigent register.	Strategic Manager		
					Management should ensure that the process of billing consumers who were previously classified as indigent is formalised. Records all the indigents who were subsequently billed	Strategic Manager		

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					as residential consumers should be kept			
25	SDBIP & Performance	CoaF 84: AoPO – Misstatements in reported achievement on the APR	Through the testing performed on the indicator: Upgrading of bulk water supply in Hoopstad (Phase 4), it was noted that the measurement the achievement of the target in the current year 2022/23 included expenditure that occurred in the prior year 2021/22. The total expenditure included as a numerator for the current year was R16 639 379.26, which includes R5 756 799.44 relating to expenditure that occurred in the prior year and R10 882 579.82 which relates to expenditure that occurred in the current	This occurred due to a lack of review of the APR to ensure that the supporting documentation provided for the reported achievement agrees with reported outcome in the APR.	Management should ensure that There is adequate review of the APR to ensure that the APR is accurate the APR is adjusted to ensure that it is accurate and is free from material misstatements	Strategic Manager		

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			year. This has resulted in management reporting an achievement of 80%, which included expenditure relating to the prior year					
26	SDBIP & Performance	CoaF 85: Compliance: Strategic planning & performance – Revised SDBIP did not include monthly projections of revenue to be collected, by source; and Operational and capital expenditure, by vote by months	Contrary to the above requirements, the revised SDBIP did not include projections for each month of revenue to be collected, by source; and operational and capital expenditure, by vote. The revised SDBIP did include revenue by source, and operational and capital expenditure by vote. However, projections were not included for each month by source and operational and capital expenditure by vote	This occurred due to a lack of review of the SDBIP to ensure compliance with applicable laws and regulations.	Management should consider including monthly projections in future to address this issue	Strategic Manager		

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27	Technical Services	CoaF 87: AoPO – Insufficient evidence to support refuse removal service	During the testing of reliability of the indicator “provide registered indigent households with free basic refuse removal” it was noted that the municipality did not keep proper records as evidence to support the service being delivered to households. The municipality only keeps a schedule of planned areas and dates of refuse removal. The municipality does not keep records as evidence after the refuse has been collected. As a result, we cannot confirm whether the municipality collected refuse for the indigent households. Thus, we can confirm the reported achievement of “100% (4 260) of registered indigent households were	Management does have proper internal controls to maintain appropriate and sufficient evidence as support of refuse removal service being delivered to the residents	Management should ensure that Proper records are kept as support of refuse removal service. Management should, in addition to keeping collection schedule, consider maintaining a register of refuse removal service. The register should be designed based on the collection schedule. The register should state the date of the refuse removal, the area covered, the names of the officials who collected the refuse, as well as their signature as evidence that the refuse has been collected. Management can also consider taking images of the refuse being collected.	Environmental Manager	Monthly with effect from 2024 /01/31	Register of collections as per monthly schedule prepared

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			provided with free basic refuse removal					
28	Governance	33. CoAF 1: Internal control deficiency: Rotation of audit committee members	From the audit work performed in understanding the municipalities internal controls and audit committee it was noted that the members of the audit committee have served the municipality for more six consecutive years resulting in contravention of the MFMA circular 65	Poor succession planning of audit committee members for smooth and timely replacement of existing committee members.	Develop mechanism of keeping track of the time served by all audit committee members to enable the officials and processes necessary enough time to initiate the replacement of the members when their tenure has lapsed	Manager Internal Audit and Risk	30-Jun-24	Reviewed register/schedule indicating the appointment dates and end dates of APRC members

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29	Governance	CoAF 5: Audit Committee: Internal control deficiency	During performing audit work on the understanding of the Audit Committee functions, the following deficiencies were identified: 1) There was no evidence that the Audit Committee reviewed and commented on the annual report of the Municipality before it was tabled. 2) The Audit committee did not advise the accounting officer with regards to the setting of the Key Performance Indicators (there were no evidence in the minutes that the committee reviewed the reviewed the indicators and targets contained in the annual performance plan SDBIP of the municipality)	Lack of oversight and review by management to ensure that the audit committee is in compliance with the relevant legislation and standards	Management should ) Implement oversight controls to ensure compliance with the relevant frameworks that guide the audit committee.	Strategic Manager	15-Jan-24	Communication between the APRC for the following: 1. Request for inputs/review of the annual report 2.Request for inputs for setting of KPA



