



Tokologo
LOCAL MUNICIPALITY

**DRAFT ANNUAL
REPORT 2024/25**

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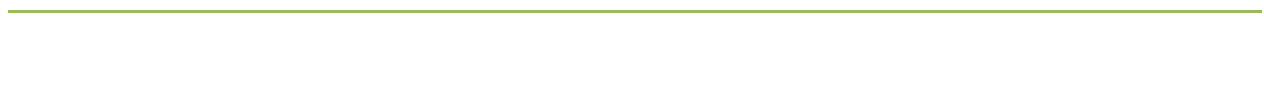
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REVISED ANNUAL REPORT TEMPLATE

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

This template gives effect to the legal framework requirement, concepts and principals espoused in the White Paper on Local Government and Improving Government Performance. It reflects the ethos of public accountability. The content gives effect to information required for better monitoring and evaluation of government programmes in support of policy decision making. The template provides an improved overview of municipal affairs by combining the performance report data required under Municipal Systems Act 32 of 2000, Section 46 with annual report data referred to in that Act and in the Municipal Financial Management Act 56 of 2003.

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

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

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

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

- Year -1: The previous financial year (2023/2024).
- Year 0: The financial year of reporting (2024/2025).
- Year 1: The following year, mostly requires future targets (2025/26); and
- The other financial years will follow a similar sequence as explained above.

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CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

MAYOR’S FOREWORD

On behalf of the Tokologo Local Municipality, it is my privilege to present the 2024/2025 Annual Report. This report reviews the municipality’s performance and achievements for the past financial year.

This report builds on the municipality’s reporting in previous years and aligns as far as possible with the recommendations of the 2016 King Report on Corporate Governance for South Africa (or King IV) as well as internationally accepted standards for integrated reporting.

According to Section 46 of the Municipal Systems Act 32 of 2003, all municipalities are required to prepare an annual report for each financial year. This includes a performance report, which details the municipality’s and any service provider’s performance during the year in question. Which provides an opportunity for performance comparatives to be drawn against the objectives and targets in relation to the previous financial year. The 2024/2025 Annual Report, which in many ways reflects our service delivery and developmental achievements and challenges, is presented in recognition of our legislative obligation to be an accountable and transparent organisation.

The report also describes how these goals were implemented and accomplished in accordance with several pieces of legislation, including sections 121 and 127(2) of the Local Government: Municipal Finance Management Act 56 of 2003 and section 46 of the Local Government: Municipal Systems Act 32 of 2000. The Municipality has progressed significantly in achieving objectives within each of the five major performance categories that apply to local government, which is outlined in this Annual Report:

1. Basic Service Delivery and infrastructure Development
2. Municipal Transformation and Development
3. Local Economic Development
4. Municipal Financial Viability and Management
5. Good Governance and Public Participation

Most importantly the report will outline the performance successes and challenges we have experienced in the delivery of services to all our people as guided by the 2024/2025 Integrated Development Plan (IDP) and the Service Delivery and Budget Implementation Plans (SDBIP) for the year under review.

The new approach of local government is to facilitate and ensure the provision of infrastructure, services and support, thereby creating an enabling environment for all citizens to utilize their full potential and access opportunities. This will enable citizens to contribute towards a vibrant and sustainable economy with full employment and thus create a better quality of life for all.

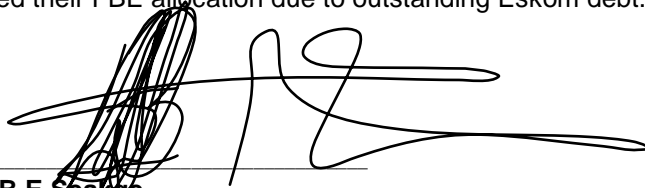
We need to improve the delivery of core municipal services through the application of efficient and effective service delivery mechanisms, and the application of sound financial management principles. It is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities. In achieving this, greater collaboration is required with National and Provincial government to ensure that adequate resources are allocated to enable the municipality to genuinely meet its constitutional mandate.

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It is worth noting that currently, more than 90% of the community have access to the four basic services of water, electricity, sanitation, waste water and solid waste management. The municipality is currently in a process of servicing the new developments in the towns with water, sanitation and electricity services. We therefore call against the informal settlements and illegal connections of municipal services.

This Municipality has adopted a zero-tolerance stance to all forms of corruption, fraud and maladministration and has established numerous measures to prevent fraud and corruption. These include the Municipal Public Accounts committee and Audit Committee.

During the 2024/2025 financial year, the municipality provided essential services to its proclaimed areas, supporting 1,708 households with free basic water, sanitation, and refuse removal. Additionally, one household received a property rates rebate. Free Basic Electricity (FBE) was allocated to 1,221 registered indigent households at a rate of 50kWh per month. A further 487 households supplied by Eskom have not received their FBE allocation due to outstanding Eskom debt.



Hon Cllr. B.E. Seake
Mayor

T1.0.1

Chapter 1

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW

Management worked hard to entrench the principles of good governance and dedication within our organization. The Tokologo Local Municipality is reporting on the financial and key performance indicators knowing that the standard of the previous qualified audit with less findings will create huge expectations on the governance structures of the municipality. We are proud to say that we have achieved exceptional performance under difficult circumstances. Annual reports must be aligned with the planning documents and municipal budget for the year reported on. This means that the IDP, budget, service delivery and budget implementation plan (SDBIP), in-year reports and annual report should have similar and consistent structures to facilitate understanding and to enable the linkage between plans and actual performance.

As an administration that is expected to perform its duties in an increasingly volatile environment, the municipality had to take tough decisions that still have an impact on the lives of the people we serve. I am, however, thankful for the employees and management for their commitment, passion, and hard work during the year under review. We still managed to deliver on a number of service delivery improvements.

There are several interventions that the municipality is continuing to employ to address challenges such as overspending, use of consultants, poor revenue collection, high employee cost as well as maintenance of municipal fleet in general. The Municipality has also requested the Provincial Intervention (Treasury) to assist with Unauthorized, Irregular, Fruitless and Wasteful Expenditure (UIFWE). The intervention of experts is to reduce the Irregular expenditure and many other in relation to UIF. We table this report in the spirit of Batho Pele, putting our people and communities first, and this report bears testimony to our commitment for setting platforms to achieving more desired outcomes for the years ahead.

All council structures are functioning and meeting regularly, the municipality is actively participating in all DDM structures, CoGTA one on one meetings which have yielded positive results. Extensive management of the creditors' payment is still an ongoing matter. The Municipality still has a lot of work to do in order to ensure that creditors are paid within 30 days. All these interventions strengthen the municipality's ability to achieve its vision of creating a safe, vibrant, sustainable. The report highlights our key accomplishments for the 2024/2025 financial year, whilst acknowledging that challenges also exist.

Lastly I would like to express my appreciation for the support received from 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. Collectively we remain committed to efficient service delivery and the attainment of a liveable, sustainable and tough municipality.



Mr A.M Senloho
Municipal Manager

T 1.1.1

Chapter 1

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

The Tokologo Local Municipality (FS182) is situated in the western part of the Free State in the area of jurisdiction of Lejweleputswa District Municipality and is one of the five local municipalities in the District Municipality. The municipality covers an area of 9,326 km², which accounts for 28,9 % of the total area of Lejweleputswa District Municipality. The main rural towns in the municipal areas are Boshof, Dealsville and Hertzogville. About 95% of the municipal area is predominantly rural with a 1,480 farms. The municipality is divided into seven (7) administration wards and has a total of thirteen (13) councillors (both ward and PR councillors).

As the municipality is predominantly rural, villages have been divided under the three (3) former Transitional Local Councils as well as a portion of a former Transitional Rural Council (Modderval). The agricultural sector, both commercial and subsistence, is the major employer and contributor to the municipal economy.

The municipal population stands at 29,455 (the smallest in the district), with a total of 10,248 households. When compared to the 2011 population statistics, the population size has increased slightly from 28,986 with a total of 469 in 2022.

Living conditions:

At least 31,1% of the population is not economically active, and among those who are, 27.5% are unemployed. Although about 83.8% of the dwelling units / structures are built from bricks / concrete blocks, and the average household size is only about 3.3 people per household, the municipality is faced with challenges such as absence of mail delivery services.

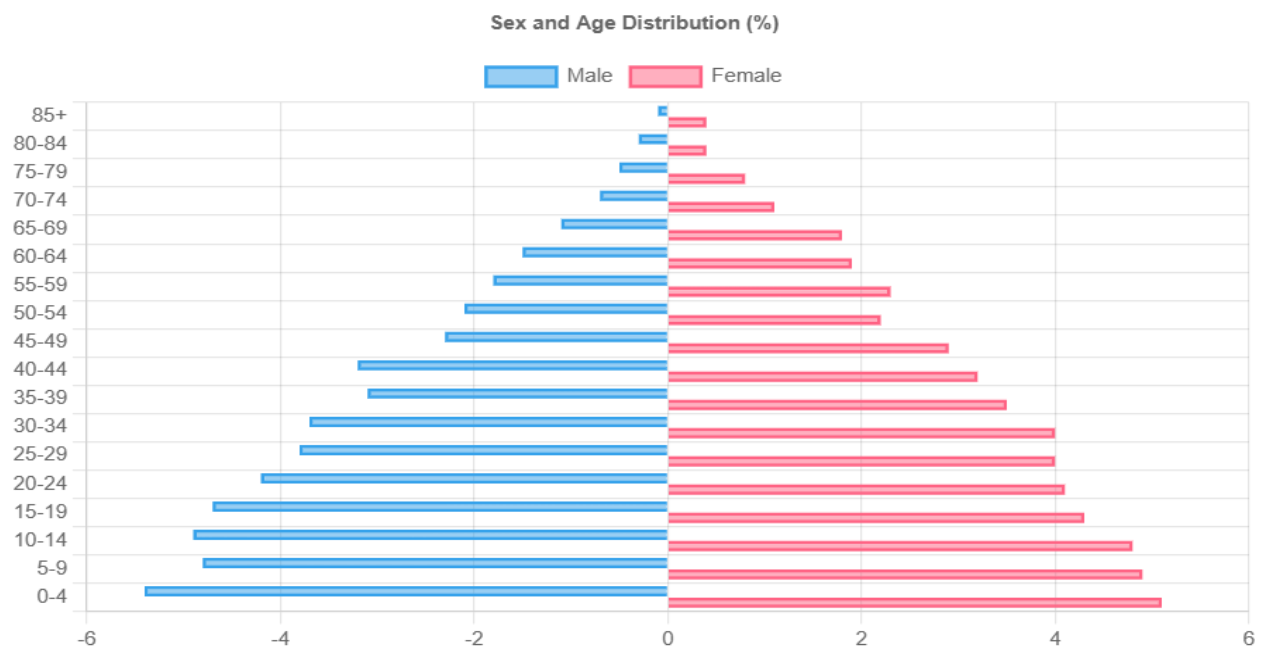
It should be noted that, even though the unemployment rate in 2022 stood at 27.5%, there has been a significant improvement when compared to 2011, when the municipal unemployment rate stood at 30%. As far as other major services are concerned, the municipality household access to electricity is 95.3%, compared to 84.2% in 2011. All of those with access to electricity use it for lighting, 40,3% use it for heating and about 73% for cooking.

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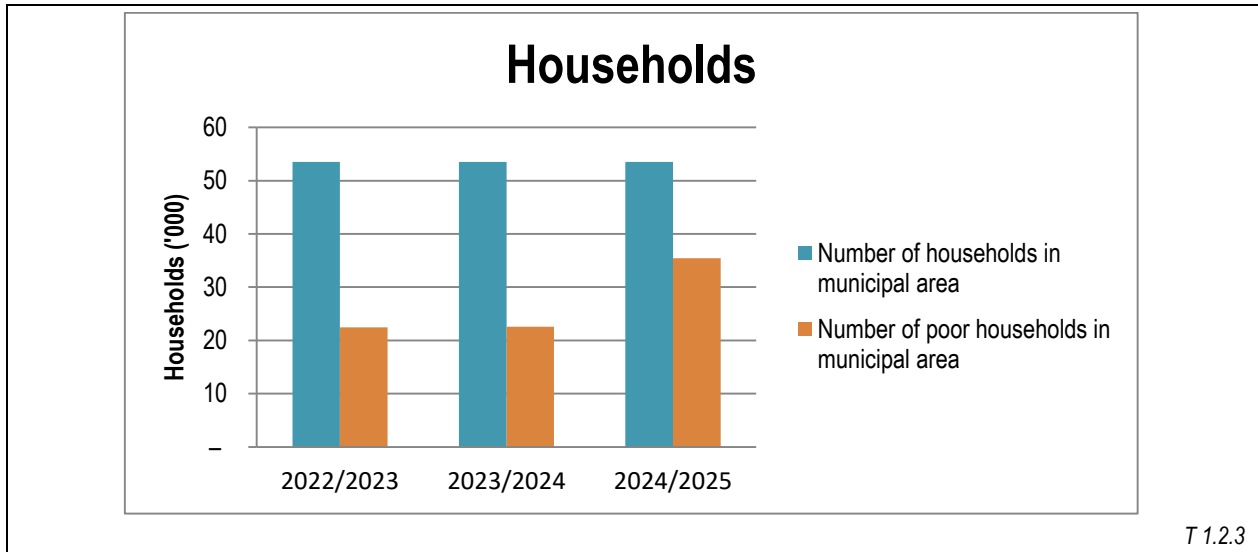
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Population Details									
Age	Population '000								
	Census 1996			Census 2011			Census 2022		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4	1,363	1,417	2,780	1,659	1,555	3,214	1,595	1,504	3,099
Age: 5 - 9	1,582	1,608	3,190	1,573	1,410	2,983	1,421	1,443	2,864
Age: 10 - 14	1,456	1,508	2,964	1,423	1,423	2,846	1,441	1,425	3,866
Age: 15 - 19	1,568	1,534	3,102	1,311	1,485	2,796	1,386	1,265	2,651
Age: 20 - 24	1,252	1,308	2,560	1,354	1,275	2,629	1,245	1,214	2,459
Age: 25 - 29	1,111	1,037	3,259	1,181	1,101	2,282	1,113	1,186	2,299
Age: 30 - 34	932	902	1,834	1,134	1,019	2,153	1,100	1,188	2,288
Age: 35 - 39	794	764	1,558	1,023	1,015	2,038	902	1,027	1,929
Age: 40 - 44	637	700	1,337	842	785	1,627	940	951	1,891
Age: 45 - 49	550	557	1,107	716	746	1,462	685	858	1,543
Age: 50 - 54	465	461	926	630	658	1,288	626	643	1,269
Age: 55 - 59	359	398	757	515	613	1,128	534	675	1,209
Age: 60 - 64	302	379	681	360	473	833	448	554	1,002
Age: 65 - 69	256	274	530	306	329	635	319	537	856
Age: 70 - 74	144	225	369	153	218	371	202	330	532
Age: 75 - 79	125	160	285	128	216	344	134	224	358
Age: 80 - 84	63	97	160	63	124	187	75	108	183
Age: 85+	45	83	128	40	130	170	34	123	157
TOTAL			26,767			28,986			29,455

Source: Statistics SA September 2022 T 1.2.2

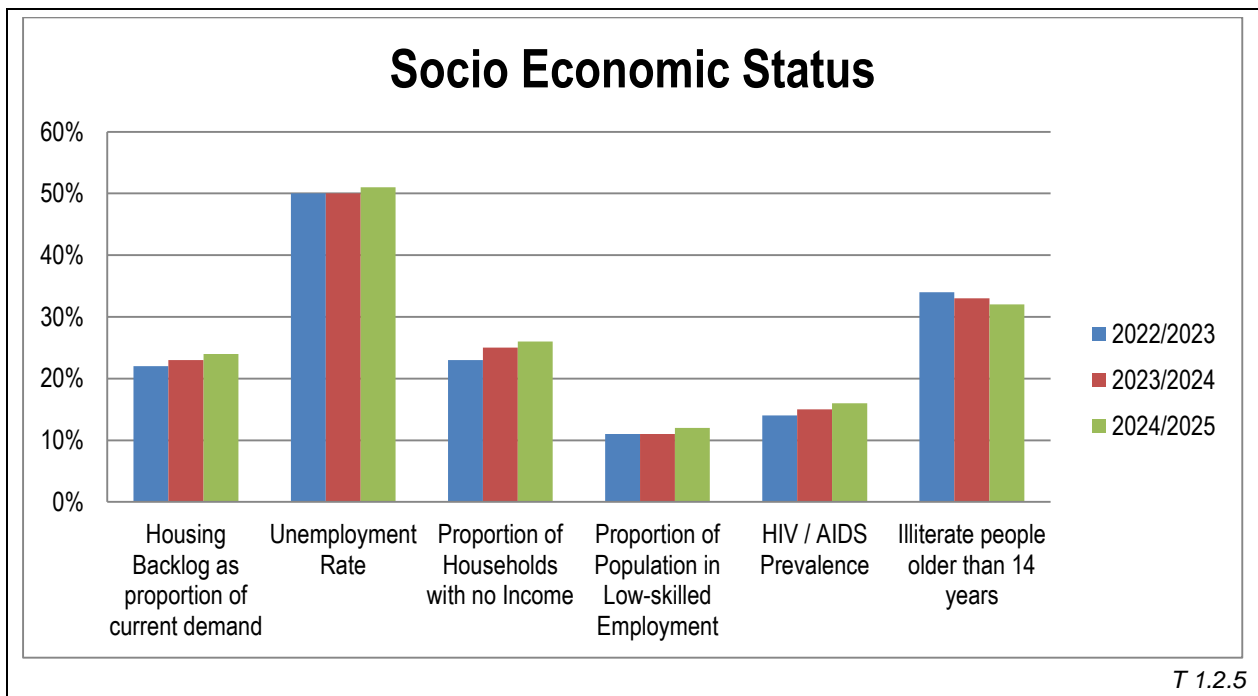


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Socio Economic Status						
Year	Housing Backlog (Informal Units %)	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV / AIDS Prevalence	Illiterate People Older than 19 Years
2022/2023	22%	50%	23%	11%	14%	34%
2023/2024	23%	50%	25%	11%	15%	33%
2024/2025	24%	51%	26%	12%	16%	32%

T 1.2.4



Chapter 1

BACKGROUND DATA

The latest Census Statistics shows that the total population of the Tokologo Local Municipality stands at about total 29,455 people, which is the lowest in the entire district. The municipality is rural in nature and was established in 2000 during the introduction of the new local government dispensation with dire socio-economic conditions that need to be addressed. The challenge derived from the data that was gathered through the Spatial Development Framework that was compiled in May 2005 which indicated that the municipality has 10,248 housing units. This figure is a variance of almost 100% to that of STATSSA who indicated that there are only 8,698 households according to the Statistics SA Data of September 2022.

Key Challenges and Opportunities arising from the demographic data:

The large difference between these two (2) figures always complicates the baseline and backlog data of the municipality. The challenge is to rely on the STATSSA demographic data to determine the baseline data which should be used for future planning and budgeting purposes. If one should consider the Housing Survey or Spatial Development Framework Data to be accurate it means that the backlog with regard to basic service delivery is greater than it appears. The lower STATSSA figures also impact negatively on the Equitable Share that is allocated to the municipality.

T 1.2.8

1.3. SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

The South African Constitution state that municipalities have the responsibility to ensure that all citizen residing within municipal area of jurisdiction are provided with service to satisfy their basic needs. These services have a direct and immediate effect on the quality of the lives of the people in that community.

Many municipalities, however, are unable to deliver services to residents. This might be because of lack of finances or lack of capacity to provide a good service at an affordable price.

The Tokologo Local Municipality is a Water Service Authority and is responsible for water and sanitation provision at Boshof, Hertzogville, and Dealesville town and their surrounding townships.

Electricity supply is shared amongst the Municipality and Eskom as the Service Providers. Eskom is providing electricity services at Malebogo and Tshwaraganang, and the Municipality is responsible for the remaining areas and is a licensed service provide.

Roads also need to be addressed based on the Conditional Assessment input that was gathered through Rural Roads Asset Management System (RRAMS). Roads within the Residential areas are a mix of block paving, gravel and earth roads; Of which are all maintained and upgraded by the Municipality.

Refuse removal is rendered by the Tokologo Local Municipality in the three towns, Boshof, (Seretse), Dealeville (Tshwaraganang) and Hertzogville (Malebogo). Refuse is collected on a weekly basis and managed at the Landfill sites licensed under the Municipality.

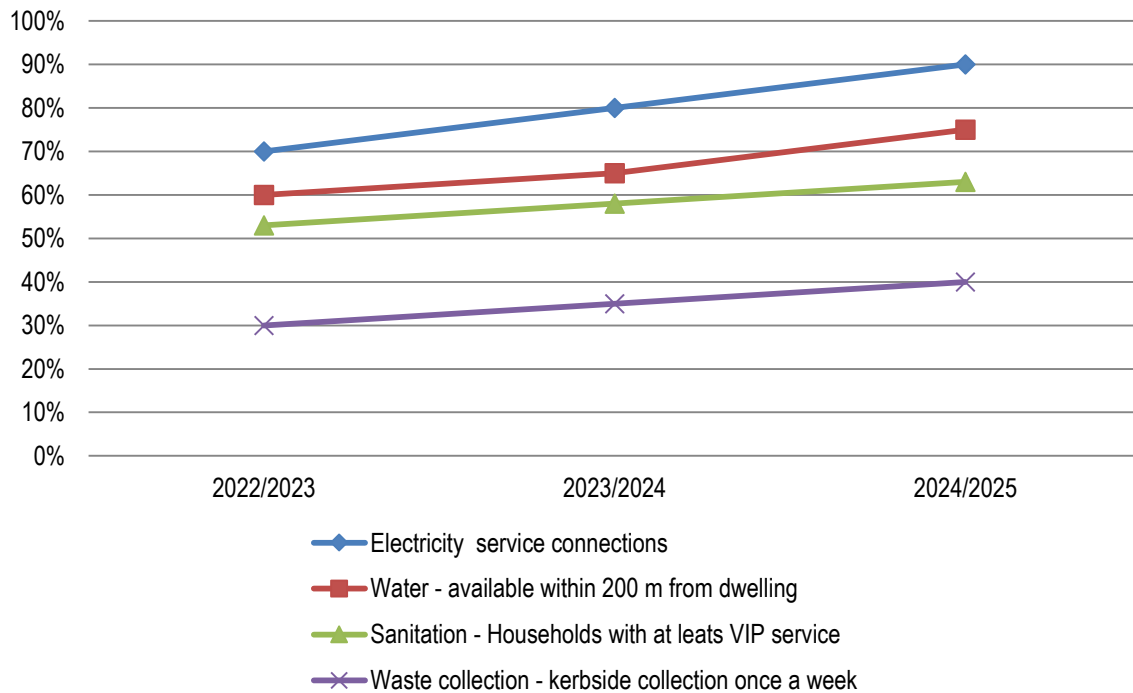
The municipality still need to address basic services backlogs in all sectors. Good progress was made regarding electricity and water provision, but sanitation provision still needs to be addressed in Dealesville and Hertzogville which are using Ventilated Pit Latrine toilets which pose a negative environmental impact.

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Service delivery to indigent residents is rendered through a subsidy scheme that is funded from the Equitable Shares. District Integrated Plans were developed at Provincial level to ensure improvement of services in all sectors.

T 1.3.1

Proportion of households with access to basic services



T 1.3.2

ACCESS TO BASIC SERVICES

Access to Electricity:

The Basic Services Policy adopted by government in 2001 addresses the right of all households, particularly those living in poor areas, to access a minimum amount of free basic electricity. This implies that distribution networks must be extended to ensure that all households are able to access the electricity grid.

During the 2024/2025 financial year, the municipality provided essential services to its proclaimed areas, supporting 1,708 households with free basic water, sanitation, and refuse removal. Additionally, one household received a property rates rebate. Free Basic Electricity (FBE) was allocated to 1,221 registered indigent households at a rate of 50kWh per month. While the municipality successfully services 1,221 consumers, a further 487 households supplied by Eskom have not received their FBE allocation due to outstanding Eskom debt.

According to the information gathered from different sources there is a decline in the accessibility to basic services. This decline is a mathematical reflection of Stats SA data set also relevant to the explanation

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that was given with regard to the change in the data set as well as what is considered to be acceptable access. The sharp drop in sanitation and waste services is because of the interpretation of the data sets. Many households still have pit-latrines without ventilation improvement pipes (VIP) that is now considered not be an acceptable standard of sanitation access.

Access to Refuse Removal:

Solid Waste management in the Tokologo Local Municipality is categorized according to the following categories: households, illegal dumps, businesses refuse collection, CBD cleansing, and landfill sites operations and management. As the municipality is 95% rural, only 45.1% of the municipal households have their refuse disposal removed by the municipality, whereas over 54.9% use their own refuse dump.

Access to Water:

The Tokologo Local Municipality is a Water Service Authority and is responsible for water and sanitation provision at Boshof, Hertzogville, and Dealesville town and their surrounding townships. The purpose of the Act is to ensure that South Africa's water resources are protected, used, developed, conserved, managed, and controlled in ways which consider factors such as:

- meeting the basic human needs of present and future generations;
- promoting equitable access to water;
- promoting the efficient, sustainable, and beneficial use of water in the public interest; and
- providing for growing demand for water use.

Access to Sanitation:

The Basic Service Policy of 2001 also guarantees access to a minimum level of sanitation, which is defined as households having access to, at minimum, a ventilated pit latrine also known as a VIP toilet. This standard of service delivery has seemed necessary to ensure human dignity and prevent the spread of disease.

There has been a dramatic improvement in the number of households with a flush toilet during the past decade, from 26% in 2011 of households to 61.2% in 2022. Only 61.2% of the households within the municipality have access to a flush toilet, of which 9% is a flush toilet connected to a sewage system and 6.7% is a flush toilet with a septic tank. A total of 54,2% of households use pit toilets, with 79,1% using a pit toilet with ventilation and 20,9% using a pit toilet without ventilation. This result is still evident 10 years later.

T 1.3.3

1.4. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The ability of the Municipality to continue as a going concern is dependent on a number of factors.

Even though the municipality has a bit of cash coverage by having reserves, investments. On the financial health indicators, it shows that the municipality is in financial distress as we rely heavily on National and

Chapter 1

Provincial government transfers and without those grants the municipality will have inadequate cash available to meet its operating expenditure requirements.

T 1.4.1

Financial Viability highlights

Highlights	Description
Timeous Payment of Service Providers	Suppliers were paid well within 30 days after receipt of valid tax invoice
Production of Valuation Roll	Updated in 2020/21 with an extension from the MEC to be updated in 2027
Timeous submission of Annual Financial Statement and the improvement of audit opinion	The compliance of the submission of Annual Financial Statements together with the draft Annual Report testifies the municipality 's vision to achieve clean audit status
Improved Cash and Cash equivalents management	The overall management of available cash and cash equivalents has improved

National Key Performance Indicators – Municipal Financial Viability and Management (Ratios)

The table below indicates the municipality's performance in terms of the National Key Performance Indicators as required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the Municipal Systems Act 32 of 2000. These KPI is linked to National Key Performance Area: Municipal Financial Viability and Management.

National Key Performance Indicator	2023/2024	2024/2025
Debt Coverage ((Total operating revenue- operating grant received) debt service payment due within the year	N/A	N/A
Service Debtors to Revenue – (Total outstanding service debtors: revenue received for services)	162.41%	162.41%
Cost Coverage ((Available cash + Investment) : Monthly fixed operating expenditure	-0.13	0.03

Financial Overview: 2024/2025

R' 000

Details	Original budget	Adjustment Budget	Actual
Income:	167,363,000	167,363,000	241,760,078
Grants	15,074,436	15,074,436	24,272,298
Taxes, Levies and tariffs	26,724,899	26,724,899	108,705,650
Other	209,162,335	209,162,335	374,738,026
Sub Total	(145,837,365)	(145,837,385)	(316,588,136)
Less: Expenditure	63,324,970	63,324,950	(58,149,890)
Net Total*	167,363,000	167,363,000	241,760,078

T 1.4.2

Operating Ratios 2024/25

Detail	%
Employee Cost	15%
Repairs & Maintenance	4%
Finance Charges and Impairment	24%

T 1.4.3

Chapter 1

OPERATING RATIOS

The employee cost and repair and maintenance were within the expected norm. Whereas Finance charges and Impairment was above the norm due interest paid targets not being met and the actuals for depreciation being double compared to budgeted amount.

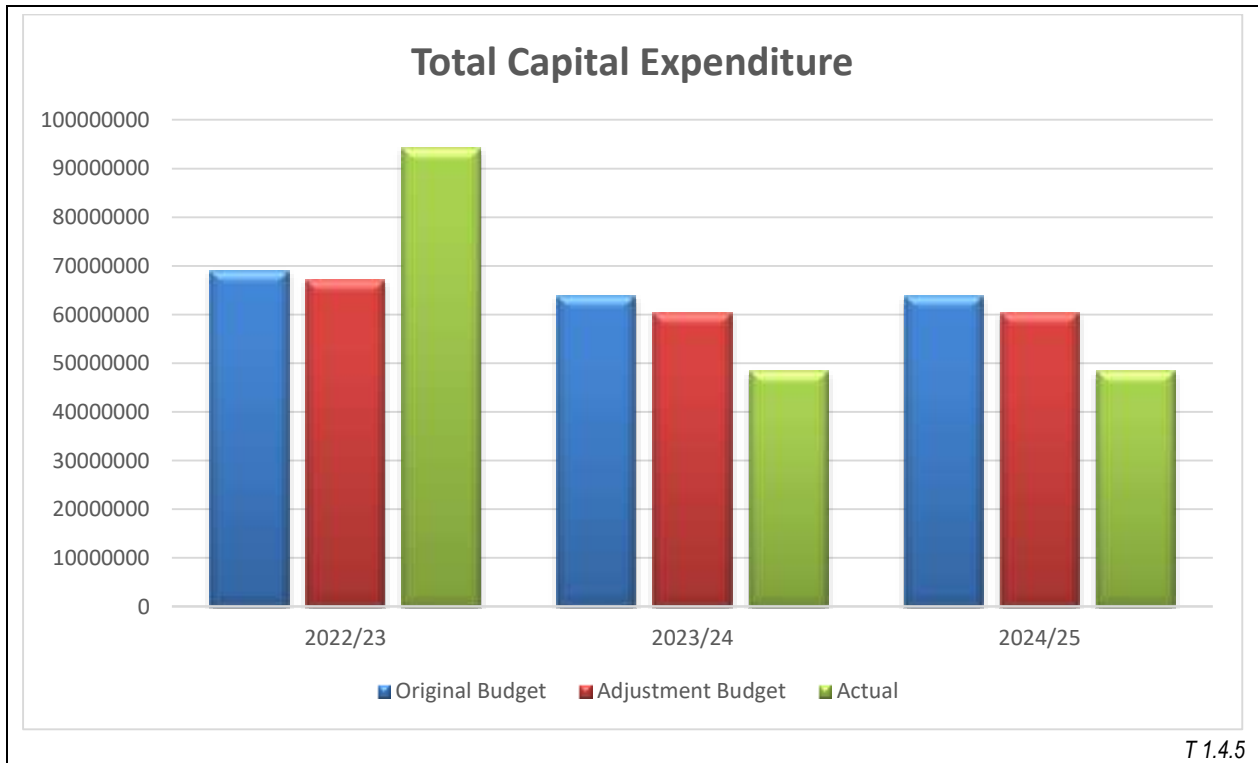
Employee Cost – measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employees cost by the difference between total revenue and capital revenue. The ratio of personnel expenditure to operating expenditure is widely used as an indicator of the sustainability of municipal budget and expenditures. According to MFMA budget circular No. 59 there is no prescribed or recommended benchmark for the ratio personnel expenditure to operating expenditure.

Repairs and Maintenance – this represent the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance. National Treasury has recommended that repairs and maintenance expenditure budget should be 8 % of the total value of assets.

T 1.4.3

Total Capital Expenditure: 2022/2023 – 2024/2025			
	R'000		
Detail	2022/2023	2023/2024	2024/2025
Original Budget	120 871 400	92,606,000	84,896,000
Adjustment Budget	120 871 400	233,989,019	82,766,650
Actual	101,494,824	199,138,878	200,378,724

T 1.4.4



Chapter 1

CAPITAL EXPENDITURE

Capital expenditure over the three financial years reflects significant variations between the original budget, adjustment budget, and actual expenditure. The most notable increase occurred during the 2023/2024 financial year, where the adjustment budget increased substantially due to additional grant funding.

Adjustments were primarily made in respect of the Department of Water Affairs (DWA) allocations during the 2023/2024 and 2024/2025 financial years, resulting in higher adjusted budgets and corresponding increases in actual expenditure. These adjustments were largely driven by the implementation of water-related infrastructure projects funded through conditional grants.

T 1.4.5.1

1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

Every Municipality, in terms of the Constitution and the Municipal Systems Act 32 of 2000, has to have a staff establishment reflecting the organizational design of the Municipality. The Organizational Design needs to be in line with the IDP and an updated organizational development overview for the Tokologo Local Municipality was conducted in May 2024 to align the structure with the IDP and to provide a structure to enable the Municipality to deliver in its mandate and service delivery.

The reviewed Organizational Structure was noted by Council at its meeting held in May 2025, consisting of 3 Directorates and the Office of the Municipal Manager on the Macro Structure, and was submitted to provincial CoGTA to assess and make inputs before final approval.

T 1.5.1

1.6. AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT: 2024/2025

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

The Auditor-General's annual audit examines 3 areas:

- fair presentation and absence of significant misstatements in financial statements;
- reliable and credible performance information for predetermined objectives; and
- compliance with all laws and regulations governing financial matters.

There can be 5 different outcomes to an audit, once the Municipality has submitted their financial statements to the Auditor-General, which can be simply defined as follow:

- **A Clean Audit:** The financial statements are free from material misstatements and there are no material findings on reporting on predetermined objectives or non-compliance with legislation.

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- **Unqualified Audit with Findings:** The financial statements contain material misstatements. Unless we express a clean audit come, findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects.
- **Qualified Audit Opinion:** The financial statements contain material misstatements in specific amounts, or these insufficient evidence for us to conclude that specific amounts included in the financial statements are not materially misstated.
- **Adverse Audit Opinion:** The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.
- **Disclaimer of Audit Opinion:** The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts or represents a substantial portion of the information contained in the financial statements.

T 1.6.1

Chapter 1

1.7 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget / IDP implementation period	July 2024
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting)	
3	Finalise the 4 th quarter Report for previous financial year	
4	Submit draft 2024/2025 Annual Report to Internal Audit	
5	Audit / Performance committee considers draft Annual Report of municipality	August 2024
6	Mayor tables the unaudited draft Annual Report	
7	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
8	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
9	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – November 2024
10	Municipalities receive and start to address the Auditor General's comments	December 2024
11	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor-General's Report	January 2025
12	Audited Annual Report is made public, and representation is invited	
13	Oversight Committee assesses Annual Report	February – March 2025
14	Council adopts Oversight report	
15	Oversight report is made public	
16	Oversight report is submitted to relevant provincial councils	April 2025
17	Commencement of draft Budget / IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	

T 1.7.1

THE ANNUAL REPORT PROCESS

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

The annual report process flow provides a framework for the municipality to follow in completing various reports within each financial year cycle. It is recommended that municipal manager study this process flow and ensure that reports are submitted timeously. If the process flow is followed, the municipality should be able to provide an unaudited annual performance report in August of each year, which is consistent with the Municipal Financial Management Act 56 of 2003.

The annual report of a municipality and every municipal entity must be tabled in the municipal council on or before 31 January each year according to Section 127 of the Municipal Financial Management Act 56 of 2003. In order to enhance oversight functions of the council, this must be interpreted as an outer

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deadline; hence the municipality must submit the annual report as soon as possible after year end. The annual report must be aligned with the planning documents and municipal budget for the year reported on. This means that the IDP, budget, SDBIP, in-year reports, annual performance report and annual report should have similar and consistent information to facilitate understanding and to enable the linkage between plans and actual performance.

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

The annual report content will assist municipal councillors, municipalities, residents, oversight institutions and other users of annual reports with information and progress made on service delivery. It must align with the Integrated Development Plan (IDP), Budget, Service Delivery and Budget Implementation Plan (SDBIP), and in-year reports. The contents will also assist with the annual audits. Another key aspect of the reform in combining the relevant information into the new annual report format will assist the municipality to streamline operations and processes through combined committees, reduce costs, time, and effort.

There will be a limited need for the municipality to have different committees to deal with financial and non-financial related matters.

T 1.7.1.1

Chapter 2

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

Local government function in a highly sophisticated environment. To be successful in its endeavours to render quality, affordable and sustainable municipal services, it needs to be structured in the best possible way to facilitate effective governance as well as to ensure proper oversight and to measure performance.

To govern is to exercise political, economic, and administrative authority to manage the nation's affairs. Governance is the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights and obligations, and mediate their differences.

Good governance has eight (8) major characteristics. It is participatory; consensus oriented; accountable and transparent; responsive; effective and efficient; equitable; inclusive; and follows the rule of law. It assures that corruption is minimized, the views of minorities are considered and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

The political and administrative components of the council maintain a sound working relationship by ensuring respect of procedures and protocols. The Tokologo Local Municipality as legal entity relates to the other spheres of Government and Organized Local Government Bodies through the Intergovernmental Policy Framework. Communities as an Interest Group in Municipal Affairs participates through Public Participation Mechanisms and processes in the decision-making systems of council.

This includes interaction with the stakeholders in shaping the performance of the municipality in order to enhance a healthy relationship and minimizing conflict.

T 2.0.1

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Executive Committee of the Tokologo Local Municipality is the political governance structure that is established in terms of Section 45 of the Municipal Structures Act 117 of 1998. Cllr Hon B.E Seakge is the Mayor of the Tokologo Local Municipality and the public face of the municipality and should be used in big public meetings, municipal stakeholder forums and media. He is the chair of the Executive Committee comprising of two (2) Councillors accountable to him. The Executive Committee meets regularly to co-ordinate the work of municipality and makes recommendations to Council. The Mayor steers the development and implementation of Integrated Development Plan (IDP) which encapsulates service delivery and performance.

Cllr M.M Gaebee is the Speaker of the municipality. The Speaker also performs the duties of chairperson of the municipal council under the Municipal Structures Act 117 of 1998 and Systems Act 32 of 2000. She enforces the code of conduct and exercises delegated authority in terms of the Municipal Systems Act 32 of 2000.

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Cllr K. Magomo is the Chief Whip of the municipality. The role of the Chief Whip is to strengthen and maintain healthy relations between all the parties in Council. The Chief Whip is also responsible for ensuring that portfolio committees are functional and that councillors are allocated appropriately.

Political governance ensures regular communication with the community at large by means of Imbizo's, IDP and budget consultations. This ensures that the community participates in identifying needs and make inputs on the performance of the municipality. This process ensures healthy relations with the community and minimizes conflict.

Administrative governance ensures transparent administration, regular feedback to the community, compliance to the required rules, processes, and laws by which Council is operated, regulated, and controlled.

T 2.1.0

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

Council performs both legislative and executive functions. It focuses on legislative, oversight and participatory roles, and has delegated its executive function to the Mayor and the Executive Committee. Its primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their function as policy makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

An Audit and Performance Committee has been established in terms of Section 166 subsection 6(a) of the Municipal Finance Management Act 56 of 2003. The committee comprises of three (3) members and a chairperson. The purpose of the committee is to advice council and management on matters relating to internal financial control, performance management and comment on the Annual Report.

The Mayor is appointed by council and has executive powers and duties. He provides general political guidance over the fiscal and financial affairs of the municipality and in doing so monitor and oversee the exercise of responsibilities assigned to the accounting officer in terms of Municipal Financial Management Act 56 of 2003 without interference. The council appoints members of the Executive Committee to chair the portfolio committees indicated below:

- Finance and Technical Services; and
- Corporate Governance and Community Services.