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30	Governance	CoAF 6: Internal control deficiency: Internal Audit - External quality assurance not performed on internal audit	While evaluating the municipality's internal audit function, it was noted that no external assurance reviews/assessments were performed at least once every five years by a qualified assessor.	Management indicated in the external audit action plan that the assessment was not performed due to the following: a. Budget constraints b. Their request for assistance with external reviews not being responded to by Treasury to date	Management to request treasury to provide readiness assessment /review	Manager Internal Audit and Risk	2023 /02/29	Request letter to provincial treasury approved by the MM and proof of submission
					Management should budget for the internal audit external quality review	Manager Internal Audit and Risk	31-Mar-24	Draft budget for 2024/25 and Council resolution
					Management should ensure that internal audit activity is being reviewed by an external independent assessor	Manager Internal Audit and Risk	30-Sep-24	External quality review reports

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31	Property, Plant & Equipment	CoAF 10: BP Capital assets - Control deficiencies identified	The following control deficiencies were noted during the audit of fixed assets: A) The serial number and custodian of the laptop with barcode 06203 do not agree with the serial number of asset and custodian on the asset register.	This was caused by management not implementing controls to ensure that transactions and payments are monitored and accurately classified to the appropriate accounts The above was also caused by management not implementing controls to ensure that details of assets are captured accurately onto the asset	Management should ensure that the assets barcodes and serial number agrees to Custodian it recorded to.	Manager Assets and Payroll	Monthly with effect from 2024/01/31	Asset verifications and list of disposals/transfer
			B) The following journal was passed to correct an error that was made in the classification of expenditure: Expenditure incurred on the invoice is as follows: Hardware purchased- R 150 000 Upgrade of software: R 450 000 Configuration and installation: R 150 000 UPS: R 23 400 It was noted that the journal did not include the correction for R 150		Management should ensure that the assets are classified according to their nature in the asset register	CFO, Manager AFS and Manager Assets	15-Aug-24	Fixed Assets Register and Reconciliations  Reclassification Journals.

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			000 as these costs of installation are also to be capitalised. The journal also did not correct the cost incurred to purchase a UPS amounting to R 23 400 which should also be classified as capital expenditure (additions in the PPE items)	register.				
32	Procurement and contract management	CoAF 12: Internal control deficiency: SCM business process	A. Through inspection of the payment voucher EF 007678 and supporting documents for quotation process followed, the following control deficiencies were identified: > The request for quotation was not attached and therefore could not confirm: * The number of quotations requested and received * Date requested and the closing date for submission of quotes	This is due to lack of proper record keeping to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. Possible irregular expenditure.	Management to review the SCM policy to include the preference points	CFO and Manager SCM	Monthly with effect from 2024/01/31	Approved SCM policy including the preference system

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			> The calculation of preference points and awarding of the quotation was not attached, therefore could not confirm the process followed.					
			B. RFI 10 of 2023 was issued to request a list of variations and extension, the list was submitted for audit. However, could not confirm the process in place to identify contract extension limits and approval due to limited information provided on the list.		Management to maintain the contract register to include variations and extensions	Technical Director and PMU manager	Monthly with effect from 2024 /01/31	Reviewed contract register that includes variations and extensions. Council resolutions for variations and extensions should also be files
			C. Through inspection of the bid documents for bid SCM/TSW/10BPH4RBIG /2022-23 - Upgrading of Bulkwater supply phase 4, the following deficiencies were identified: > The advert did not		Management to keep a register of procurement which requires local content and send the relevant advert to the DTI for publishing	CFO and Manager SCM	Monthly with effect from 2024 /01/31	Register of adverts with local content and Communication with the relevant DTI