Municipal Public Accounts Committee (MPAC) has been established in terms of section 79 of the Municipal Structures Act 117 of 1998. The main purpose of the committee is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality and to consider the annual report and submit the oversight report on the annual report to council. The committee consists of eight (8) non-executive councillors. The oversight report will be published separately in accordance with MFMA guidance.

T 2.1.1

Chapter 2

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Political Structure	Functions
<p>Hon Mayor Cllr.</p>	<ul style="list-style-type: none"> • Provide political guidance over the fiscal and financial affairs of the municipality. • To oversee the preparation of the annual budget. • Submit quarterly reports to Council on the implementation of the budget and the financial status of the municipality. • Coordinate the annual review of the IDP. • To ensure that the Mayoral Committee perform its functions properly. • Promotion of intergovernmental relations. • Convene public hearings and meetings. • Identifies the needs of the community in terms of the IDP processes. • Reviews those needs in order of priority. • Recommend to the municipal council strategies, programmes, and services to address priority needs through the IDP, estimates revenues and expenditure, considering any applicable National and Provincial Plans. • Recommend and determine the best way, including partnership and other approaches, to deliver those strategies, programmes, and services to the maximum benefit of the community.
<p>Speaker of Council Cllr.</p>	<ul style="list-style-type: none"> • The Speaker presides over the council meetings and maintains order during council meetings. • Ensure that the council meets at least quarterly. • Ensure that the rules of order are complied with during the proceedings of council meetings. • Execute any other duties as delegated to the speaker in terms of the council delegation systems. • Maintains order during Council meetings. • Ensure that Councillors adhere to the Code of Conduct. • Support to Councillors. • Facilitate public participation coordinate the establishment and functionality of ward committees.
<p>TLM Council Whip: Cllr</p>	<ul style="list-style-type: none"> • The role of Chief Whip is to ensure that Councillors are accountable to the communities, that code of conduct is respected and adhered to by all councillors. • The Chief Whip ensures discipline during Council and Committee Meetings. • She facilitates political debates, workshop for all Councillors. <p style="text-align: right;"><i>T 2.1.1</i></p>

Chapter 2

COUNCILLORS

Councillors provide a vital link between communities they serve and the municipality. They represent the needs and interests of the people in their wards, regardless of whether they voted for them. Although councillors are not usually full-time professionals, they are bound by a code of conduct. The Councillors serves for a five (5) year term. The Tokologo Local Municipality comprises of seven (7) Ward Councillors and six (6) PR Councillors. See Appendix A where a full list of Councillors can be found (including committee allocations and attendance at council meetings).

A Ward Councillor has to balance the expectations of his / her ward and that of their political party and is the chairperson of the ward committee, responsible for convening the constituency meeting to elect ward committee members, calling ward committee meetings, ensuring that a schedule of meetings is prepared, handling queries and complaints in the ward, resolving disputes and making referrals of unresolved disputes to the municipality, ensuring that the ward committee does what the municipality expects about reporting procedures. See Appendix B which sets out committees and committee purposes.

T 2.1.2

POLITICAL DECISION-TAKING

The Tokologo Local Municipality is a collective executive type and has established two (2) portfolio committees each chaired by a member of the Executive Committee. Section 33 of the Municipal Structures Act 117 of 1998 which provides for the establishment of committees in terms of Section 79 and 80 of the Act. All the committees are chaired by Councillors who are full time and coordinated by relevant senior managers and officials who also serve as technical resource persons.

The committees meet quarterly to consider items which need to be forwarded to the Executive Committee. Recommendations of the committees are submitted on quarterly basis to council's statutory sittings for resolutions and implementation.

Section 80 Committees:

Each member of the Executive Committee heads a Portfolio Committee in terms of Section 80 of the Municipal Structures Act 117 of 1998. The Section 80 Committees are set up to deal with oversight roles, support and perform the advisory role to the Mayor and Council.

The Executive Committee of the municipality has the following portfolios:

- Corporate Governance and Community Services; and
- Finance and Technical Services.

Section 79 Committees:

The Audit Committee is a committee of the Council and performs the statutory responsibilities assigned to it by the Municipal Finance Management Act 56 of 2003 (sections 165 and 166), and other relevant responsibilities delegated to it under its charter by the Council. Mr. N. Lintoe chairs the committee, It is an independent advisory body that advise Council, the political office-bearers, the accounting officer, and the management of the municipality on matters relating to:

- Internal financial control and internal audits;
- Risk Management; Accounting Policies;
- The adequacy, reliability and accuracy of financial reporting and information;
- Performance Management; and
- Effective governance and compliance with the prescribed laws and regulations.

T 2.1.3

Chapter 2

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

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

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

The responsibilities of the Municipal Manager include managing the administrative and financial affairs of the municipality and to ensure that municipal services are delivered in an efficient, effective, and economical manner. With his complement of directors appointed in terms of Section 56 of the Municipal Systems Act 32 of 2000, the Municipal Manager determines the pace of development within the municipal area as per Council directives. Each director is responsible for their area of expertise. Management meeting is held monthly where the Municipal Manager engages the directors on various matters that affect service delivery.

The Directors form the senior management core, are accountable to the Municipal Manager in terms of strategic management and oversight of their departments.

T 2.2.1

Top Administrative Structure	Functions
<p>Municipal Manager Mr. M. Sehloho</p>	<ul style="list-style-type: none"> • Forming and developing an economic, efficient, and accountable administration. • Implementing and managing the municipality's performance management system. • Coordinating and implementing the municipality's IDP. • Managing the Municipality's administration in accordance with the Constitution, the Local Government Structures Act 117 of 1998, the Municipal Systems Act 32 of 2000, the Municipal Finance; Management Act 56 of 2003 and all other national and provincial legislation applicable to the municipality. • Managing provision of services to the local community in a sustainable and equitable manner. • Developing and maintaining a system to access community satisfaction with municipal services. • Appointing, managing, effectively utilizing, and training staff and maintaining staff discipline.

Chapter 2

	<ul style="list-style-type: none"> • Advising political structures and political office bearers of the municipality, managing communications between them, administering, implementing council resolutions, and conducting their decisions. • Being responsible for all income and expenditure of the municipality all assets, the discharge of all liabilities of the municipality and proper and diligent compliance with applicable Municipal Finance Management legislation.
Chief Financial Officer Mr. T. Matile	<ul style="list-style-type: none"> • Reporting directly to the Municipal Manager on key departmental activities. • Develop and implement key strategic / business plans including Supply Chain Management, Revenue Management, Expenditure Management and Budget and Reporting. • Prepare and implement municipal budget. • Prepare Annual Financial Statements and other mandatory financial management reports. • Manage Departmental budget, human resources and other resources in accordance with local government legislation. • Management and monitoring of all income, expenditure, assets, and Liabilities; Cash-flow management. • Develop and implement Supply Chain Management Policy, specific procedures, systems, and controls. • Ensure timely preparation of Budget and Financial Statements; • Implement all financial policies and ensure they comply with applicable legislation.
Director: Technical Services Vacant	<ul style="list-style-type: none"> • Management of the entire Technical Services department. • Compile and manage the Directorate's annual Capital and Operational Budget. • Management of Technical Services including Civil Engineering Services, electrical distribution and maintenance of roads and storm-water drainage. • Planning and maintenance of water reticulation system and sewerage treatment infrastructure. • Developmental strategic planning of infrastructure expansion and co-ordination. • Ensure the sustainable provisioning of engineering services including infrastructure development and maintenance in line with the IDP. • Management of civil engineering, projects, and capital construction development.
Director: Corporate Service Vacant	<ul style="list-style-type: none"> • Managing and controlling various line functions within the Directorate which include general administration, Human Resources, Council Support, Corporate strategy. • Leading, directing and managing staff within the Department so that they are able to meet their objectives.

Chapter 2

	<ul style="list-style-type: none"> • Rendering Support by advising and overseeing all matters of procedures relating to minutes and resolutions of the Council Committees. • Managing and controlling the compilation and execution of the departmental capital and operating budget. • Executing any function delegated by the municipal Manager in terms of powers and delegations in the relevant legislation and related to the functions of this post. • Administering records / archives registry, skills development, legal matters, and employment Equity. • Overseeing the execution of the IDP Programmes attached to the Department and monitoring individual performance management. • Developing, implementing Collective Agreements, and managing strategic goals, policies, procedures, and plans; • Ensuring proper administration of Council delegation System.
Director: Community Service Vacant	<ul style="list-style-type: none"> • Management of the entire Community Social Services department. • Compile and manage the Directorate's annual Capital and Operational Budget. • Responsible for coordination of disaster management services. • Strategically direct and manage services related to solid waste management. • Provision of sports, recreation, cultural, arts and library information services. • Responsible for setting standards for the maintenance of cemeteries, parks, halls, and other community services. • Management of refuse services of the entire Tokologo area. • Management of Traffic Management and Law enforcement.
T 2.2.2	

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Chapter 3 of the Constitution (1996) describes the three spheres of government, National, Provincial and Local, as being 'distinctive, interdependent and interrelated' and enjoins them to 'cooperate with one another in mutual trust and good faith'. An important element of this cooperative relationship is that there needs to be a clear understanding of each sphere of government's powers and functions to ensure that a sphere of government or organ of state 'does not encroach on the geographical, functional or institutional integrity of government in another sphere'. In addition to the Constitution, various pieces of legislation govern or organises the system of intergovernmental relations. Among other things, the legislation formalises the different spheres' roles and responsibilities with regard to various functions and provides for a range of consultative structures.

Chapter 2

The South African system of intergovernmental relations is complex and continues to evolve as better modes of cooperation and coordination emerge and as functions are shifted between the spheres. The following key elements and principles underpin the intergovernmental system:

- **Accountability:** Each sphere has specific constitutionally defined powers and responsibilities, is accountable to its legislature or council and is empowered to set its own priorities. The power of national government to intervene in provincial and local government matters, and provincial governments to intervene in local government matters, depends on whether the relevant sphere fails to conduct an executive obligation.
- **Transparency and good governance:** Accountability of political representatives to the electorate and transparent reporting arrangements within and between spheres is at the heart of the intergovernmental system. While political executives are responsible for policy and outcomes, the officers are responsible for implementation and outputs.
- **Mutual support:** National and provincial governments have a duty to strengthen the capacity of municipalities. Spheres of government must also act cooperatively towards each other, for instance through avoiding legal action until all other mechanisms have been exhausted.
- **Redistribution:** The three spheres all have important roles to play in redistribution, but because inequalities exist across the country, the redistribution of resources is primarily a national function. Where provinces and municipalities undertake redistribution, the challenge is to do this in line with their fiscal capacity and not to undermine economic activity and their financial viability. Redistribution among the three spheres is achieved through the vertical division of revenue. Redistribution among provinces and municipalities is affected through their respective equitable share formulae.
- **Vertical division:** Determining the allocation to each sphere of government inevitably involves trade-offs that are made in the course of a comprehensive budget process driven by political priorities, and which covers all aspects of governance and service delivery. Separate and ad hoc requests for funds fragment the coherence of the budget and undermine the political process of prioritization.
- **Revenue-sharing:** The fiscal system considers the fiscal capacity and functions assigned to each sphere. Provinces and municipalities are funded from own revenues, equitable share allocations, and conditional and unconditional grants. The grant system must be simple and comprehensive and not compensate provinces and municipalities that fail to collect own revenues.
- **Broadened access to services:** The Constitution and current government policy prioritises broadening access to services. The responsible spheres are expected to design appropriate levels of service to meet customer needs in an affordable manner, explore innovative and efficient modes of delivery, and leverage public and private resources to fund infrastructure.
- **Responsibility over budgets:** Each sphere of government has the right to determine its budget and the responsibility to comply with it. To reduce moral hazard and ensure fairness, national government will not bail out provinces or municipalities that mismanage their funds, nor provide guarantees for loans.

The model consists of a process by which joint and collaborative planning is undertaken at local, district and metropolitan by all three spheres of governance resulting in a single strategically focused One Plan for each of the district geographic spaces in the country, where in the district is seen as the landing strip. Therefore, the model is practical Intergovernmental relations (IGR) mechanism to enable all three (3) spheres of government to work together, with communities and stakeholders, to plan, budget and implement in unison. The Lejweleputswa District Municipality established the structure, developed One Plan, meetings with stakeholders are held on a quarterly basis to reflect on the implementation of the plan.

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Chapter 2

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

Currently the Tokologo Local Municipality is not involved in any National Forum Structures.

T 2.3.1

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The Mayor and the Municipal Manager represents and participate in the Free State Premiers Coordinating Committee, where issues affecting the Province and the Municipalities are discussed. The Speaker and Officials in the Office of the Speaker attends and participate in the Provincial Speakers Forum. The Tokologo Local Municipality did attend the Mayoral Forum, Municipal Manager's, and the Chief Financial Officer's Forum during the course of the year where information of mutual interest was shared.

T 2.3.2

RELATIONSHIPS WITH MUNICIPAL ENTITIES

Tokologo Local Municipality does not have any entities in place.

T 2.3.3

DISTRICT INTERGOVERNMENTAL STRUCTURES

The District has the following structures in place that seeks to coordinate development in the district:

- Mayor's Forum;
- Municipal Manager's Forum;
- Chief Financial Officer's Forum;
- IDP Steering Committee;
- IDP Rep Forum;
- Inter-Governmental Relations Forum; and
- District Development Model.

T 2.3.4

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Community and stakeholder participation in matters of local government is a cornerstone of democracy. Section 152 of the South African Constitution (Act 108 of 1996) puts it succinctly that: "the objects of local government include, amongst others, the encouragement of involvement of community and community organisations in matters of local government". Furthermore, the Municipal Systems Act 32 of 2000 states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance, and must for this purpose encourage, and create conditions for the local community to participate in the affairs of the municipality, including in the preparation, implementation and review of its integrated development plan.

Furthermore, community participation, through appropriate structures, is a fundamental requirement of the Constitution (Act 108 of 1996), the Municipal Systems Act 32 of 2000, the Municipal Finance

Chapter 2

Management Act 56 of 2003 and all other legislation that is applicable to Local Government in South Africa. The Tokologo Local Municipal council has institutionalised community participation mechanisms in its affairs to allow communities an opportunity to participate in the decision-making processes of council.

Section 16 of the Municipal Systems Act 32 of 2003 requires municipalities to complement formal representative government with a system of participatory governance, and must for this purpose, inter alia, encourage, and create conditions for the local community to participate in the affairs of the municipality, including in the preparation, implementation and review of its integrated development plan, the establishment, implementation and review of its performance management, the monitoring and review of its performance, including the outcomes and impact of such performance and the preparation of its budget. Therefore, in line with this requirement, the centrepiece of the public participation ethos of the Tokologo Local Municipality is anchored on the processes related to the preparation and reporting on the implementation of the municipality's Integrated Development Plan (IDP) and Budget each year.

The Tokologo Local Municipality actively pursues meaningful public participation and has structured its activities relevant to the IDP, Budget and Ward issues accordingly. It also engages on feedback sessions and not only information gathering. This enhances transparency and accountability. In summary, on the overview of public accountability and participation, Tokologo embarks extensively on ensuring public participation at ward committee meetings, IDP and Budget public ward meetings, IDP Representative Forum, and other stakeholder engagements. The oversight report is also widely publicised. The Municipal Public Accounts Committee (MPAC) is operational, and measures are in place to protect personal information. The municipality has established Ward Committees in all 24 wards to assist the municipality to consult with its communities.

The Mayor engages in annual Imbizo's which provided a platform for further interaction and engages with the communities on regular intervals.

T 2.4.0

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

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

Residents, Communities and Stakeholders (Civil Society). To represent interests and contribute knowledge and ideas in the planning process by participating in the IDP Representative Forum to:

- Inform interest groups, communities, and organisations, on relevant planning activities and their outcomes;
- Analyse issues, determine priorities, negotiate, and reach consensus;
- Participate in the designing of project proposals and/or assess them;
- Discuss and comment on the draft IDP;
- Ensure that annual business plans and budgets are based on and linked to the IDP;
- Monitor performance in implementation of the IDP; and

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- Conduct meetings or workshops with groups, communities, or organisations to prepare for and follow-up on relevant planning activities.

COMMUNITY BASED PLANNING

During the current IDP Review Process, the Tokologo Local Municipality once again ensured that communities were consulted to inform the Amended IDP and in so doing allow communities to own the development priorities in their respective wards and villages.

This was done through the Community Based Planning Methodology that runs parallel with the IDP Processes.

A total of 18 CBP meetings were held, and 600 residents attended these meetings. Communities were once again informed to clearly understand the purpose of and the difference between the CBP Priority Register and The Project Register.

The Tokologo Local Municipality makes a clear difference between the two (2) registers, and it is there for important to note that administration needs to gather information and record the needs to ensure effective forward planning.

The priorities of the current CBP were confirmed by the Ward Councillors to ensure that Sector Planning and Programmes are based on the priorities as determined by the communities and in order to focus budget and resource allocations towards the most important priorities.

Communities were advised to review their priorities but not to “re-invent the wheel.” This approach is important to ensure consistency in planning that will address identified priority issues in the short and long term. In instances where a Ward did not submit new priorities the priorities of the previous financial year were used for planning purposes.

T 2.4.1

WARD COMMITTEES

The purpose of a ward committee is:

- To solicit improved participation from the community to inform Council decisions;
- To ensure effective communication between the Council and the community; and
- To assist the Ward Councillor with consultation and report-backs to the community.

Ward committees are elected by the community they serve. A ward committee may not have more than ten (10) members and women, and youth should be well represented. The Ward Councillor acts as the chairperson of the ward committee. Although ward committees have no formal powers, they advise the Ward Councillor who makes specific submissions directly to the Council.

The ward committees support the ward councillor who receives reports on development, participate in development planning processes, and facilitate wider community participation. To this end, the municipality constantly strives to ensure that all ward committees’ function optimally with community information provision; convening of meetings; ward planning; service delivery; IDP formulation and performance feedback to communities.

T 2.4.2

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Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes / No)	Dates and manner of feedback given to community
Statutory Ward Committee Meetings	20-25 of every month	12	0	1,344	Yes	Every month
IDP Rep Forum: Dealsville	19/09/2023	3	5	50	Yes	It was agreed that other matters emanating from public participation engagement will be referred to different sector departments and the Office of the Mayor will make follow-up on continuously basis and give a feedback to all ward councillors who will the inform their constituency
IDP & Budget Rep Forum: Boshof	12/03/2024	2	3	92	Yes	
Public Consultation: Boshof / Seretse	12/03/2024	2	4	200	Yes	
Public Consultation: Dealsville	23/05/2024	2	3	107	Yes	
Public Consultation: Boshof	23/05/2024	2	4	155	Yes	
IDP & Budget Rep Forum (Agri-Forum): Dealsville	24/05/2024	2	4	11	Yes	
Public Consultation: Hertzogville	24/05/2024	4	3	276	Yes	

T 2.4.3

THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

The Tokologo Local Municipality established Ward Committees in all the seven (7) Wards to enhance public participation and accountability. These structures are a mechanism that the municipality uses to disseminate information and address the challenges of the communities in an effective manner. The Ward Mass Meetings held as well as Imbizo's also provides a platform for effective interaction and accountability for Council and the community. Council benefits positively as a result of the above systems, in that consultation is done with the broader community of Tokologo Local Municipality on matters of service delivery.