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			specify the local content requirements as required. > Could not obtain evidence that the award was submitted to DTI					
33	Expenditure Management	CoAF 13: Internal control deficiency: Purchases, payables and business process	During performing the walkthrough on the Purchases and payables business process, the following control deficiencies were identified: *We could not confirm that the payment was made to the correct supplier because the banking details of a supplier that were reflected on the ABSA proof of payment did not agree to the banking details on the Munsoft supplier database as well as the banking details of the supplier on the CSD.	The above is also due to lack of controls to ensure the payments are made to the bank accounts that have been registered on the Municipal/CSD databases The above is also caused by management not implementing controls to ensure that payment for	Management should ensure that the suppliers on the Munsoft system are captured with the correct/ updated details and payments are processed as per the bank account disclosed on the CSD	Manager SCM and Expenditure and Expenditure Accountant	Monthly with effect from 31 January 2024	CSD information Vs Payment details

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				services is only made after performance is evaluated through performance reports.				
34	Revenue	CoAF 16: CAATs exceptions billing report	During the analysis performed on the billing report the following exception of customer accounts not billed for certain months were identified and therefore communicated to determine whether they are valid exceptions	This was caused by management not implementing controls to ensure that billing reconciliation is performed between the active customer accounts and the consumption reports.	Management to perform monthly reconciliations for billing to identify accounts which are not billed.	CFO and Manager budget and revenue	Monthly with effect from 2024 /01/31	Monthly billing reports and reconciliations (Reconciliation to include a total number active accounts per month and indicate if billed or not)
35	SDBIP & Performance	CoAF 17 - AoPO – No logical link between the	During the audit of KPA 02, it was noted that there was no logical	Management did not exercise	Management should ensure that Further steps are taken to	Strategic Manager		

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		indicator and the target (relevancy misstatement)	connection between the planned performance indicators and the planned targets as the targets were not relevant. The target   135 measures the expenditure expected to be incurred on the project by the end of the financial year, however, this expenditure will, in any case, be incurred on the project. The tracking of this expenditure will not assist in achieving the objective of the indicator, therefore, it would be more appropriate to measure the construction progress based on the progress certificates (stages of completion) issued by the contractor and certified by the project management	proper reviews of the annual performance plan to ensure that means of verification is well-defined and data is collected consistently and also for intended users to understand the flow of information reported.	strengthen the review controls to ensure the indicators and targets are aligned. Management should ensure that The targets are enhanced to ensure that they measure efficiency, effectiveness, quality and impact of the performance of the municipality rather than expenditure of the budget. Management should consider using progress of the project as a target and measure of performance. Management can use consultants and technical services as experts to assist management with measuring the progress of the projects.	Strategic Manager		
						Strategic Manager		

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			unit/appointed consultants.		Management should also consider developing a TID (technical indicator description) and subject it for review by the internal audit, AGSA and audit committee.			
36	Technical Services	CoAF 19 -No provision made for illegal dumping sites	During the system description on provisions, it was identified that the auditee has identified illegal dumping sites within its municipal area and these dumping sites have not been provided for by the Municipality for rehabilitation which is in contravention of the provision of paragraph 16(1)(a) above. In light of the aforementioned, the municipality have a legal responsibility to rehabilitate all landfill	There are no control in place to identified illegal dumping sites by the Municipality	Management should develop internal controls to identify and provide for rehabilitation of all dumping sites (legal or illegal) that are within the municipal jurisdiction.	Environmental Manager	Monthly with effect from 2024/01/31	Reports of with details of illegal dumping sites identified



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			sites under the municipality jurisdiction, and thus all sites (legal or illegal) should be provided for. In addition, there are no controls in the system descriptions to ensure completeness of the provision amount recorded in the annual financial statements.					
37	Revenue	CoAF 22 : Incorrect tariff used for billing customers	During the audit of revenue from exchange transactions on service charges we have identified that the auditee was incorrectly charging customers accounts incorrect tariffs and instances where the consumption recorded in the billing system differs from the meter reading books prepared by the meter reading officials.	Inadequate review and reconciliation of the billing report against the approved tariff list and the meter reading taking by the meter readers	Management to perform monthly reconciliations for billing to per category to ensure that the appropriate tariff is used	CFO and Manager budget and revenue	Monthly with effect from 2024 /01/31	Monthly billing reports and reconciliations

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
38	ALL	CoAF 33: Audit of employee related costs: paid overtime not pre-authorized by the MM or delegated official	During the audit of Employee related cost (Overtime) that was sampled the following control deficiencies were identified: The employees worked overtime with no prior instruction from the Municipal Manager or departmental head.	Non-compliance with HR policy and the Collective Agreement for the Free State Division of the SALGBC (Circular No. 1/2016)	Management should ensure that written instructions is provided prior to employees working overtime	All departments	Monthly with effect from 2024/01/31	Written instructions approved by MM or supervisor for working overtime
39	Revenue	CoAF 38: Understatement of property rates (Interest received)	Credit Control and Debt Collection Policy 2023 par 8.4 - Account balances which remain unpaid after the due date shall attract interest on arrears irrespective of the reason for non-payment and late payment fee as contained in the tariff list approved annually by Council. The interest rate is the Prime Bank interest rate plus 1% (or any other interest rate as may be determined by the Municipal Council or	The above was also caused by management not implementing controls to ensure that interest received (Property rates) is calculated accurately. Management did not calculate interest on	Management to perform monthly reconciliations for the interest charged to ensure that it is in line with the credit policy	CFO and Manager budget and revenue	Monthly with effect from 2024/01/31	Monthly billing reports and reconciliations

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
			the Municipal Manager from time to time).	overdue amounts (Past interest charged) as the system only calculates interest based on the capital amount of the outstanding amount.				
40	Procurement and contract management	CoAF 39: Contracted services	During the audit of contracted services the following findings were identified:	The above was caused by management not implementing controls to ensure that all deviations are disclosed in the deviations register The above	Management to comply with the laws and regulations  The municipality should utilise the pink program provided by national treasury as a guidance to ensure that compliance criteria are being followed.	CFO and Manager SCM	Monthly with effect from 2024/01/31	Quotation register Deviation register Tender documents for all procurement above R200 000

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				was also caused by management not implementing controls to ensure that all payments are recorded within the correct financial year The above was also caused by management not implementing controls to ensure that services are received prior to paying	Management should develop a standard template for deviation motivations and utilise pink programme to guide in validating motivations.  The management should refer the matter to MPAC for investigation and Council for recommendation/consideration.	CFO and Manager SCM	Monthly with effect from 2024/01/31	Tender documents for all procurement above R200 000

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
41	Payroll	CoAF 40: Internal control deficiency:	Through inspection of the payroll and supporting documents for payroll followed, the following control deficiencies were identified: 1. An employee terminated but still paid full salary after termination date. 2. Termination date on the employee details listing do not agree to the termination date on the employee payroll	1) Technical workers submit their clock sheets between 13th of the current month to the 12th of the next month, therefore an unpaid day's as per the clock sheet that is submitted by the employee should be deducted from the employee's salary resulting in the employees receiving a salary for the days they worked for. 2)The HR first receives the	Management to ensure that on termination of an employee no payments are processed to the account.	Payroll Accountant and Manager payroll	Monthly with effect from 2024 /01/31	Employee cost reconciliation indicating the total number of active employee and terminations

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
				termination letter of the employee. Therefore, the HRO will terminate the employee upon receiving the termination letter. The Finance department will terminate the employee upon the last date of payment for the employee.				
42	Revenue	CoAF 44: Completeness of revenue from exchange transactions	During the audit of revenue from exchange transactions on the line-item service charges, computer assisted audit techniques were used to identify customers' accounts that were not billed for parts of	This was caused by management not implementing controls to ensure that billing reconciliation is	Management to perform monthly reconciliations for billing to identify accounts which are not billed.	CFO and Manager budget and revenue	Monthly with effect from 2024 /01/31	Monthly billing reports and reconciliations