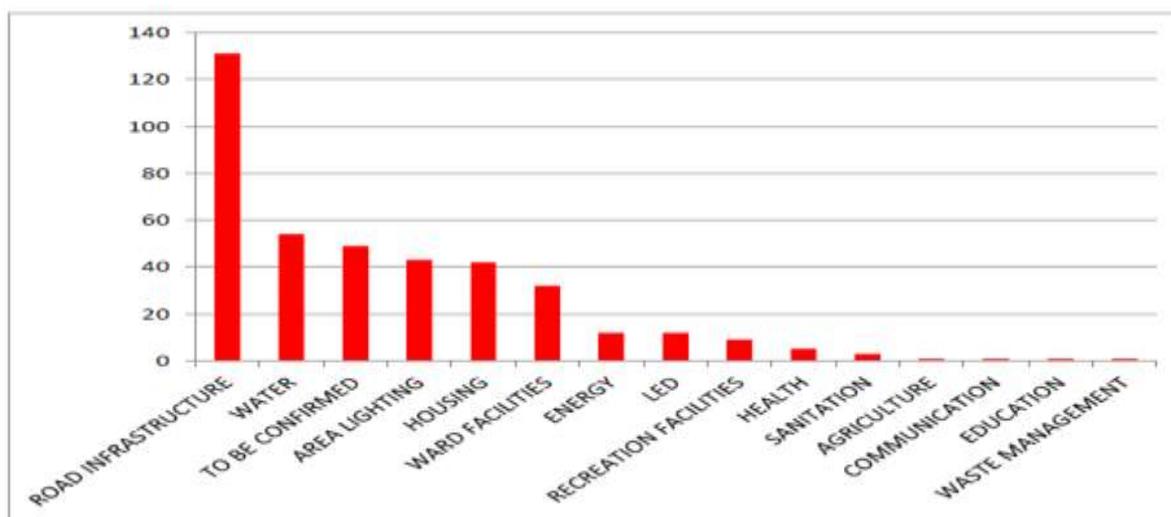
IDP Public Meetings are held annually in all seven (7) wards of the municipal jurisdiction in order to engage the public on the integrated planning. Meetings are effective because the needs that are collated from those meetings inform the project section of the IDP and assist in prioritisation, planning and integration with the municipal budgeting process. In the previous year, in order to strengthen community engagements, ExCo members and Councillors were encouraged to hold area specific public engagements across the entire municipality.

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CBP – analysis of priority needs identified per sector.

The Table and Graph below reflects the number of times that a sector was listed under the top three (3) priorities. This gives an indication of the most important sectors or issues that need to be addressed in the IDP and SDBIPs and for which resources must be allocated to ensure that the most important priorities of the communities are addressed.

The information as reflected on the consolidated CBP Analysis is crucial to inform the Project Phase and the planning of the Project Task Teams of Tokologo Local Municipality, The Lejweleputswa District Municipality, Parastatals and the Provincial Sector Departments to ensure resources are focused on the needs as identified by the communities on the following table:



T 2.4.3.1

2.5 IDP PARTICIPATION AND ALIGNMENT

The Amended Fifth generation IDP (2021 – 2026) provide an opportunity to strengthen integrated planning, budgeting, and implementation across all spheres of government and the private sector in a meaningful way in pursuit of sustainable development. The objects as set out in Sections 152 and 153 of the Constitution, aims to create synergy between different municipal planning instruments and National and Provincial policy directives.

The Tokologo Municipal Council remains focused on how best to respond to its constitutional and developmental mandate through its overarching strategic development focus areas. The Municipal Key Performance Areas (KPA) and Strategic Objectives directs future development, potential investment, and possible public/private partnership interventions. The Key Performance Areas and Strategic Objectives, guide service delivery as per municipality developed annual Service Delivery Budget Implementation Plan (SDBIP) and development. Section 28(i) of the Municipal Systems Act 32 of 2000, requires that a Municipal Council adopts a schedule of activities to guide the drafting and review of its Integrated Development Plan. The IDP process plan / time schedule articulates the progressive activities and processes which the municipality will embark upon during the annual review of its Fifth Generation Integrated Development Plan and implementation during the 2024/2025 period. The IDP process plan for the 2024/2025 IDP review was unanimously adopted by Council in August 2025.

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The development of the IDP is undertaken inclusive of non-statutory specific sector plans; i.e. the Municipal Spatial Development Framework, the Municipal Disaster Plan, the Municipal Economic Development Strategy and lastly the Municipal Financial Plan / Budget for a specific term or financial and outer years. The alignment of the IDP with the Spatial Development Framework (SDF), relates the spatial planning and development foreseen for the financial year in planning. The alignment of the IDP relates to aligning the IDP with the Provincial Growth and Development Strategy, the National Development Plan, and more importantly the Five National Key Performance Areas; Good Governance, Basic Services, Municipal Financial Viability, Municipal Transformation and Organizational Development and Local Economic Development.

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?	No
Are the above aligned and can they calculate into a score?	No
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the section 56 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
T 2.5.1	

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

In the Tokologo Local Municipality, the principles of good corporate governance as expounded in the King IV report are embraced and applied within the organisation. To the extent that these King IV principles are not directed by legislation (e.g. the Municipal Finance Management Act 56 of 2003) and Municipal Systems Act 32 of 2000, it is applied as far as possible in the context that these principles indicate the “right way to do things.” These principles relate to, amongst others, to ethical governance, implementation of controls to prevent fraud, corruption, and management of risk.

Corporate governance is the set of processes, practices, policies, laws, and stakeholders affecting the way an institution is directed, administered, or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed. Corporate governance does cover a broad spectrum of elements that need to be aligned and integrated to ensure the smooth effective, efficient, and economic functionality of municipalities.

The past year was a challenging year for Tokologo Local Municipality regarding Corporate Governance due to the institutional challenges that were experienced at high level management and relationships.

T 2.6.0

Chapter 2

2.6 RISK MANAGEMENT

OVERVIEW OF RISK MANAGEMENT

The realisation of the institutional strategic plans depends on the ability to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk will enable the institution to anticipate and respond to changes in the service delivery environment, as well as to take informed decisions under conditions of uncertainty.

In terms of section 62(1)(c)(i) “the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient, and transparent systems of financial and risk management and internal controls.

The management of risk is the process by which the Accounting Officer, the Chief Financial Officer and the other senior management of a municipality will pro-actively, purposefully and regularly, but at least annually, identify and define current as well as emerging business, financial and operational risks and identify appropriate, business and cost-effective methods of managing these risks within the Municipality, as well as the risk to the stakeholders.

Risk Management plays a crucial role in identifying both risks and opportunities that are present and to take a strategic position in minimizing the said risks and maximizing present opportunities for the benefit of its citizens. The role of Risk Management in the municipality is to provide the expertise and support for institutionalizing Enterprise Risk Management and thereby embedding a risk intelligent culture. This is achieved through various methods including employee training on the principles and practices of risk management, coordinating efforts in determining the municipality’s risk exposure and in the development of mitigating actions by management for addressing the identified risks.

Before the beginning of the financial year the district shared risk unit conduct the risk assessment and on quarterly basis conduct the risk update to check mitigation progress on all identified risks.

T 2.6.1

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

Section 83(c) of the Municipal Systems Act 32 of 2000 refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act 56 of 2003, section 112(1)(m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices, section 115(1) of the Municipal Finance Management Act 56 of 2003 states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud. The Tokologo Local Municipality contributes to the principles of good governance which requires the conduct of business in an honest and transparent manner. The municipality confirms commitment in fighting fraudulent behaviour at all levels within the organisation.

In 2024/2025 financial year Tokologo Local Municipality submitted the reviewed Local Government Fraud and Anti-corruption strategy and policy to Council which include:

- Risk Management Policy;

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- Risk Management Strategy;
- Fraud and Anti-Corruption Strategy and
- Fraud Prevention Plan.

Internal Audit Unit:

The Tokologo Local Municipality has the internal audit unit responsible to advise the Accounting Officer and report to the Audit Committee on the implementation of the internal audit plan and matters as stipulated in section 165 of the Municipal Finance Management Act 56 of 2003.

Audit Committee:

The Tokologo Local Municipality has established its own audit committee to advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters as stipulated in section 166 of the MFMA. In the year under review the audit committee was very functional as they regularly held their meetings in line with the approved audit committee meeting.

Human Resources Management:

Screening procedures are performed prior to the employment of officials. All employees signed the code of conduct on appointment. New employees are inducted to introduce them to the culture of the municipality. In the process the employees are provided with the policies and procedures of the municipality to encourage good business conduct in performing the duties.

Financial Control:

The Tokologo Local Municipality only incurs expenditure in terms of the approved budget and within limits of the amounts appropriated in votes. A delegation framework was reviewed and approved by council for adoption to maximize administrative and operational efficiency to provide adequate checks and balances in the municipality financial administration.

T 2.7.1

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

Sections 110 – 119 of the Municipal Finance Management Act 56 of 2003, Supply Chain Management (SCM) Regulations 2005 and relevant MFMA Circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money, and minimize the opportunities for fraud and corruption.

The Tokologo Local Municipality approved a supply chain management policy that is fair, equitable, transparent, competitive, and cost effective. In case of an abuse of supply chain management system the accounting officer implements the procedures according to the supply chain management policy to combat fraud. The supply chain management policy is aimed primarily at promoting uniformity in SCM processes and also in the interpretation of government's preferential procurement legislation and policies, which should themselves be seen in the context of other related legislative and policy requirements.

SCM Processes are being updated on an ongoing basis to ensure full compliance with the Municipal Finance Management Act and the Regulations issued under the MFMA. The SCM Manager complies with the MFMA minimum competency levels. Approximately 90% of the officials in the SCM Unit are competent with the regulations on minimum competency levels.

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Councillors after being elected or appointed declare in writing to the municipal manager the financial interest held by that councillor.

Essentially, SCM refers to managing the demand of goods and services to their acquisition, managing the logistics processes and finally, after use, to their disposal. It encompasses the procurement, contract management, inventory and asset management, and obsolescence planning processes.

The procurement processes cover:

- Pre-solicitation (need analysis, specification, award criteria)
- Solicitation (bidding process)
- Negotiation (bidding process, drafting of contracts)
- Performance (change orders, review of completed work and sign-offs compliance assessments of deliverables, release of funding etc.)
- Administration, within the municipal prescripts and policies.

SCM is centralised with all bid committees being fully functional. The Bid Adjudication Committee meetings are held regularly, and no councillors are allowed to serve on any SCM committees. Contract management is being adhered to, as stipulated in Section 116 of the MFMA.

The MFMA expects all municipalities to ensure that they develop and maintain a well-documented, operational procurement system, within a system which is fair equitable, competitive, cost effective and transparent. This process is and will always remain one of the highest exposures to fraud and corruption in any organization in the government. The process is, by necessity, highly regulated and overly complex including a wide array of legislative and procedural requirements and prescripts.

Deviation from the Supply Chain Management Regulations:

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. Regulation 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the relevant reasons are recorded for any deviations and reported to the next meeting of the Accounting Officer and includes a note to the Financial Statements.

T 2.8.1

2.9 BY-LAWS

By-laws Introduced during 2024/2025					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes / No)	Dates of Public Participation	By-Laws Gazetted* (Yes / No)	Date of Publication
None	None	N/A	N/A	N/A	N/A

T 2.9.1

Chapter 2

BY-LAWS

Section 11 of the MSA gives municipal council the executive and legislative authority to pass and implement by-laws and policies. Once the by-laws are gazetted, people who are in contravention will be criminally prosecuted in a court of law and could be sentenced to pay a fine or even to direct imprisonment.

T 2.9.1.1

2.10 WEBSITES

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of Section 75 of the MFMA and Section 21A and B of the MSA as amended. The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information.

Section 75 of the MFMA requires that municipalities place key documents and information on their website, including the IDP, annual budget, adjustment budget and budget related documents and policies.

Municipal Website: Content and Currency of Material

Documents published on the Municipality's Website	Yes / No	Date Published
Current annual and adjustments budgets and all budget-related documents	Yes	May 2025
All current budget-related policies	Yes	May 2025
The previous annual report (2023/2024)	No	None
The Annual Report (2024/2025) published / to be published	T.B.A	T.B.A
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act 32 of 2000 (2024/2025) and resulting scorecards	Yes	July 2025
All service delivery agreements (2023/2024)	No	None
All supply chain management contracts above a prescribed value (give value) for 2024/2025	No	None
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 2024/2025	No	None
Contracts agreed in 2024/2025 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	None
Public-private partnership agreements referred to in section 120 made in 2024/2025	N/A	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2024/2025	No	None

T 2.10.1

Chapter 2

MUNICIPAL WEBSITE CONTENT AND ACCESS

In 2024/2025 financial year around June Tokologo Local Municipality website was upgraded and became live, the process of upgrading took long time than it was expected, and it is for this reason that table above mostly indicates no uploading of documents. Officials in IT and Communication Unit attended training on updating and uploading of the website and respective department are required to submit information and documents.

T 2.10.1.1

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFCATION LEVELS

For the year under review, the municipality did not conduct the public satisfaction survey.

T 2.11.1

Satisfaction Surveys Undertaken during 2024/2025

Subject matter of survey	Survey method	Survey date	No. of people included in survey	Survey results indicating satisfaction or better (%)*
Overall satisfaction with:	Not conducted	N/A	0	N/A
(a) Municipality	None	N/A	0	N/A
(b) Municipal Service Delivery	None	N/A		N/A
(c) Mayor	None	N/A		N/A
Satisfaction with:	Not conducted	N/A	0	N/A
(a) Refuse Collection	None	0	0	N/A
(b) Road Maintenance	None	0	0	N/A
(c) Electricity Supply	None	0	0	N/A
(d) Water Supply	None	0	0	N/A
(e) Information supplied by municipality to the public	None	0	0	N/A
(f) Opportunities for consultation on municipal affairs	None	0	0	N/A

T 2.11.2

Concerning T 2.11.2:

In order for the municipality to conduct community satisfaction survey budget must be made available and for the year under review budget was not made available for the survey due to financial constraints.

T 2.11.2.1

SATISFACTION LEVELS

The municipality could not determine the satisfaction levels as the community satisfaction survey was not conducted during the year under review. In the new financial year budget inputs to conduct community satisfaction will be submitted by office of the municipal manager to Budget and Treasury Office to make provision.

T 2.11.2.2

Chapter 3

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

INTRODUCTION

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and review individual performance indicators to ensure efficiency, effectiveness, and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met.

Some of the legislative prescripts include Section 152 of the Constitution of the Republic (1996), section 152 local government to be “democratic and accountable government”. Section 195 (1) of the Constitution requires the following from local government, 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 32 of 2000 requires municipalities to establish a performance management system. Further, the Municipal Systems Act 32 of 2000, and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In terms of section 46(1)(a) of the Municipal Systems Act 32 of 2000 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.

T 3.0.1

COMPONENT A: BASIC SERVICES

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

INTRODUCTION TO BASIC SERVICES

The South African Constitution states that municipalities have the responsibility to make sure that all citizens are provided with services to satisfy their basic needs. Local government (municipality) is the sphere of government closest to the people; citizens elect them to represent them and are responsible to ensure that services are delivered to the community. One way in which municipalities can do this is to

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provide the service themselves through the use of their own resources - finance, equipment, and employees. A municipality may also outsource the provision of a service. In other words, it may choose to hire someone else to deliver the service, but it remains the responsibility of the municipality to choose the service provider and to make sure that they deliver the service properly.

Many municipalities, however, are unable to deliver services to residents. This might be because of lack of finances or lack of capacity to provide a good service at an affordable price.

Many municipalities, however, are unable to deliver services to residents. This might be because of lack of finances or lack of capacity to provide a good service at an affordable price.

Tokologo Local Municipality is a Water Service Authority and is responsible for water and sanitation provision at Boshof, Hertzogville, and Dealesville town and their surrounding townships.

Electricity supply is shared amongst the Municipality and Eskom as the Service Providers. Eskom is providing electricity services at Malebogo and Tshwaraganang, and the Municipality is responsible for the remaining areas and is a licensed service provide

Roads also need to be addressed based on the Conditional Assessment input that was gathered through Rural Roads Asset Management System (RRAMS). Roads within the Residential areas are a mix of block paving, gravel and earth roads; Of which are all maintained and upgraded by the Municipality.

Refuse removal is rendered by the Tokologo Local Municipality in the three towns, Boshof, (Seretse), Dealeville (Tshwaraganang) and Hertzogville (Malebogo). Refuse is collected on a weekly basis and managed at the Landfill sites licensed under the Municipality.

The municipality still need to address basic services backlogs in all sectors. Good progress was made regarding electricity and water provision, but sanitation provision still needs to be addressed in Dealesville and Hertzogville which are using Ventilated Pit Latrine toilets which pose a negative environmental impact.

T 3.1.0

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

One of the major goals of the South African Government is to ensure access to safe and reliable water services to all the communities. Notwithstanding the best possible raw water sources, adequate treatment infrastructure and optimal treatment process can achieve safe and reliable drinking water services to consumers and unexpected incidents can disrupt water supplies. Natural disasters such as floods and manmade incidents can significantly disrupt and impact on the quality of water services thus posing a significant health risk to consumers.

The Water Services Act 108 of 1997, section 5(4) states that in emergency situations, a Water Service Authority (WSA) must take reasonable steps to provide basic water supply to any person within its area of jurisdiction and may do so at the cost of the authority.

Recent legislation includes the Water Services Act 108 of 1997 and the General Enabling Act 2005. To provide for the rights of access to basic water supply and basic sanitation; to provide for the setting of national standards and of norms and standards for tariffs; to provide for water services development

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plans; to provide a regulatory framework for water services institutions and water services intermediaries; to provide for the establishment and disestablishment of water boards and water services committees and their powers and duties; to provide for the monitoring of water services and intervention by the Minister or by the relevant Province; to provide for financial assistance to water services institutions; to provide for certain general powers of the Minister; to provide for the gathering of information in a national information system and the distribution of that information; to repeal certain laws; and to provide for matters connected therewith.

The Tokologo Local Municipality is responsible for the implementation of all capital projects and the maintenance of all infrastructure within its jurisdiction.

The Tokologo Local Municipality's Water unit has made significant progress in the provision of water services, but some critical challenges remain, i.e. extensions and internal reticulation. Institutional arrangements and strategies have been put in place to overcome the challenges and to meet key policy as well as legislative requirements. Progress on the objectives as set out in DWA's critical policy document, the National Strategic Framework for Water Services. Through indigents register and policies, the municipality is able to provide basic services to the needy community.

The water unit is operating with operating with limited fleet in at towns. Institutional arrangements and strategies have been put in place to overcome the challenges and to meet key policy as well as legislative requirements. Progress on the objectives as set out in DWA's critical policy document, the National Strategic Framework for Water Services. Through indigents register and policies, the municipality is able to provide basic services to the needy community.

T 3.1.1

WATER USE BY SECTOR

The Tokologo Local Municipality is the Water Service Authority. Reliable, clean supply of drinking water to sustain our health is a high priority for the municipality. It also needs water for agriculture, recreation, and manufacturing purposes. Many of these uses put pressure on water resources, stresses that are likely to be exacerbated by climate change. In many areas, climate change is likely to increase water demand despite shrinking water supplies. This shifting balance would challenge water managers to simultaneously meet the needs of growing communities, sensitive ecosystems, farmers, and manufacturers.

In some areas, water shortages will be less of a problem than increases in runoff, flooding, etc. These effects can reduce the quality of water and can damage the infrastructure that we use to transport and deliver.

T 3.1.2

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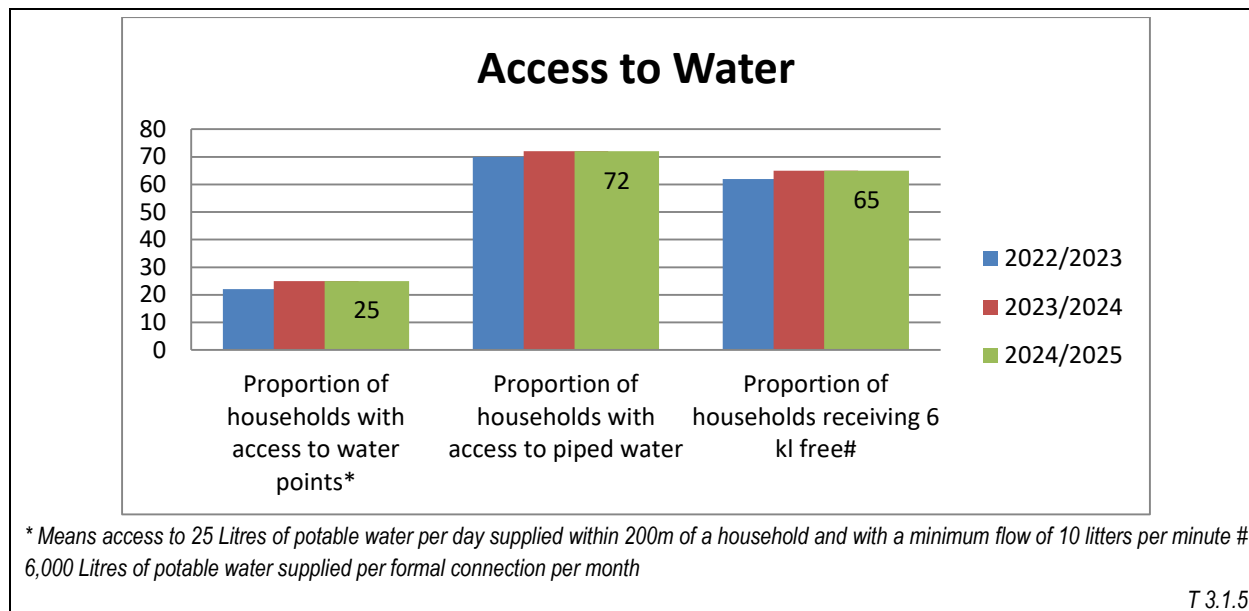
Water Service Delivery Levels				
Description	2021/2022	2022/2023	2023/2024	Households 2024/2025
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
Water: (above min level)				
Piped water inside dwelling	1,974	1,974	2,583	2,583
Piped water inside yard (but not in dwelling)	7,696	7,696	6,115	7,696
Using public tap (within 200m from dwelling)				
Other water supply (within 200m)	586	586	586	586
<i>Minimum Service Level and Above sub-total</i>	9,670	9,670	9,670	9,670
Minimum Service Level and Above Percentage				
Water: (below min level)				
Using public tap (more than 200m from dwelling)				
Other water supply (more than 200m from dwelling)	586	586	586	586
No water supply				
Below Minimum Service Level sub-total				
Below Minimum Service Level Percentage	586	586	586	586
Total number of households*	10,248	10,248	10,248	10,248

T 3.1.3

Households - Water Service Delivery Levels below the minimum						
Description	2021/2022	2022/2023	2023/2024	Households 2024/2025		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	9,084	9,084	9,084			9,084
Households below minimum service level	586	586	586			586
Proportion of households below minimum service level						
Informal Settlements						
Total households	586	586	586			586
Households below minimum service level	586	586	586			586
Proportion of households below minimum service level						

T 3.1.4

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Employees: Water Services					
Job Level	2023/2024	2024/2025			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	37	14	23	61%
4 - 6	0	0	0	0	0%
7 - 9	0	3	1	2	67%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	40	15	25	60%

T 3.1.7

Financial Performance: Water and Sanitation Services					
R'000					
Details	2023/2024	2024/2025			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	Information contained in the Annual Financial Statement				
Expenditure:	8,719,015	10 653 528	10 673 528	7 231 068	3 442 460
Employees	245,992	450 000	450 000	112 911	337 089
Repairs and Maintenance	20,564,188	27,649,507	11,237,551	9,650,897	1 586 654
Other	29,529,195	38,753,035	22,361,079	16,994,876	5 366 203
Total Operational Expenditure	345,208,831	335,984,991	352,376,947	357,743,150	-5,366,203
Net Operational Expenditure	8,719,015	10 653 528	10 673 528	7 231 068	3 442 460

T 3.1.8

Chapter 3

Capital Expenditure 2024/2025: Water Services					
					R' 000
Capital Projects	2024/2025				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	0	0	0	0%	
No projects for this unit in the year under review					
					T 3.1.9

WATER SERVICES PERFORMANCE OVERALL

The budget of R 2,950,000 was spent on the maintenance of water and sewer network and about 100% was spent against the budget. It should note that the unit went over its budget by approximately 10%.

T 3.1.10

3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

Sanitation is the hygienic means of promoting health through prevention of human contact with the hazards of wastes as well as the treatment and proper disposal of sewage wastewater. Hazards can be physical, microbiological, biological, or chemical agents of disease. Wastes that can cause health problems include human and animal faeces, solid wastes, domestic wastewater (sewage, sullage, and grey water), industrial wastes and agricultural wastes. Hygienic means of prevention can be by using engineering solutions (e.g. sewerage and wastewater treatment), simple technologies (e.g. latrines, septic tanks), or even by personal hygiene practices (e.g. simple hand washing with soap).

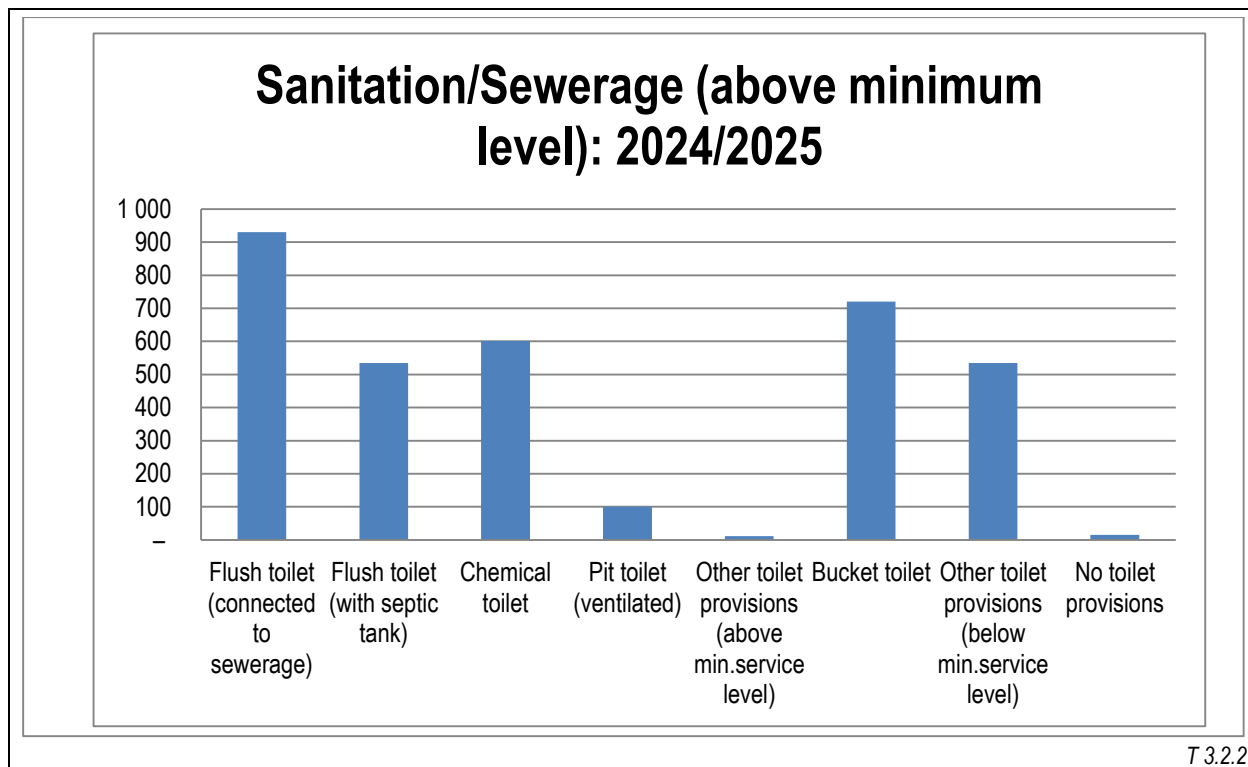
The strategy for the provision of basic sanitation:

A basic sanitation facility is a sanitation facility which is safe, reliable, private, protected from the weather, ventilated, keeps smells to the minimum, is easy to keep clean and minimizes the risk of the spread of sanitation related diseases by facilitating the appropriate control of disease carrying flies and pests, and enables safe appropriate treatment and/or removal of human waste and black or grey water in a sound environmentally sound manner.

The Free Basic Sanitation strategy is aimed at ensuring that the sanitation backlog is eradicated and ensuring the government provide all people to have access to a functional sanitation facility.

T 3.2.1

Chapter 3



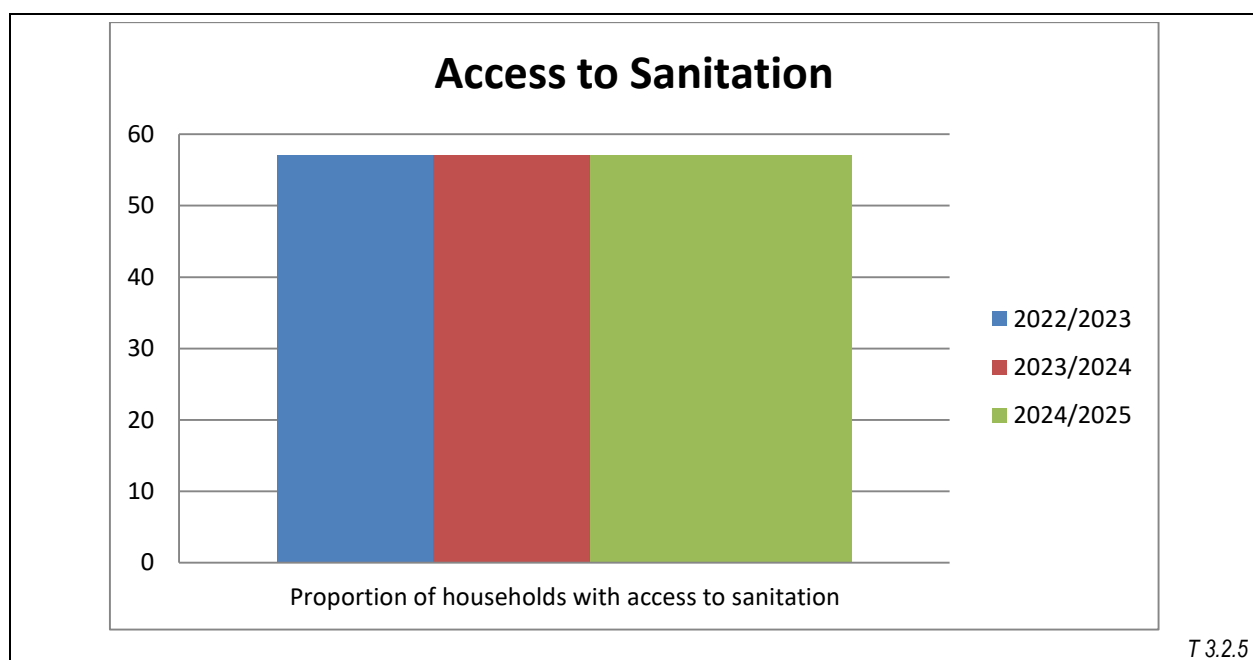
Sanitation Service Delivery Levels				
Description	*Households			
	2021/2022 Outcome No.	2022/2023 Outcome No.	2023/2024 Actual No.	2024/2025 Actual No.
Sanitation/sewerage: (above minimum level)				
Flush toilet (connected to sewerage)	8,538	8,538	8,538	8,538
Flush toilet (with septic tank)	17	17	17	17
Chemical toilet	0	0	0	0
Pit toilet (ventilated)				
Other toilet provisions (above min.service level)	529	529	529	529
Minimum Service Level and Above sub-total	586	586	586	586
Minimum Service Level and Above Percentage	87%	87%	87%	87%
Sanitation/sewerage: (below minimum level)				
Bucket toilet	529	529	529	529
Other toilet provisions (below min.service level)	586	586	586	586
No toilet provisions	0	0	0	0
Below Minimum Service Level sub-total				
Below Minimum Service Level Percentage	13%	13%	13%	13%
Total households	10,248	10,248	10,248	10,248

T 3.2.3

Chapter 3

Households - Sanitation Service Delivery Levels below the minimum						
Description	2021/2022	2022/2023	2023/2024	2024/2025		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	9,084	9,084	9,084			9,084
Households below minimum service level	1,115	1,115	1,115			1,115
Proportion of households below minimum service level						
Informal Settlements						
Total households	586	586	586			586
Households below minimum service level	586	586	586			586
Proportion of households below minimum service level						

T 3.2.4



T 3.2.5

Chapter 3

Employees: Sanitation Services					
Job Level	2023/2024	2024/2025			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	33	13	20	65%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	13	20	65%

T 3.1.7

Financial Performance 2024/2025: Sanitation Services					
R'000					
Details	2023/2024	2024/2025			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	Information contained in the Annual Financial Statement				
Expenditure:	4,776,242	7,479,851	7,489,851	2,512,567	4977284
Employees	43,202	100 000	100 000	55 056	44944
Repairs and Maintenance	10,533,630	9 293 891	8 273 891	6 275 763	1998128
Other	15,353,074	16,873,742	15,863,742	8,843,386	7020356
Total Operational Expenditure	359,384,952	357,864,284	358,874,284	365,894,640	7,020,356
Net Operational Expenditure	4,776,242	7,479,851	7,489,851	2,512,567	4977284

T 3.2.8

Capital Expenditure 2024/2025: Sanitation Services					
R' 000					
Capital Projects	2023/2024				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	20,727,000	20 727 000	8,174,584	39%	
No projects for this unit in the year under review					

T 3.2.9

SANITATION SERVICES PERFORMANCE OVERALL
<p>There is a need to improve systems for operations and maintenance that can ensure sustainable, reliable services and turnaround time to consumers. Currently the municipal capacity to reliable service is overburdened due to the resources that are over stretched. The municipality is using an external service provider for sucking up the septic tanks. A schedule of routine on check-up inspections of oxidation ponds in Boshof, Hertzogville and Dealesville to avoid being reactive on the maintenance. All the oxidation ponds of the municipality are undergoing refurbishment and upgraded by different contractors utilising MIG and WSIG.</p>

T 3.2.10

Chapter 3

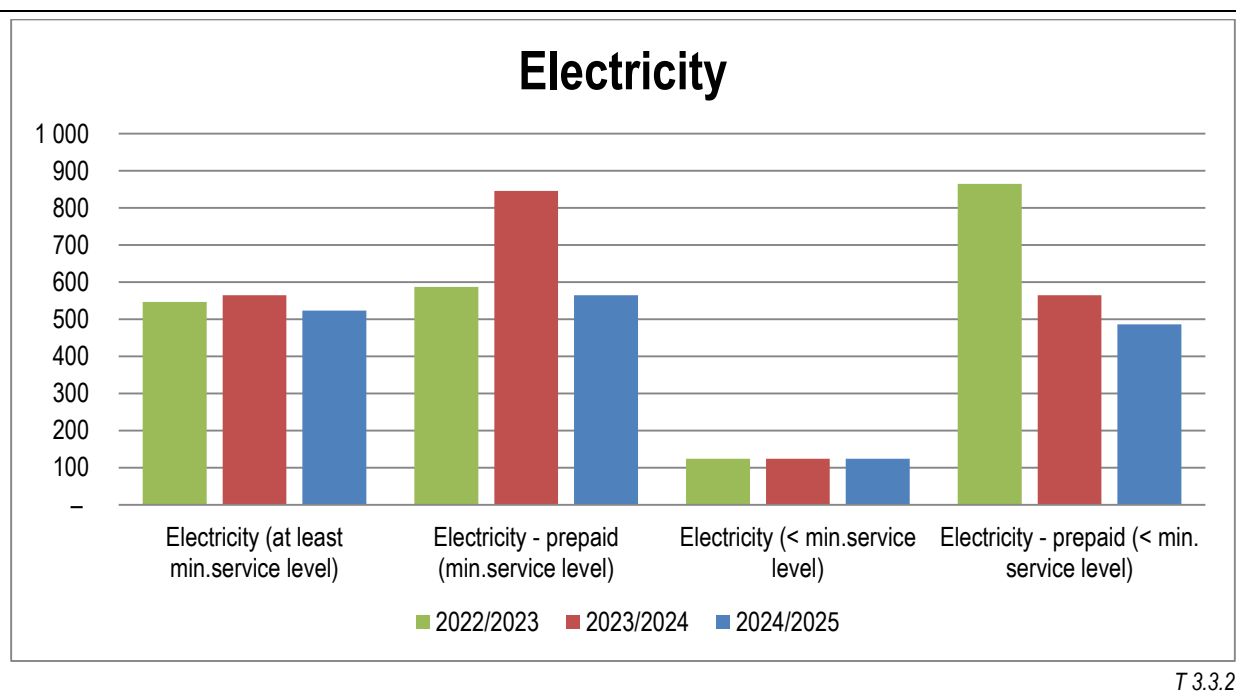
3.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

Electricity is one of the most sought-after basic services. Local government plays an important role in the provision of electricity, as an agent for Eskom. Section 153 of the Constitution places the responsibility on municipalities to ensure the provision of services to communities in a sustainable manner for economic and social manner. Electricity supply is shared amongst the Municipality and Eskom as the Service Providers. Eskom is providing electricity services at Malebogo and Tshwaraganang, and the Municipality is responsible for the remaining areas and is a licensed service provide

At present there is no backlog in the provision of electricity to household. The amendments to the regulations clarify the regime applicable to municipalities when requesting determinations under Section 34 of the Electricity Amendment Act, this will ensure an orderly development that is in line with the applicable Integrated Resource Plan (IRP) and municipal Integrated Development Plans (IDPs). The amendments will ensure that requests are from municipalities in good financial standing, with feasible project proposals.

T 3.3.1



T 3.3.2

Chapter 3

Electricity Service Delivery Levels				
Description	2021/2022	2022/2023	2023/2024	Households 2024/2025
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
Energy: (above minimum level)				
Electricity (at least min.service level)				
Electricity - prepaid (min.service level)				
Minimum Service Level and Above sub-total				
Minimum Service Level and Above Percentage				
Energy: (below minimum level)				
Electricity (< min.service level)				
Electricity - prepaid (< min. service level)				
Other energy sources				
Below Minimum Service Level sub-total				
Below Minimum Service Level Percentage				
Total number of households				

T 3.3.3

This service is rendered by a Service Provider and there for this table is not relevant to TLM.

Employees: Electricity Services				
Job Level	2024/2025			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	7	2	5	71%
4 - 6	6	2	4	67%
7 - 9	0	0	0	0%
10 - 12	2	1	1	50%
13 - 15	1	0	1	100%
16 - 18	1	0	1	100%
19 - 20	0	0	0	0%
Total	17	6	12	71%

T 3.3.6

ELECTRICITY SERVICES PERFORMANCE OVERALL

Electricity supply is shared amongst the Municipality and Eskom as the Service Providers. Eskom is providing electricity services at Malebogo and Tshwaraganang, and the Municipality is responsible for the remaining areas and is a licensed service provide.

T 3.3.9

Chapter 3

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

INTRODUCTION TO WASTE MANAGEMENT

Solid waste- and landfill site management:

The municipality provides a weekly scheduled refuse collection service to residents and businesses. A key responsibility of the municipality is to safely dispose of waste, and to ensure the general cleanliness in the town's streets including public spaces. The municipality is also mandated to ensure and enable the prevention of waste and pollution, as well as the minimisation of waste, but this is the combined responsibility of all of us, including the private sector and residents.

The municipality has an Integrated Waste Management Plan (IWMP) and was taken to Council for approval prior to it being adopted and implemented. The plan was also submitted, as required by the National Environmental Management: Waste Act 59 of 2008 as amended, to be endorsed in terms of section 11(a)(ii) by the current MEC for the Free State Province's Department of Economic Development, Environment, Conservation and Tourism (DEDECT).

The Unit has ensured that the waste landfill sites comply with the license conditions and other legislative requirements (including the Minimum Requirements for waste Disposal by Landfill). Landfill sites are serviced on a daily basis by clearing of waste and by compacting it to avoid the wind-blown litter. Due to lack of fund the sites cannot be rehabilitated and continually monitored (in terms of Sections 20 and 45 of the NEMWA).

The municipality conducts campaigns to raise awareness about the current state of the environment and community is encouraged to separate waste from the source within their households. It is more efficient for waste collection trucks to collect waste that has already been sorted rather than waste that has not been separated. There were programmes for waste minimisation and recycling, and these were implemented by municipality.