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
			the year under audit, and the results were shared with the Municipal officials. Upon engagement with the Municipal officials the following exceptions still remain unresolved meaning that no billing was made to the customers accounts	performed between the active customer accounts and the consumption reports.				
43	Technical Services and contract management	CoAF 48 - Commitments: Differences between the register and auditors calculation (overstatement)	Note 1: Difference identified on Phase 3 contract amount – (Prior year commitment register and current year register) Note 2: Payment made to consultant in the current year not accounted by management.	This is due to management not ensuring that the register submitted for audit is accurate and correct in terms of the financial reporting framework	Management should review the AFS and the audit file prior submission to AGSA	CFO, Director Technical and SCM Manager	2024/08/15	Management review report/notes

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
44	Revenue/Community Services	CoAF 53: Misstatement of Trade receivables (Understatement of trade receivables and revenue)	During the testing of Investment Property, this lessee was selected from the investment property register where it was identified that there is investment property leased out to a lessee and no revenue is being recognised. We noted that this lease was entered into with the ex-municipal manager of TLM and the municipality is not billing him and/or taking legal recourse to evict him. There has been no investment revenue recognised from the lease agreement between the municipality and the lessee	The municipality stopped recording the rental income and trade receivable as a result of an operational lease with Tikwe Farming (Pty) Ltd that expired in August 2016, which was the primary source of the misstatement.	Management should on a monthly basis maintain a register of all rentals charged.	CFO and Manager LED	Monthly with effect from 2024/01/31	Rental register
					Management should ensure that lease contracts are concluded for all leases [which should indicate the lease term, escalation period and what happens at the end of the lease term].	CFO, Manager HR and Legal, Manager LED	Monthly with effect from 2024/01/31	Signed lease agreements
45	Payroll	CoAF 57: Audit of employee related costs: Monitoring of employee details.	The following exceptions were identified from the CAATS analysis performed on employee database:	The employee information would be the common denominator.	Management to ensure that upon appointment employee details are captured in full as be	Payroll Accountant and Manager payroll	Monthly with effect	System printout of employee details which agree to official ID document.



No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
			8 Employees were noted who did not have an ID number	The personnel are EPWP Project workers that are hired on a contract basis; hence they are only employed by the municipality for a limited time. As a result, when employees are re-appointed, a new employee number is assigned to them, resulting in duplicate names, surnames, ID numbers, and account numbers on	the identify document on the system		from 2024 /01/31	
			9 Employees were noted where the ID number contained non-numeric data or was not 13 digits long.		Management to ensure that the system does not accept non- numeric data for the ID number field	Payroll Accountant and Manager payroll	Monthly with effect from 2024 /01/31	System confirmation of restrictions
			6 Employees were found to be sharing bank accounts.		Management to perform a data cleansing exercise to identity possible irregularities	Payroll Accountant and Manager payroll	Monthly with effect from 2024 /01/31	Employee data cleaning report

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				the system. When a new employee information is added into the system, the existing employee information remains on the system.				
46	Procurement and contract management	CoAF 42 – SCM internal control deficiency (tax status of suppliers not verified before the award)	During the audit SCM it was identified the SARS tax confirmation for the following transactions was performed after the date of the award, the standing of the suppliers was tax compliant when verified after the award:	Management did not review and monitor compliance with applicable laws and regulations	Management should implement controls to confirm suppliers tax compliance status before the awards are made	Manager SCM	Monthly with effect from 2024/01/31	Tax verification confirmation on or before appointment letter is issued
47	Procurement and contract management	CoAF 56 – Internal control deficiency - SCM (Local content)	During the audit of Local content it was identified that the DTI was not notified of the successful bidder and the value of the contract for the following procurement	Management did not review and monitor compliance with applicable laws and regulations	Management should ensure that procurement that contains local content is send to DTI for publishing	Manager SCM	Monthly with effect from 2024/01/31	Communication with the relevant DTI official

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48	Procurement and contract management	CoAF 29: SCM (Contract management) - Internal control deficiency	During the audit of SCM it was identified that the performance evaluation reports submitted for the following contracts do not contain measures which link directly to contract performance and delivery. For example one of the performance measures is attitude and communication skills of company staff. Management could have developed measures which focus on the quality of the material used in projects or progress of the project when compared to expenditure incurred or planned progress.	Management did not in all instances exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management will develop effective measures to monitor contract performance and delivery. Measures to include the quality of material used and progress compared to planned progress at time of reporting.	Director Technical Services and PMU Manager	Monthly with effect from 2024/01/31	Reviewed performance monitoring reports
49	Technical Services	CoAF 61: Bulk purchases: Reconciliations not performed	During the audit of Bulk Purchases: Internal control deficiency, it was identified that Management do not have control in place to reconcile the	This was caused by management not ensuring that controls are in place to reconcile the	Management to perform a manual reconciliations for ESKOM and SANDVET	CFO and Manager budget and revenue	01-Aug-24	Bulk reconciliation for Eskom and SANDVET

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
			metres billed by SANDVET and ESKOM to their own metres read for the usage of electricity and water.	billing to their own readings.				

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50	Technical Services	CoAF 63 - Non-compliance with conditions of the landfill site license	<p>Requirement - 2.2 The Licence Holder must ensure that all entrance gates are manned during the hours of operation and locked outside the hours of operation.</p> <p>Observation: The landfill site is not fenced therefore no gates are installed to keep the entrances locked outside the hours of operations.</p> <p>Requirements 3.1.1 - The activities must be managed and operated: (a) in accordance with an environmental management system that inter alia identifies and minimises risks of pollution, including those arising from operations, maintenance, accidents, incidents and non-conformances and those attention of the drawn to the Licence Holder as a</p>	Poor monitoring of landfill site to identify the non-compliance with the terms of the license coupled with lack of commitment to prioritise the fencing and proper operation of the waste site.	Management should include in their short-term priority plans the fencing of the waste site and do the right thing of cleaning the polluted communities close to the landfill site.	Environmental Manager	Monthly with effect from 2024 /01/31	Pictures of cleaning of illegal dumping sites

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
			<p>result of complaints;            Observation: The waste was blown away by wind to a nearby storm water drainage pathway and has blocked the flow of water possible polluting the river stream the storm water is channelled to.            Requirement 3.2.1 - A Waste Management Control Officer (WMCO) must be appointed, who will monitor and ensure compliance and correct implementation of all provisions mitigation measures and as stipulated in this Licence prior to any construction undertaken on Site. activities being            The WMCO must:            6.1.1 The Licence Holder must ensure that litter and mud arising from the</p>					

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			<p>activities is removed from affected areas outside the Site as soon as practicable and wind-blown waste or litter must be picked up and removed from fences at all times to prevent pollution nuisance.</p> <p>Observation: The waste was blown away outside the designated waste area by wind to a nearby storm water drainage pathway and has blocked the flow of water possible polluting the river streams which the storm water is channelled to.</p> <p>Requirement 6.1.6 - Waste deposited on Site must not be allowed to burn, and suitable measures must be implemented to prevent fires on the Site or extinguish fires which may occur.</p>					

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			Observation: On site inspection day, the waste was left to burn and the was no one present at the site to control the burning waste.					



No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
51	Revenue	CoAF 64 - Debt Impairment – Difference between the write-off schedule and the AFS	Through inspection and comparison of the write-off schedule and Annual Financial Statements the difference was noted	This is due to management not implementing proper controls over debt impairment	Management should also revise the annual financial statement to ensure there is no overstatement of debt impairment.	CFO and Manager budget and revenue	Monthly with effect from 2024 /01/31	
52	AFS preparation / Revenue	Rehabilitation Area term inconsistently used in note 20	During the audit of the landfill site provision note 20 of the financial statements, it was noted that the term rehabilitation area is inconsistently applied in the note as the in the prior year expert report the terms was used when measuring the total boundary of the waste site and however in the current year audit, the term is used when measuring the waste contaminated area, which result in the significant fluctuation in the rehabilitation area	Inadequate review of the information provided by the experts before inclusion of the information in the annual financial statements.	Management should adjust the information contained in the note to consistently apply the term (i.e. the rehabilitation area should be either the contaminated waste area or the site total boundary).	Environmental Manager	Monthly with effect from 2024 /01/31	
					Management should allow adequate time to review financial statements in order to pick incorrect application of GRAP requirements.	Environmental Manager	Monthly with effect from 2024 /01/31	