All the measures to treat, process and dispose of waste as provided in the NEMWA are addressed and implemented through local waste management plans and aligned by-laws. The municipality do its utmost to inform and educate residents regarding littering using available waste information pamphlets. Street cleaning crews are operating in and around the CBD and entrance roads to the CBD at selected hours, in a week.

The Unit top 4 service delivery priorities are as follows:

- **Refuse removal:** Entails domestic and business refuse removal and clearing of drop off points / hotspots as per refuse collection schedule.
- **Illegal dumping:** Clearing of illegal hotspots which consists mainly of general waste and builder's rubble. Illegal dumping can be reduced through improved enforcement of waste management by-laws, provision of communal skip facilities and public awareness campaigns. There is a lack of capacity to monitor and prevent illegal dumping in the municipality.
- **Litter picking:** Littering occurs in all towns and villages in the municipality. There are no sufficient waste collection facilities such as skips, refuse bins in public areas and awareness campaigns. Enforcement is required within areas where littering is common.
- **Community Waste Awareness Campaigns:** Awareness campaigns need to continue on a regular basis to encourage the community to make use of available bins and waste removal services; to stop littering and illegal dumping.

Chapter 3

The Community Services Unit is understaffed. The organogram should be reviewed and new positions created to ensure an adequate waste collection service and management of the landfill sites. There is a lack of Environmental Management Inspector (EMI) or Waste Peace Officers to prevent illegal dumping, littering and to deal with environmental compliance and enforcement. Resource needs (vehicles, equipment, and manpower) addressed to ascertain effective and continual waste collection and disposal within the entire jurisdiction area. The municipality is appealing to the communities to not dump illegal waste, which can be hazardous to their health. The municipality will need to intensify recycling initiatives to minimize the amount of waste being transported.

List of services provided by environmental services unit:

- clearing illegally disposed waste
- conserving resources and the environment
- ad hoc removal of garden refuse
- provision of refuse removal services at events
- reducing the impacts of waste on the health, well-being, and environment
- grass cutting, parks, cemeteries and open spaces, beautification
- environmental conservation: bush cutting and tree removal

The Waste Management Unit is understaffed. The organogram should be reviewed and new positions created to ensure an adequate waste collection service and management of the landfill sites. There is a lack of Environmental Management Inspector (EMI) or Waste Peace Officers to prevent illegal dumping, littering and to deal with environmental compliance and enforcement.

T 3.4.1

Solid Waste Service Delivery Levels				
Description				Households
	2021/2022	2022/2023	2023/2024	2024/2025
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
Solid Waste Removal: (Minimum level)				
Removed at least once a week	9,670	9,670	9,670	9,670
Minimum Service Level and Above sub-total	9,670	9,670	9,670	9,670
Minimum Service Level and Above percentage				
Solid Waste Removal: (Below minimum level)				
Removed less frequently than once a week	586	586	586	586
Using communal refuse dump				
Using own refuse dump				
Other rubbish disposal				
No rubbish disposal				
Below Minimum Service Level sub-total	586	586	586	586
Below Minimum Service Level percentage				
Total number of households	10,248	10,248	10,248	10,248

T 3.4.2

Chapter 3

Households - Solid Waste Service Delivery Levels below the minimum						
Description	2021/2022	2022/2022	2023/2024	Households		
	Actual	Actual	Actual	2024/2025		
	No.	No.	No.	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Total households	9,670	9,670	9,670			9,670
Households below minimum service level	586	586	586			586
Proportion of households below minimum service level	6%	6%	6%			6%
						T 3.4.3

Employees: Waste Disposal Management Services						
Job Level	2023/2024	2024/2025				
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)	
	No.	No.	No.	No.	%	
0 - 3	0	41	27	14	34%	
4 - 6	0	0	0	0	0%	
7 - 9	0	0	0	0	0%	
10 - 12	0	0	0	0	0%	
13 - 15	0	0	0	0	0%	
16 - 18	0	0	0	0	0%	
19 - 20	0	0	0	0	0%	
Total	0	41	27	14	34%	
						T 3.4.5

Financial Performance 2024/2025: Solid Waste Management Services						
R'000						
Details	2023/2024	2024/2025				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	Information contained in the Annual Financial Statement					
Expenditure:						
Employees	4,932,135	7 434 521	7 446 521	7 148 306	298215	
Repairs and Maintenance	132,470	70 000	70 000	76 063	-6063	
Other	266 278	3 063 778	3 118 778	173 935	2944843	
Total Operational Expenditure	5,330,883	10,568,299	10,635,299	7,398,304	3236995	
Net Operational Expenditure	359,384,952	357,864,284	358,874,284	365,894,640	7,020,356	
						T 3.4.7

Chapter 3

Financial Performance 2024/2025: Waste Disposal and Other Services					
R'000					
Details	2023/2024	2024/2025			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	Information contained in the Annual Financial Statement				
Expenditure:					
Employees	4,932,135	7 434 521	7 446 521	7 148 306	298 215
Repairs and Maintenance	132,470	70 000	70 000	76 063	-6 063
Other	266 278	3 063 778	3 118 778	173 935	2 944 843
Total Operational Expenditure	5,330,883	10,568,299	10,635,299	7,398,304	3 236 995
Net Operational Expenditure	369,407,143	364,169,727	364,102,727	367,339,722	7,020,356
T 3.4.8					

Capital Expenditure 2024/2025: Waste Management Services					
R' 000					
Capital Projects	2024/2025				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	%	
No projects for this unit in the year under review					
T 3.4.9					

WASTE MANGEMENT SERVICE PERFORMANCE OVERALL

Illegal dumping and littering are an environmental crime and still an ongoing problem within our municipality. The municipality do its utmost to inform and educate residents regarding illegal dumping and using available waste removal services, The cost involved in the removing and cleaning of illegal dumping is exorbitant and could be better utilised in delivering other desperately required services in the communities. Illegal waste dumping hotspots are continuously managed and serviced regularly to prevent nuisances from escalating. Apart, from opens spaces, there are specific areas within the municipal boundary where illegal dumping happens more often than others. People have the tendency of dumping on every corner although a collection service is being provided.

The waste fleet has aged; there had been budget cuts and there was a backlog in the replacement programme. There was large-scale illegal dumping from the private sector and there was no law enforcement to prevent this. SAPS needed to be more proactive in not only investigating this issue but actively trying to prevent this from happening.

The Status of Waste Management: Landfill sites. Waste Management Licenses (WMLs) are issued for:

- Boshof landfill site licensed for operation;
- Dealesville landfill site licensed for operation; and
- Hertzogville landfill site licensed for operation.

T 3.4.10

Chapter 3

3.5 HOUSING

INTRODUCTION TO HOUSING

This function is not currently capacitated in the Tokologo Local Municipality.

T 3.5.1

Percentage of households with access to basic housing

Year end	Total households (formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2022/2023			
2023/2024			
2024/2025			

T 3.5.2

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

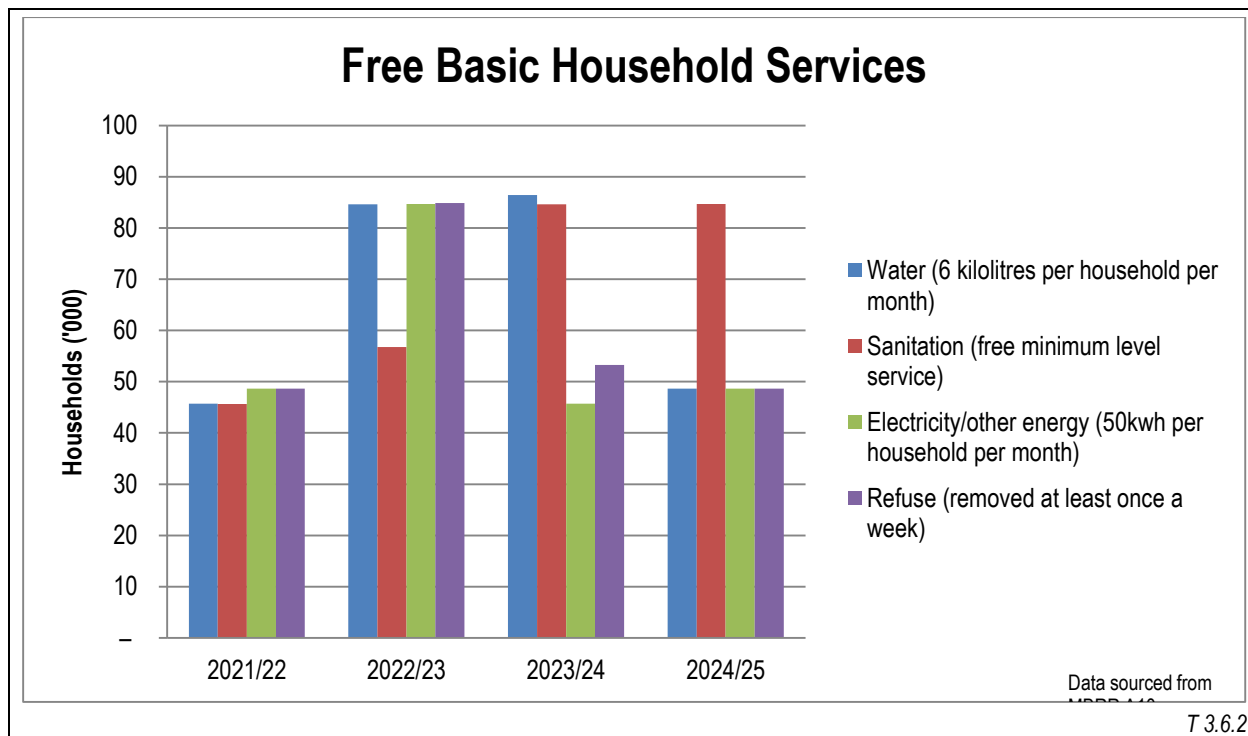
INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Main sources of income consist of transfers from other spheres of government of which intergovernmental transfers are the most important. A portion of this income (equitable share) is earmarked for indigent relief which is used to alleviate and address poverty.

The Tokologo Local Municipality being predominately rural, widely, and sparsely scattered, historically disadvantaged and having high unemployment is still behind with basic services. This situation of the municipality also contributes to high installation of new services and exhausting the limited funding. Also qualifying the majority of the needy community to afford installing services themselves or paying for rendering of those services, therefore necessitating the Free Basic Services' assistance and to ensure social benefit for indigents is provided to deserving household through indigent support programmes and free basic services and to improve debt collection and implement credit control measures.

T 3.6.1

Chapter 3



Free Basic Services To Low Income Households

	Number of households										
	Total	Households earning less than R6,000 per month									
		Total	Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
			Access	%	Access	%	Access	%	Access	%	
2024/2025	9,038	1,708	1,708	100%	1,708	100%	1,221	71%	1,708	100%	
2023/2024	9,038	1,452	1,452	100%	1,452	100%	952	66%	1,452	100%	
2022/2023	9,038	1,362	1,362	100%	1,362	100%	927	68%	1,362	100%	

T 3.6.3

Financial Performance 2024/2025: Cost to Municipality of Free Basic Services Delivered

Services Delivered	2023/2024	2024/2025			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	544,747	2,253,840	0	1,796,592	457,249
Waste Water (Sanitation)	3,822,505	7,387,920	0	5,973,748	1,414,172
Electricity	778,545	2,127,600	0	1,298,900	828,700
Waste Management (Solid Waste)	2,480,688	4,695,600	0	3,806,175	889,425
Total	7,626,485	16,464,960	0	12,875,315	3,589,645

T 3.6.4

Chapter 3

FREE BASIC SERVICES AND INDIGENT SUPPORT

While the Tokologo Local Municipality maintains an active Indigent Register, the low number of registered households does not fully reflect the actual socio-economic hardships faced by the community. There remains a significant gap between the reality of poverty in the municipality and the official statistics, which hinders the municipality's ability to secure adequate funding and improve service delivery. Despite extensive inter-stakeholder awareness campaigns across municipal wards aimed at promoting the "Service Basket," registration remains lower than expected. In 2025, the municipality recorded only 1,708 registered indigents.

Total household income must be R 6,000 or less (as determined by Council), or the applicant must be unemployed or a pensioner. The applicant must be the registered owner or legal occupant of the property. The applicant must occupy the residence full-time, must not own a business, and cannot own more than one immovable property. Registered households receive a comprehensive monthly subsidy comprising: Electricity: 50kWh, Water: 6kl, Statutory Relief: 100% subsidy on property rates, refuse removal, and sanitation services.

To bridge the gap between policy and community impact, the municipality is committed to the following: Streamlining Registration: Improving the accuracy of data collection to reduce "incomplete information" errors. Enhanced Awareness: Continuing targeted campaigns to ensure the "poorest of the poor" understand how to access and utilize their benefits (specifically electricity tokens).

The R 6 000 threshold is notably higher than the national average (which is often tied to two state pensions, roughly R 4,400). This suggests Tokologo is trying to capture the "Missing Middle" to increase its Equitable Share, but the low registration number (1,708) indicates a massive under-reporting issue given the high unemployment in the Tokologo area.

T 3.6.6

COMPONENT B: ROAD TRANSPORT

3.7 ROADS

INTRODUCTION TO ROADS

The Tokologo Local Municipality comprises of seven (7) wards, three (3) small towns, and three (3) townships. Streets within towns and townships are in bad conditions and been prioritised as most needed in most wards. The municipality is augmenting the development of roads infrastructure by constructing 1.5km of block paved streets at Seretse using Municipal Infrastructure Grant. The municipality is also blading streets to cemetery, schools, and community halls as and when required to make streets driveable for ease access.

The municipality has consistently been gaining backlogs with regards to road and stormwater infrastructure development and maintenance. This financial year the municipality could only cater for 1.5km of access road and 1.2km of storm water infrastructure through Municipal Infrastructure Grant.

T 3.7.1

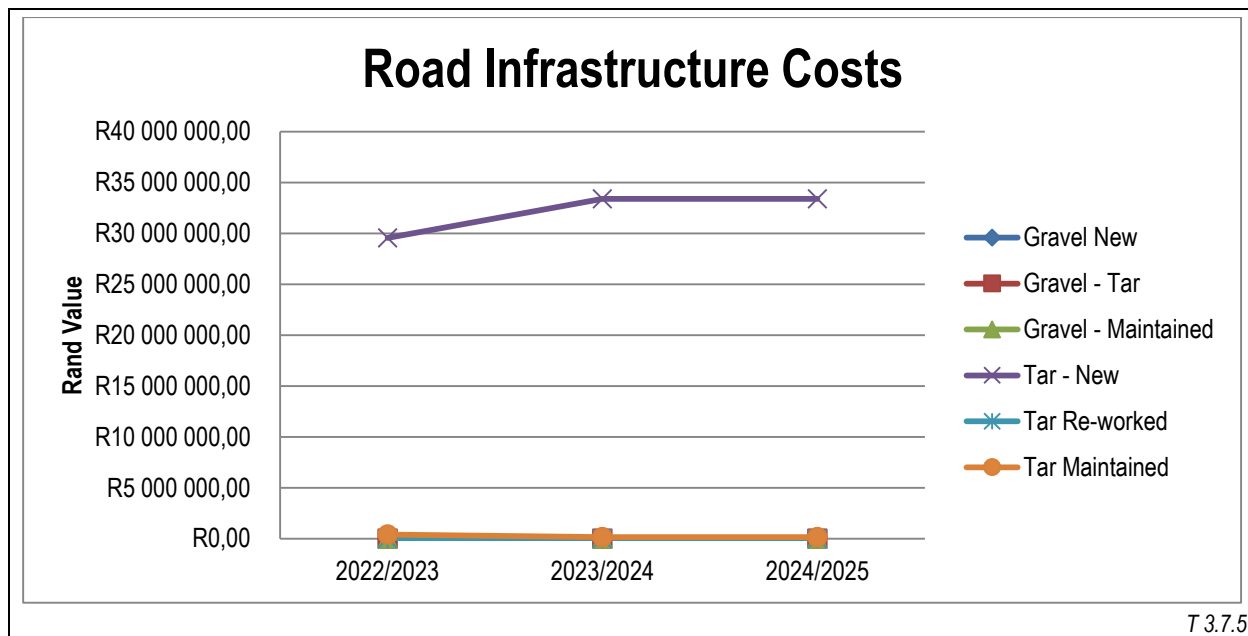
Chapter 3

Gravel Road Infrastructure				
Kilometres				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded / maintained
2022/2023	169.9km	0km	0km	0km
2023/2024	169.9km	0km	0km	28km
2024/2025	169.9km	0km	0km	11km
<i>T 3.7.2</i>				

Paved Road Infrastructure					
Kilometres					
	Total block paved roads	New block paved roads	Existing tarred roads re-tarred	Existing tar roads re-sheeted	Surfaced roads maintained
2022/2023	18.4km	1.5km	0	0	0
2023/2024	19.9km	1.5km	0	0	0
2024/25	21.4km	1.5km	0	0	0
<i>T 3.7.3</i>					

Cost of Construction / Maintenance (graph excel 3.7.5)						
R' 000						
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
2022/2023						
2023/2024						
2024/2025						
<i>T 3.7.4</i>						

Chapter 3



Employees: Roads and Storm Water Services					
Job Level	2023/2024	2024/2025			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3					%
4 - 6					%
7 - 9					%
10 - 12					%
13 - 15					%
16 - 18					%
19 - 20					%
Total					%

T 3.7.7

EMPLOYEE ROAD SERVICES

In terms of the municipal organogram the municipality has roads and storm water unit responsible for both functions as results above template will address employee information for roads and stormwater.

T 3.7.8

THE PERFORMANCE OF ROADS OVERALL

The three (3) largest capital projects form part of the municipal IDP and have been in strategy positions e.g. access to government institutions, cemetery streets and, trading centres. The capital expenditure is catered for development of new infrastructure; operating expenditure is for maintenance of the existing infrastructure to extend its life span.

T 3.7.10

Chapter 3

3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

INTRODUCTION TO TRANSPORT

The Municipality has a Traffic Management Unit which is comprised of 4 x Traffic Officers. The Unit is responsible to serve all subsidiary Office within the jurisdiction of Tokologo Local Municipality.

T 3.8.1

3.9 WASTE WATER (STORMWATER DRAINAGE)

INTRODUCTION TO STORMWATER DRAINAGE

This section and all the sub-sections were merged with Section 3.7 that deals with Road Infrastructure.

T 3.9.1

PERFORMANCE HIGHLIGHTS 2024/2025

KPA 1: Basic Service Delivery and Infrastructure Development

No information available.

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes planning; and local economic development.

3.10 PLANNING

INTRODUCTION TO PLANNING AND DEVELOPMENT

The Municipalities' planning strategies are always guided by the IDP and the SDF as an IDP component. The municipal SDF has for the past 5 years (2017 - 2022) envisioned efficient spatial restructuring supported by the following objectives: guiding land allocation and settlement development; promoting optimal spatial allocation of resources in development planning; sustainable development of the municipality's economic resources in pursuit of economic vitality and independence and providing a spatial basis for stakeholder cooperation as an important key to addressing spatial challenges.

The implementation of the Spatial Planning and Land Use Management Act (Act 16 of 2013) has played a key role in improving performance and major efficiencies. As difficult as it is to enforce the municipal Land Use Scheme - we have collaborated with relevant stakeholders (e.g. Department of Public Works and Infrastructure) in addressing land use inconsistencies. However, improved management and/or administration of the CBD area is required in order to create a favourable central business area for businesses and community members.

Our planning strategies are set in the Municipal Spatial Development Framework (SDF) with the following main element – efficient spatial restructuring; supported by the following objectives: guiding land allocation and settlement development; promoting the optimal spatial allocation of resources in

Chapter 3

development planning; sustainable development of the municipality's economic resources in pursuit of economic vitality and independence; and providing a spatial basis for stakeholder cooperation.

The Spatial Planning and Land Use Management Act, 2013 has presented to the municipality the opportunity of administering the entire municipal area with tools such as the Spatial Development Framework; Environmental Development Framework and Land Use Scheme.

Each of the tools mentioned play a key role in planning and development of the municipality. The Spatial Development Framework is developed to provide a representation of land development policies, strategies, and objectives of the municipality. Whereas the Land Use Scheme is developed to guide and regulate land uses within the municipality.

T 3.10.1

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO LOCAL ECONOMIC DEVELOPMENT

The Tokologo Local Economic Development (LED) Strategy aims to provide a platform for economic development and collaboration between government, business, and the community. It is aligned to the National Local Economic Development Framework 2018 – 2028 and the subsequent draft National LED Implementation plan. The strategy demonstrates a firm commitment to alleviate poverty, attract investment, and create new jobs while taking advantage of local development opportunities.

The main focal areas of the municipality's economic environment are depicted in the LED strategy as follows.



The municipality currently has a limited budget and will therefore not be in a position to implement programs for all the focal areas. Given the current financial state of the municipality, the LED unit has identified three of the five focus areas, that is, Agriculture, Small Business Development and Tourism for implementation in the financial year 2024/2025.

The municipality has contributed to Small Business Development through the allocation of equipment relevant to their respective line of business. As at the end of June, twenty (20) small businesses have benefited from the grant. In addition, we have ensured that small businesses are capacitated through information sharing workshops and trainings leading to access to funding from various stakeholders.

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Local economic Development is implemented through a multi-stakeholder's approach, which requires the municipality to facilitate the process of creating a platform for participation. This has been done by hosting a functional LED Forum on a quarterly basis.

Tourism is public sector led or supported, and private sector driven. As a way of supporting the development of the tourism sector in our municipality, the municipality embarked on an awareness campaign on the Tourism attractions available within the boundaries of Tokologo.

T 3.11.1

Economic Activity by Sector			
Sector	2022/2023	2023/2024	2024/2025
Agric, forestry and fishing	1.0%	1.0%	1.0%
Mining & quarrying	0.9%	0.9%	0.9%
Manufacturing	4.6%	4.6%	4.6%
Wholesale and retail trade	11.1%	11.1%	11.1%
Finance	10.0%	10.0%	10.0%
Govt, community a social service	70.9%	71.0%	71.0%
Infrastructure services	1.5%	1.4%	1.4%
Total	100.0%	100.0%	100.0%

T 3.11.2

Economic Employment by Sector			
Sector	2022/2023	2023/2024	2024/2025
Agric, forestry and fishing			
Mining & quarrying			
Manufacturing			
Wholesale and retail trade			
Finance			
Govt, community and social services			
Infrastructure services			
Total			

T 3.11.3

LOCAL JOB OPPORTUNITIES

The Tokologo Local Municipal LED strongly support the poverty alleviation projects in order to improve the community livelihood and create sustainable and decent jobs.

The municipality need to give valuable support to the local SMMEs, especially the existing businesses, because they will create collectively the most jobs in the economy with the increasing number of the street traders, it is critical that we manage this sector efficiently through our monitoring and business support programmes. In the medium to long term, it is critical that we complete the integrated sustainable development plans so that we can budget adequately to support the various economic opportunity nodal developments.

The employment distribution in an economy refers to the proportional level of unemployment in each economic sector. This information allows for the identification of key sectors and labour absorptive industries as well as determining the need for employment diversification illustrates the distribution of

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employment in the Tokologo Local Municipality compared to the Lejweleputswa District Municipality and the Free State Province.

Employment in the Tokologo Local Municipality is relatively concentrated, compared to the distribution of output. The key employment industries in the Tokologo Local Municipality are Government (36%); Services (30%), Finance (17%) and Trade (12%). The high level of employment in these industries is consistent with other rural economies across South Africa. These opportunities are identified as having the potential to absorb local labour and thus will be emphasised throughout the Tokologo Local Municipality LED Strategy.

T 3.11.4

Jobs Created during 2022/2023 – 2024/2025 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created	Jobs lost / displaced by other initiatives	Net total jobs created in year	Method of validating jobs created/lost
	No.	No.	No.	No.
2022/2023				
2023/2024				
2024/2025				

T 3.11.5

Job creation through EPWP* projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2022/2023	1	20
2023/2024	1	30
2024/2025	1	30

T 3.11.6

Employees: Local Economic Development Services					
Job Level	2023/2024		2024/2025		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	1	1	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	2	2	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	1	0	1	100%
Total	0	4	3	1	25%

T 3.11.8

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Financial Performance 2024/2025: Local Economic Development Services					
R'000					
Details	2023/2024	2024/2025			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	Information contained in the Annual Financial Statement				
Expenditure:					
Employees	2,291,571	1 520 396	1 520 396	3 722 984	-2 202 588
Repairs and Maintenance	275,290	100 000	100 000	120 545	-20 545
Other	2,675,355	2 290 000	2 290 000	3 126 232	-836 232
Total Operational Expenditure	5,242,216	3,910,396	3,910,396	6,969,761	-3 059 365
Net Operational Expenditure	369,495,810	370,827,630	370,827,630	367,768,265	7,020,356
<i>T 3.11.9</i>					

Capital Expenditure 2024/2025: Economic Development Services					
R' 000					
Capital Projects	2024/2025				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	/
No projects for this unit in the year under review					
<i>T 3.11.10</i>					

LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL

The strength of the Tokologo local economy is mainly concentrated in the Services, Agriculture, and Trade and Transport sectors. From a development perspective the Transport and Services sectors are regarded as demand driven. This means that growth in these sectors is a reaction to growth in the other sectors (i.e. demand driven) of the economy and will thus expand if the other sector in the economy grows.

The Trade and Agricultural sectors are also regarded as key sectors for development intervention. These sectors indicated strong development potential and are currently the main provider of formal employment opportunities in Tokologo (excl. government services). It is however of concern that these sectors experienced slow or even negative production growth rates since 2011.

PERFORMANCE HIGHLIGHTS 2024/2025

KPA3: Local Economic Development

No information available.

COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes libraries and community halls; cemeteries and crematoria.

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3.12 LIBRARIES; COMMUNITY FACILITIES; (ETC)

INTRODUCTION TO LIBRARIES

Community libraries possess a unique value in a community in that they are free to all citizens of the municipality regardless of age, race, religion, gender, or social standing. They provide a gateway to knowledge, access to information for life long- learning, independent decision making and recreational activities for the whole community. The overarching goals of the library service are to assist the nation with its goal of eliminating illiteracy and to narrow the digital divide that accentuates disparities in development by providing access to information and knowledge.

The purpose of the library services is to advance service delivery in all community libraries, to improve existing libraries within the municipality and to transform urban and rural community library infrastructure, facilities, and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives. The municipality receives conditional grant allocation every year from the Provincial Department of Culture, Art, and Traditional Affairs for library infrastructure improvement.

Community Libraries' intent is to function as development agents providing dynamic Library and Information Services to all the people of Tokologo in their quest for lifelong learning, literacy, cultural expression, recreation, and economic development. Libraries in the municipality is managed and controlled under various legislation guides of whom the following two is the most important. The Constitution of the Republic of South Africa: According to schedule 5A Public Libraries are the competency of Provincial Government and for the fact that this is an unfunded mandate. This situation is addressed by receiving conditional grants and equitable share transfers from Provincial Government. South African Public Library and Information Services Bill (Draft). The draft bill will set uniform minimum norms and standards, principles for Library and Information Services, Institutional arrangements, Inter Governmental arrangements, and Assignment of functions.

3.13 CEMETORIES AND CREMATORIUMS

INTRODUCTION TO CEMETORIES AND CREMATORIUMS

The municipality only provide services at the three Townships graveyards which are: Boshof, Dealsville and Hertzogville. The municipality is also assisting with the cleaning of graveyards as and when requested in all communal graveyards within the jurisdiction of the municipality. The municipality is offering cemeteries services such as digging of graves, self-dug, issuing of grave numbers and cleaning of graveyards. All these services are administered for purposes of internal control through the administration process of bookings and payments.

With regard to crematorium, Tokologo Local Municipality has never conducted any cremation services in its entirety and if such services are required, Lejweleputswa District Municipality will be approached for assistance.

T 3.13.1

THE PERFORMANCE OF CEMETORIES AND CREMATORIUMS OVERALL

The municipality provide administrative services and excavation of graves to communities for burials at municipal cemeteries which are: Seretse Township, Twsaraganang Township, and Malebogo Township

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also maintenance as and when at the sites. The municipality gives service in the rural villages as may be requested from time to time with reference to fencing of graveyards.

T 3.13.2

3.14 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

The municipality through MIG provides community facilities and through its operational budget undertakes maintenance, renovations, and repairs to all municipal facilities. During the period under review the municipality conducted routine maintenance function in Community Halls, Parks, Sports facilities, and municipal offices. The Municipal Buildings maintenance plan has been developed for Municipal offices, including community and sports facilities, however the structural assessment for Community halls and facilities has been conducted on annual basis.

The childcare function is the responsibility of the Department of Social Development. However, the municipality assists annually with school uniforms and food parcels for vulnerable children.

T 3.14.1

COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes pollution control; biodiversity and landscape; and costal protection.

3.15 POLLUTION CONTROL

The municipality has a constitutional mandate to ensure that it guarantees everyone the right to an environment that is not harmful to their health or wellbeing and to have the environment protected for the benefit of present and future generation through reasonable legislative and other measures that prevent pollution, ecological degradation, promote conservation and secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development.

The municipality achieves this through:

- Waste Management.
- Biodiversity Management.
- Environmental Education and Awareness.
- Enforcement and compliance.

T 3.15.1

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

No information available.

T 3.16.1

COMPONENT F: HEALTH

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

T 3.17

3.17 CLINICS

In terms of schedule 4b of the constitution of the republic of South Africa, the health function is allocated to department of health in the province and Tokologo Local Municipality does not account for this function.

T 3.17.1

3.18 AMBULANCE SERVICES

In terms of schedule 4b of the Constitution of the Republic of South Africa, the health function is allocated to Department of Health in the Province and the Tokologo Local Municipality does not account for it.

T 3.18.1

3.19 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

In terms of the allocation of powers and function as allocated by the MEC in the province, the Leweleputswa District Municipality is performing the function of behalf of the municipality and few officials of the district are seconded to the municipality to execute the function.

T 3.19.1

COMPONENT G: SECURITY AND SAFETY

3.20 POLICE

This function is not relevant to the Tokologo Local Municipality.

T 3.20.1

Chapter 3

3.21 FIRE

INTRODUCTION TO FIRE SERVICES

Fire Fighting Service is not a Local Municipal function. The District Municipality is also responsible for provision of firefighting service Tokologo Local Municipalities in terms of Section 84 (1) j of the Municipal Systems Act 32 of 2002. The Act further describes the local function as:

- Preventing the outbreak or spread of a Fire Fighting or extinguishing a fire;
- The protection of life or property against a fire or other threatening danger; and
- The rescue of life or property from a fire or other danger.

T 3.21.1

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

This function is a shared service between the Tokologo Local Municipality and the Lejweleputswa District Municipality.

T 3.22.1

COMPONENT H: SPORT AND RECREATION

This component includes community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

3.23 SPORT AND RECREATION

INTRODUCTION TO SPORT AND RECREATION

The municipality has several amenities. These amenities are used for various events and activities ranging from sport, music, meetings / conference, burial activities, community activities and needs like church or wedding council activities. The municipality has developed the following Municipal Amenities:

- Community Halls: Boshof / Seretse – 2,
Dealesville / Tshwaraganang – 1,
Hertzogville/Malebogo – 2.
- Sports Fields: Boshof / Seretse – 2,
Dealesville / Tshwaraganang – 1,
Hertzogville/Malebogo – 2.
- Parks and Recreation: Boshof / Seretse – 1,
Dealesville / Tshwaraganag – 1,
Hertzogville / Malebogo – 1.
- Municipal Offices: Boshof – 2,
Dealesville – 2,
Hertogville – 2,

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- Cemeteries: Boshof / Seretse – 3,
Dealesville / Tshwaraganang – 3,
Hertzogville / Malebogo – 3.

T 3.23.1

Employee: Parks and Amenities					
Job level	2023/2024	2024/2025			
	Employees No	Posts No	Employees No	Vacancies (fulltime Equivalent) No	Vacancies (as a % of total posts)
0 - 3					%
4 - 6					%
7 - 9					%
10 - 12					%
13 - 15					%
16 - 18					%
19 - 20					%
Total					%

T 3.23.3

THE PERFORMANCE OF PARKS AND RECREATION OVERALL

Parks and Recreation Division are dedicated to enhancing the quality of life of Tokologo residence by providing recreational and leisure time opportunities. The division is also responsible for the planning, development and maintenance of the municipal parks, landscape maintenance and other public properties owned by the municipality.

Our Park division preserves and maintains the municipal investment in the community park, sport facilities and amenities. A key element in the Parks and amenities Division is periodic and preventive maintenance of these assets. The workforce is assigned regularly scheduled maintenance activities, in addition to managing the inevitable unforeseen or emergency repair.

These assignments ensure that all parks, sport field and amenities are inspected, maintained, repaired and in operable condition for the community to utilized. The parks and recreation Division is furthermore accountable for the design and construction of the parks and the restoration and renovation of some of the municipal mature parks and amenities.

T 3.23.4

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

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

INTRODUCTION TO CORPORATE POLICY OFFICES

Chapter 7 of the Constitution of the Republic of South Africa states that the municipality comprise of Councillors, Officials, and the Community. In order for the municipality to govern its affairs correctly it

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must consult with the community to ensure that needs are correctly determined, explained, and included in the IDP for service delivery purposes.

Policies must be put in place which will address the needs of the community in terms of how service delivery matters will be addressed.

In order for the municipality to be able to address the service delivery matters the municipality must within limitation approve a budget that will be commensurate with the needs/projects identified for the particular year. This budget must also address matters of staff, and this can only be achieved through the costed organogram that must be cost effective but also providing sufficient management and other position in order to be able to render effective and satisfactory delivery of services.

T 3.24

3.24 EXECUTIVE AND COUNCIL

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

INTRODUCTION TO EXECUTIVE AND COUNCIL

In accordance with chapter 7 section 151 (2) of the Constitution of the Republic of South Africa, 1996, the Executive and Legislative authority of a municipality is vested in its Municipal Council.

The municipality is an ExCo type and comprises seven (7) Wards. It is led by a Council made up of 13 members, the Speaker, Mayor, and the Executive Committee. The Mayor is the Head of Executive Committee (ExCo) which comprises of two (2) Councillors who head various departments and serve in portfolio committees. Section 152 of the Constitution spells out categorically clear, the objectives of Local Government and the powers and functions of municipalities are determined in section 156 of the Constitution.

The executive authority of the Council is vested with the Mayor who must however report to Council and is assisted by the members of the Executive Committee established by the Mayor and can take decision. However, there are certain matters on which the Mayor as the Head of the municipality cannot take decisions i.e. the approval of the Budget, IDP and By-Laws, as these matters cannot be delegated and must be approved by Council.

In terms of delegation of powers certain matters may be delegated to the Mayor by Council who will in turn also sub-delegate to the Municipal Manager. The Municipal Manager may also sub-delegate to Directors who may in turn further sub-delegate to other officials.

Section 152 of the Constitution sets among others the following objectives for Local Government:

- (a) to provide democratic and accountable government for local communities
- (b) to ensure the provision of services to communities in a sustainable manner
- (c) to promote social and economic development

T 3.24.1

Chapter 3

3.25 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

This department deals with the administration of finances of the municipality i.e. own budget as well as the money received from Government Fiscal i.e. allocation by Government to the municipality to enhance service delivery as in MIG and equitable shares. In order for the municipality to have effective service delivery, budget and IDP processes must be followed in order to ensure public participation to cover all community proposals in terms of projects. The department must develop budget related policies and by-laws which will govern consistent charging of moneys for services rendered to the communities.

Collection of moneys owed to Council as revenue must also be covered in terms of the approved policy.

T 3.25.1

Debt Recovery

R' 000

Details of the types of account raised and recovered	2023/2024		2024/2025			2025/2026	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	31,469	32	28,481	9,212	32	33 776	40
Electricity - B (Con)	2,009	69	1,868,072	1,806,785	97	2 323	100
Electricity - C (Prepaid)	24,932	100	27,965	27,965	100	30 829	100
Water - B	6,073	7	9,459,284	1,025	11	5 192	15
Water - C							
Sanitation	39,976	6	42,498	2,978	8	44 020	15
Refuse	25,938	6	27,461	2,164	7	29070	12
<i>B- Basic; C= Consumption</i>							T 3.25.2

Concerning T 3.25.2

The low collection rate that is above 40% on property rates is due to the fact that the municipality is rural, and majority of people are unemployed and are indigent.

T 3.25.2.1

Employees: Financial Services

Job Level	2023/2024		2024/2025		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	6	6	0	0%
4 - 6	0	20	9	11	55%

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7 - 9	0	3	2	1	33%
10 - 12	0	13	8	5	38%
13 - 15	0	1	1	0	0%
16 - 18	0	2	1	1	50%
19 - 20	0	0	0	0	0%
Total	0	45	27	18	40%

T 3.25.4

Financial Performance 2024/2025: Financial Services					
					R'000
Details	2023/2024	2024/2025			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:					
Employees	12,360,823	14,758,141	14,758,141	13,857,933	900 208
Repairs and Maintenance	-	-	-	-	-
Other	73,837,891	21,055,197	21,055,197	71,989,513	-50 934 316
Total Operational Expenditure	86,198,714	35,813,338	35,813,338	85,847,446	-50 034 108
Net Operational Expenditure	288,539,312	338,924,688	338,924,688	288,890,580	7,020,356

T 3.25.5

THE PERFORMANCE OF FINANCIAL SERVICES OVERALL

The overall financial performance of the municipality has been a healthy one coupled with savings from various votes (low priorities) as opposed to poor expenditure. That is catering, S&T, etc. The municipality's overall budget has been funded for the past five years.

The municipality has been able to abide by the cost containment controls implemented by the National Treasury. The centralisation of Supply Chain Management processes has also yielded positive results in ensuring that irregular expenditure is curbed and all Supply Chain Management processes are followed when procuring goods and services. Employee costs are well within the budget. The municipality has been able to settle its creditors in time which is a positive.

The municipality is grant dependent and this has remained a pivotal hindrance to achieving our goal which is 100% implementation of all IDP projects. The low grant allocation coupled with low collection remains a thorny issue. However, the municipality is in a process of developing a revenue enhancement strategy that would seek to attract more funding and create new revenue base. Government debt has reduced as some of the departments have been able to pay their debts in 2024/2025. The magnitude of "the culture of non-payment" of services by the community is also an issue which should be addressed if indeed the municipality is to reduce reliance on grants and improve in rendering services. There has been a great improvement in the reconciliation of the valuation roll through data cleansing. Our debtors-book credibility has also improved through the process of data cleansing.

All priorities have been budgeted for are part of the IDP. The municipality needs to improve on the budget for maintenance, especially on electricity. Unfunded mandates like the repairs and maintenance on water infrastructure is a burden to the municipality and comes at a remarkably high cost. Water infrastructure within the municipal jurisdiction is the property of the district municipality and yet is maintained by us.

T 3.25.7

Chapter 3

3.26 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

Achievement:

Human Resource played a vital role in facilitating the process of ensuring that a Minimum Service Agreement is signed and the certificate of ratification was issued on 22 of July 2024.

Recruitment:

Human Resource played a vital role in ensuring that the municipality achieves its IDP goals by employing new employees to ensure that services are provided to our communities as part of our commitments.

Occupational Health and safety:

In terms of the OHS Act, the employer is obliged to ensure that health and safety measures are observed at all times and further that its activities are performed in a diligent manner that will not any one's health at risk.

Future plans:

A continuous workshop on labour matters is intended to be conducted for the employees in that they become aware or reminded of the code of conduct in the municipality to minimise acts of misconduct.

HR Policies:

Council adopted the HR policy manual in May 2025.

Organisational Organogram:

In terms of Section 66 (1) of Municipal Systems Act 32 of 2000, A Municipal Manager, within a policy framework determined by the policy framework determined by the Municipal Council and subject to any applicable legislation must develop a staff establishment to the Municipal Council for approval.