No	FUNCTION AL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPON SIBLE DEPART MENT	DUE DAT E	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
			data contained in the note					
53	Revenue	CoAF 68: Property rates (Accuracy)	During the audit of property rates, we difference were identified.	The above was also caused by management not implementing controls to ensure that the amount on the billing report and the financial statements agrees.	Management should investigate the difference and appropriate adjustments made to the financial statements to correct the misstatement	CFO and Manager budget and revenue	Mont hly with effec t from 2024 /01/3 1	

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
54	Revenue	CoAF 74 - Debt impairment – understatement of actual bad debts written	The following debtor was accounted for as allowance for impairment however it was evident through discussion with management and inspection of the age analysis report that the prospect of recovering this outstanding balance is slim, therefore the account should have been written-off and not provided for impairment	Lack of adequate and regular review of the age analysis to ensure that long outstanding debtors are flagged for actual write-off.	Management should ensure that the provision for debt impairment is made for all debtors(households) with long outstanding debts  (Categories of different debtors to clearly be defined and explains provided on the calculation which certain debtors are excluded from the calculation)	CFO and Manager budget and revenue	31-Aug-24	Annual Financial statements and Debt impairment calculation
55	Property, Plant & Equipment	CoAF 81 – FAR Incomplete	Upon investigation of the financial asset register for the year under assessment, it was noted that the register provide was incomplete.	Lack of an effective internal controls to ensure that the information provided by management is sufficient and complete.	Management should review the asset register to ensure that it is complete	CFO and Manager Assest and payroll	31-Aug-24	Fixed Assets Register and Reconciliation

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
56	AFS preparation / Revenue	CoaF 88- Related parties: Completeness of disclosure	Upon inspection of note 46 related parties, it was identified that the balance of the receivables for service charges owed by the councillors was not disclosed on the related party disclosure on the Annual Financial	This may be due to management not being able to follow adequate recording requirements for related party disclosure.	Management should perform a reconciliation of all accounts of related parties and disclose them in the AFS	CFO and Manager budget and revenue	Monthly with effect from 2024 /08/31	Reviewed related party working paper
57	Consequence management / Governance	CoAF 77 - Consequence management – Instances of UIF&W expenditure not properly investigated by MPAC	Note 53 (unauthorised expenditure): Obtained and inspected the investigation register (which only details the recommendation by MPAC) and confirmed that the following was provided. Relating to 2017/18: MPAC Recommendation to write off the expenditure Relating to 2018/19: MPAC Recommendation to write off the expenditure Relating to 2019/20: MPAC Recommendation to	This is due lack of proper documentation and deficiencies in MPAC to ensure that investigations are conducted as required by legislation to determine if any person is liable for the expenditure and to recover such expenditure	Management should implement control measures to ensure proper investigations and possible recovery processes of unauthorised, irregular, fruitless and wasteful expenditure in terms of legislation.  Management should implement consequence Management	CFO, MM, Chairpers on MPAC, Chairperson of DC Board	Monthly with effect from 2024 /02/29	Mpac meetings attendance register, minutes and reports and DC Board minutes attendance register and reports