The structure was therefore submitted to Council together with the IDP for approval in May 2025. There are three (3) directorates established which are:

1. Office of Municipal Manager comprised of the following Units:

- 1.1 Performance Management
- 1.2 Internal Audit
- 1.3 IDP
- 1.4 Risk Management

2. Community Services, the Department has just introduced the Traffic Services Unit:

- 2.1 Municipal Facilities
- 2.2 Fleet Management
- 2.3 Waste Management
- 2.4 Traffic Management
- 2.5 Security

3. Technical Services which is comprised of the following Units:

- 3.1 Project Management
- 3.2 Water and Sanitation
- 3.3 Electricity
- 3.4 LED

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3.5 Disaster Management

4. Corporate Services comprised of the following Units:

- 4.1 Human Resources Management
- 4.2 Administration and Council Support
- 4.3 Information Technology and Communication
- 4.4 Records Management
- 4.5 Legal Services

5: Financial Services comprised of the following Unit:

- 5.1 Budget and Treasury
- 5.2 Revenue
- 5.3 SCM and Expenditure

The above-mentioned Directorates are headed by the Section 56 Managers. The positions of Director Technical Services and Director Community Services are vacant. Only the Director Technical Services has someone acting in it.

Recruitment:

The HR Unit has a responsibility of filling all vacant positions with a target of 10 per annum.

- 3 positions were therefore filled during the financial year;
- 2 resignations; and
- 1 retirements and 3 deaths.

T 3.26.1

Employees: Human Resource Services					
Job Level	2023/2024	2024/2025			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	4	1	3	75%
7 - 9	0	0	0	0	0%
10 - 12	0	5	2	3	60%
13 - 15	0	0	0	0	0%
16 - 18	0	2	1	1	50%
Total	0	11	4	5	45%

T 3.26.4

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Financial Performance 2024/2025: Corporate Services					
R'000					
Details	2023/2024	2024/2025			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	Information contained in the Annual Financial Statement				
Expenditure:					
Employees	11,121,103	15,020,725	15,020,725	9,868,325	5 152 400
Repairs and Maintenance	17,997	32 100	32 100	40,022	-7 922
Other	8,915,671	9,300,784	9,300,784	10,375,336	-1 074 552
Total Operational Expenditure	20,054,771	24,353,609	24,353,609	20,283,683	4 069 926
Net Operational Expenditure	354,683,255	350,384,417	350,384,417	354,454,343	7,020,356
T 3.26.5					

Capital Expenditure 2024/2025: Human Resource Services					
R' 000					
Capital Projects	2024/2025				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
T 3.26.6					

THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL

The Human Resource Management has done well, we managed to crucial vacant positions except that of IT Manager, Internal Audit Manager and Performance Manager, which their recruitment is underway.

T 3.26.7

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

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

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

ICT Unit is the backbone of communication in this institution but without proper resources it is difficult to reach maximum performance on in-house service delivery also externally. Efforts have been made to upgrade and update the ICT systems and so far, the municipality managed to make minor changes. The ICT services in the Tokologo Local Municipality are mainly to ensure that new technology is introduced to the municipality and that the current systems are maintained and updated.

The overall ICT functions are as follows:

1. Internal LAN / WAN monitoring and management;
2. Maintenance of ICT Hardware;
3. Procurement of Hardware/Software;
4. Systems administration and operations on servers (daily back-ups, replication to DRP server etc.);
5. Access control of users to systems;

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6. Managing of the general ICT operations;
7. Cybersecurity management (firewalls, antivirus, intrusion detection, risk assessments);
8. Data protection and compliance (POPIA compliance, data privacy management);
9. Disaster Recovery and Business Continuity planning;
10. Network security monitoring and incident response;
11. Email and collaboration systems management (Microsoft 365, Teams, etc.); and
12. Application support and management (financial systems, HR systems, billing systems).

IT Infrastructure State:

Overall, the ICT infrastructure is aging, poorly maintained, and requires urgent upgrades to meet operational and security standards.

Server Infrastructure

The municipality operates on aging physical servers (on-premise servers – servers hosted internally). Although the servers are currently functional, they are nearing end-of-life (EOL), which poses risks such as:

- Increased hardware failure;
- Performance degradation;
- Security vulnerabilities; and
- Lack of vendor support and spare parts.

There is also limited implementation of DRP (Disaster Recovery Plan) and BCP (Business Continuity Plan), exposing the municipality to data loss risks.

IT Risks / Security:

In line with the COBIT (Control Objectives for Information and Related Technologies) framework, ICT risk management within the municipality is embedded into the Institutional Risk Assessment Process and captured in the Risk Register, which is reviewed on a quarterly basis. This approach supports effective IT governance, risk mitigation, and compliance with regulatory requirements.

COBIT promotes the alignment of ICT with business objectives through structured governance and management practices. The municipality's risk management efforts align mainly with the following COBIT domains:

- EDM (Evaluate, Direct and Monitor) – Governance oversight;
- APO (Align, Plan and Organise) – ICT risk planning;
- DSS (Deliver, Service and Support) – Operational risk management; and
- MEA (Monitor, Evaluate and Assess) – Continuous performance monitoring.

Outsourced ICT Services:

The municipality has outsourced several ICT services to external service providers to support operational efficiency and service continuity.

1. Inzalo (Sebata)

Inzalo (Sebata) has been appointed as the primary ICT service provider responsible for the following services:

- Data backups;
- Website hosting;
- Email hosting;
- Internet services (fibre connectivity);

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- Firewall management;
- EMS (Enterprise Management System); and
- FMS (Financial Management System).

These services are critical for daily municipal operations, system availability, and data protection.

2. Printer Services – Kekana

Kekana was previously contracted to provide printer services. However, the Service Level Agreement (SLA) was terminated due to:

- Breach of contract;
- Poor service delivery; and
- Failure to meet agreed performance standards.

The municipality is currently in the process of appointing a new service provider to replace Kekana and restore stable printing services.

3. Telecommunications Services

The following mobile network operators provide telecommunications services:

- Vodacom – Boshof and Dealesville;
- Telkom – Boshof and Dealesville; and
- MTN – Hertzogville.

Despite these arrangements, there are significant network challenges, particularly in Hertzogville, where:

- Coverage is poor;
- Telephone lines experience frequent downtime; and
- Communication reliability is severely affected.

4. End-User Devices and Data Contracts

Vodacom / Davo provides the municipality with:

- Laptops;
- Mobile phones; and
- Mobile data contracts.

Data allocations range between 20GB and 100GB per user, depending on job requirements. These contracts support remote working, field operations, and communication.

Challenges:

Based on municipal environments, the following challenges are evident:

1. Lack of ICT Governance:
 - No formal ICT policies; and
 - No change management procedures.
2. Cyber Security Risks:
 - Outdated antivirus solutions; and
 - Lack of visibility to firewall management.
3. Backup and Data Protection:
 - Inconsistent backup schedules;
 - No offsite backup; and
 - No cloud backup solutions.

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4. Asset Management:
 - No updated ICT asset register; and
 - Untracked equipment movement.
5. Power Instability:
 - No UPS (Uninterruptible Power Supply); and
 - No generator backup for critical systems.
6. User Support:
 - No formal IT Helpdesk system; and
 - Reactive instead of proactive support.
7. Software Licensing:
 - Risk of non-compliant software licenses; and
 - No SAM (Software Asset Management).

Future Plans:

1. Implementation of Microsoft Intune

The municipality plans to implement Microsoft Intune, a cloud-based Mobile Device Management (MDM) and Mobile Application Management (MAM) solution to centrally manage and secure municipal devices and applications. This will enable ICT to enforce security policies, manage device configurations, and control access to municipal systems from both on-site and remote locations.

Key functions of Microsoft Intune include remote device management, application control, security policy enforcement, and conditional access integration with Azure Active Directory (Azure AD), automated patch management, and the ability to remotely lock or wipe lost or stolen devices. It also supports BYOD (Bring Your Own Device) management, ensuring municipal data remains protected even on personal devices.

The implementation of Intune will improve cyber security, strengthen compliance with regulatory standards such as POPIA, enhance asset visibility, and reduce ICT support workloads. Overall, it will contribute to improved productivity, better governance, and a more secure digital working environment for the municipality.

2. Relocating the server at Dealsville from the boardroom

IT department recommends relocating the server at Dealsville from the boardroom to a secure, access-controlled server room. The current location poses significant operational and security risks, as the boardroom is a public and high-traffic area accessible to multiple staff members and visitors.

Having the server in an open space exposes it to unauthorised access, theft, accidental damage, and tampering. There have been incidents where staff members unplug LAN and power cables at will, resulting in system downtime, network disruptions, and potential data loss. This environment also lacks proper temperature control, power protection, and monitoring, increasing the risk of hardware failure.

Relocating the server to a secure room with restricted access is critical to protect municipal systems and data. This will ensure controlled access, stable power supply, environmental monitoring, and improved system availability. Implementing this recommendation will significantly reduce security risks, prevent unauthorised interference, and improve overall ICT governance and service reliability.

3. Network / LAN Cable replacement

Replacing the torn network cables will significantly improve the stability, performance, and reliability of the municipality's network infrastructure. Damaged cables often cause intermittent connectivity, slow data

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transfer speeds, and frequent network outages, which negatively impact daily operations and staff productivity.

New and properly installed cables will enhance data transmission quality, reduce packet loss, and ensure consistent access to municipal systems and internet services. This will result in fewer ICT support incidents and improved user experience across all departments.

Replacing torn cables will improve health and safety compliance, as exposed and damaged cables pose tripping hazards and electrical risks. Proper cable management will protect equipment from damage, extend hardware lifespan, and support long-term infrastructure sustainability.

4. Installation of Network Points at Newly Acquired Municipal Buildings

The municipality plans to install new network points at the two recently acquired buildings to ensure proper connectivity and integration into the municipal ICT environment. This will enable staff to access core systems, email, internet services, and shared resources efficiently.

Installing structured network points will support secure and stable connectivity, improve system performance, and allow for future expansion. It will also reduce reliance on temporary connections and wireless hotspots, ensuring compliance with ICT infrastructure standards. This initiative will enhance operational efficiency, staff productivity, and service delivery, while supporting the municipality's long-term digital transformation strategy.

5. Deployment of Wireless Access Points for Stable Municipality-Wide Wi-Fi Coverage

The municipality plans to install wireless access points across all units to ensure consistent and reliable Wi-Fi connectivity throughout its premises. This will provide seamless internet access for staff, support mobile working, and improve access to municipal systems and online services.

The implementation will enhance network performance, reduce connectivity disruptions, and support modern digital operations, ultimately improving productivity and service delivery across all departments.

6. Upgrade and Replacement of Telephone Systems Across All Units

Replacing the existing telephone systems across all units to improve communication reliability and efficiency. Although some systems are currently functional, they are outdated and prone to frequent faults, resulting in service disruptions and reduced productivity. Upgrading to modern telephony solutions will enhance call quality, support advanced features such as call forwarding and voicemail, and improve internal and external communication. This initiative will strengthen service delivery, ensure business continuity, and align the municipality with modern communication standards.

7. Implementation and Maintenance of ICT Policies

The IT Department plans to ensure that the following ICT policies are formally implemented, integrated, and kept current as part of the existing municipal policy framework:

- ICT Governance Policy;
- ICT Security Policy;
- Acceptable Use Policy (AUP);
- Data Protection and Privacy Policy;
- Disaster Recovery Policy (DRP);
- Business Continuity Policy (BCP);
- Backup and Data Retention Policy;
- Network Management Policy;
- Server and Data Centre Policy;

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- Change Management Policy;
- Patch and Update Management Policy;
- User Access Management Policy;
- Password & Authentication Policy;
- Remote Access Policy;
- BYOD (Bring Your Own Device) Policy;
- ICT Asset Management Policy;
- Software Licensing Policy;
- Vendor and SLA Management Policy;
- ICT Audit & Compliance Policy;
- Incident Management Policy;
- ICT Training and Awareness Policy;
- Cloud Services Policy;
- Social Media Policy;
- Digital Records Management Policy; and
- Mobile Device Management Policy (Microsoft Intune aligned).

These policies will complement and form part of the municipality's existing policy framework, ensuring alignment with governance structures and regulatory requirements. Their implementation will strengthen ICT governance, improve security, ensure legislative compliance, and support consistent and efficient service delivery across all departments.

Having comprehensive ICT policies in place will provide clear guidance and accountability for staff, standardize ICT operations, and reduce operational and security risks. They will strengthen compliance with legislation such as POPIA, improve audit outcomes, and support effective decision-making.

These policies will also enhance cyber security, business continuity, and data protection, ensuring systems remain secure and available. Overall, the implementation of current ICT policies will promote good governance, improve service delivery, and support the municipality's digital transformation objectives.

Future plans are not limited to the initiatives outlined above. The ICT Department will remain flexible and adaptive to address emerging challenges and evolving technological needs as they arise. This proactive approach will ensure that the municipality can respond effectively to operational demands, security threats, and technological advancements.

By continuously monitoring the ICT environment and engaging with stakeholders, the department will implement appropriate solutions to support service delivery, improve system performance, and align with the municipality's strategic objectives.

T 3.27.1

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Employees: ICT and Communications Services					
Job Level	2023/2024	2024/2025			
	Employees	Posts	Employees	Vacancies / (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
7 - 9	0	0	0	0	0%
10 - 12	0	3	1	2	67%
13 - 15	0	0	0	0	0%
16 - 18	0	1	0	1	100%
19 - 20	0	0	0	0	0%
Total	0	4	1	3	75%

T 3.27.4

3.28 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

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

INTRODUCTION TO PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

Panel of Legal Advisors

Litigations:

As of now there is about 70% success rate, 25% of matters pending and beyond our control as well as 5% of matters that were unsuccessful.

Disciplinary Matters:

This important function is resident in the Labour Relations Section, but the Legal Unit cannot completely divorce itself from it since it has legal connotations. Cases of misconduct are as far as possible investigated and concluded within a reasonable period in accordance with the Disciplinary Procedure and Collective Agreement. For the current year, two disciplinary cases were concluded, and one is pending.

Contract Management:

The contract register that the Legal Unit keeps reflects on the contracts that the Tokologo Local Municipality has entered into with various service providers. The unit strives to keep as much as they possibly can to keep an authentic contract register that would as well be auditable. This, the unit does by way of vetting contracts before they are signed as well as witnessing the signing thereof. Only when satisfied that the contract is legally compliant, will the unit help such find its way to the contract register.

Risk Management

The Tokologo Local Municipality has established its own Risk Management function which is situated in the Office of the Municipal Manager. Quarterly risk updates are done and reports are submitted to the Audit and Performance Committee.

Procurement Service:

Supply Chain Management Unit is responsible for the procurement of goods and services in the municipality.

T 3.28.1

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COMPONENT J: MISCELLANEOUS

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

INTRODUCTION TO MISCELLANEOUS

None. The Tokologo Local Municipality does account to provision of Airports, Abattoirs, Municipal Courts, and Forestry as municipal enterprises.

T 3.29.0

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COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD 2024/2025

This component includes the Annual Performance Scorecard Report for the current year.

Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
National KPA 1: Basic Service Delivery and Infrastructure Development													
DTS01	To improve access to water and delivery	Percentage of households with access to water services by end June 2025	0	0	All	Not captured	100%	100%	Not reported	Achieved	None	N/A	List of household with access to water services
DTS02	To improve access to water and delivery	Number of leakages attended by end June 2025	0	0	All	Not captured	Attend water leakages in Hertzogville, Boshof and Dealsville by 30th June 2025	2	Not reported	Achieved	None	N/A	Report and Complaints register on reported water leakages
DTS03	To improve access to water and delivery	Status of blue drop and water samples tested by end June 2025	0	0	All	Not captured	4	0	Not reported	Not Achieved	District did not process function	Ensure submission of water samples for testing on a quarterly basis	Proof of submission and results on water samples tested
DTS04	To improve access to water and delivery	Percentage of budget spend on water services by end June 2025	0	0	All	Not captured	100%	0%	Not reported	Not Achieved	No information submitted	Include in planning for 2025/26	Budget expenditure report on water services
DTS05	To ensure 95% access to basic sanitation	Number of household provided with minimum standard of sanitation by end June 2025	0	0	All	Not captured	9,831	9,831	Not reported	Achieved	None	N/A	List of household with access to sanitation
DTS06	To ensure 95% access to basic sanitation	Status of oxidation ponds by end June 2025	0	0	All	Not captured	3	0	Not reported	Not Achieved	Oxidation ponds are currently on	Completion of the project for upgrading of	Quarterly reports on maintenance

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Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
											construction for upgrading	municipal oxidation ponds	of oxidation ponds
DTS07	To ensure 95% access to basic sanitation	Number of drain and sewer blockages by end June 2025	0	0	All	Not captured	Attend drain and sewer blockages in Hertzogville, Boshof and Dealsville by 30th June 2025	16	Not reported	Achieved	None	N/A	Report and Complaints register on reported leakages
DTS08	To ensure 95% access to basic sanitation	Percentage of budget spend on sanitation by end June 2025	0	0	All	Not captured	100%	0%	Not reported	Not Achieved	No information submitted	Include in planning for 2025/26	Budget expenditure report on sanitation services
DTS09	To improve access to energy and sanitation	Approved energy plan by end June 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	No information submitted	Include in planning for 2025/26	Council resolution and approved energy master plan
DTS10	To improve access to energy and sanitation	No of street light repaired and faulty meters by end June 2025	0	0	All	Not captured	Develop operations and maintenance plan for Streetlights and faulty electrical meters by 30th June 2025	0	Not reported	Not Achieved	No information submitted	Include in planning for 2025/26	Council resolution and approved operations and maintenance plan for streetlights and
DTS11	To improve access to energy and sanitation	k/m of roads paved by end June 2025	0	0	All	Not captured	Develop road operations and maintenance	0	Not reported	Not Achieved	No information submitted	Include in planning for 2025/26	Council resolution and approved road operations and maintenance plan

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Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
							plan by 30th June 2025						
DTS12	To improve access to energy and sanitation	Number of street gravelled and pedestrian walking built by end June 2025	0	0	All	Not captured	Develop road operations and maintenance plan by 30th June 2025	0	Not reported	Not Achieved	No information submitted	Include in planning for 2025/26	Council resolution and approved road operations and maintenance plan
DTS13	Ensure proper maintenance of waste management	Status of Integrated Waste Management Plan (IWMP) by end June 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	No information submitted	Include in planning for 2025/26	Council resolution and approved IWMP
DTS14	Ensure proper maintenance of waste management	Status of landfill sites by end June 2025	0	0	All	Not captured	3	0	Not reported	Not Achieved	No information submitted	Include in planning for 2025/26	Landfill sites proof of registration
DTS15	Ensure proper maintenance of waste management	Notices of waste removal schedule by end June 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	No information submitted	Include in planning for 2025/26	Signed annual notices for waste removal schedule
DTS16	Ensure proper maintenance of waste management	Schedule for cleaning gravesites by end June 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	No information submitted	Include in planning for 2025/26	Approved Schedule for cleaning of gravesites
DTS17	Ensure access to quality sports and recreation	Number of sports facilities upgraded by end June 2025	0	0	All	Not captured	1	0	Not reported	Not Achieved	No information submitted	Include in planning for 2025/26	Completion certificate for upgraded sports facility in Hertzogville
DTS18	Ensure access to quality sports and recreation	Number of parks upgraded by end June 2025	0	0	All	Not captured	1	0	Not reported	Not Achieved	No information submitted	Include in planning for 2025/26	Completion certificate for upgraded in Hertzogville

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Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
DTS19	Ensure access to quality sports and recreation	Number of awareness campaign by end June 2025	0	0	All	OpEx	4	0	OpEx	Not Achieved	No information submitted	Include in planning for 2025/26	Report and attendance registers on awareness campaigns conducted
DTS20	Enhanced disaster management	Approved disaster strategies by end June 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	No information submitted	Include in planning for 2025/26	Council resolution and approved disaster management strategies
DTS21	Establish institutional capacity for disaster management	Establish municipal disaster management