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
			write off the expenditure Relating to 2020/21:MPAC Recommendation to write off the expenditure Relating to 2021/22:MPAC Recommendation to write off the expenditure From the registers above, the auditors could not confirm that Council's decision to certify unauthorised expenditure as irrecoverable is based on the result of an investigation	from officials.				
			Note 54 (Fruitless and wasteful expenditure) Obtained and inspected the investigation register (which only details the recommendation by MPAC) From the registers above, the auditors could not confirm that Council's decision to certify Fruitless expenditure as		Management should implement control measures to ensure proper investigations and possible recovery processes of unauthorised, irregular, fruitless and wasteful expenditure in terms of legislation.  Management should	CFO, MM, Chairpers on MPAC, Chairperson of DC Board	Monthly with effect from 2024/02/29	Mpac meetings attendance register, minutes and reports and DC Board minutes attendance register and reports

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
			irrecoverable is based on the result of an investigation Therefore, could not confirm that proper investigation was conducted determine if any person is liable for the expenditure.		implement consequence Management			
			Note 55 (irregular expenditure): Obtained and inspected the investigation register (which only details the recommendation by MPAC)   15 From the registers above, the auditors could not confirm that Council's decision to certify Fruitless expenditure as irrecoverable is based on the result of an investigation; Therefore, could not confirm that proper investigation was conducted determine if any person is		Management should implement control measures to ensure proper investigations and possible recovery processes of unauthorised, irregular, fruitless and wasteful expenditure in terms of legislation.  Management should implement consequence Management	CFO, MM, Chairpers on MPAC, Chairperson of DC Board	Monthly with effect from 2024/02/29	Mpac meetings attendance register, minutes and reports and DC Board minutes attendance register and reports

No	FUNCTIONAL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPONSIBLE DEPARTMENT	DUE DATE	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
			liable for the expenditure.					
58	Community services and Revenue	CoAF 51: Investment Property (Overstatement) – Could not confirm ownership of the property	During the audit of investment property we could not confirm ownership of the following property included in municipality's register for investment properties	The is due inadequate management controls to review and ensure that the investment property register submitted for audit is accurate and correct in terms of the financial reporting framework and that all supporting documentatio	Management should obtain evidence that the property belong to the municipality and register it with the deeds office with the supplement valuation	Manager Community services Manager Assets and payroll and Manager Budget and Revenue	30 June 2024	Supplementary valuation roll and Title deeds

No	FUNCTION AL AREA	DESCRIPTION / AUDIT FINDING	NATURE	Root Cause	REMEDIAL ACTION TO ADDRESS THE AUDIT FINDING	RESPON SIBLE DEPART MENT	DUE DAT E	EVIDENCE (SUPPORTING DOCUMENT) REQUIRED TO CLEAR THE AUDIT EXCEPTION
				n is correct and agree to the register				



## 23 GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan [IDP]</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are “what we wish to achieve”.
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as “what we produce or deliver”. An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service

	rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

## 24 APPENDICES

### APPENDIX A – COMMITTEES AND COMMITTEE PURPOSES

#### COMMITTEES AND THEIR PURPOSE

MUNICIPAL COMMITTEES	PURPOSE OF COMMITTEE
<b>Finance Committee</b>	Deals with municipal financial management.
<b>Audit Committee</b>	It is independent advisory body to council, municipal manager and management staff on financial controls, risk management, accounting policies, performance management.
<b>Housing &amp; erven</b>	Deals with housing & erven matters within the municipality.
<b>Local Labour Forum [LLF]</b>	Platform were organised labour and the employer negotiates and bargains on issues affecting labour at local level.
<b>Education</b>	Deals with local educational matters.
<b>Sports</b>	Deals with issues affecting all sporting codes.
<b>Agriculture &amp; Rural Development</b>	Deals with all matters pertaining to agriculture and rural development.
<b>Economic Development</b>	Deals with local economic development issues.
<b>Social Development</b>	Deals with social & welfare issues affecting the community.

### APPENDIX B – FUNCTIONS OF MUNICIPALITY

MUNICIPAL FUNCTIONS	FUNCTION APPLICABLE TO MUNICIPALITY (YES / NO)
<b>CONSTITUTION SCHEDULE 4, PART B FUNCTIONS</b>	
Air pollution	Yes
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	Yes
Firefighting services	No
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	No
Storm water management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes

Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	No
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	No
Facilities for the accommodation, care and burial of animals	No
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes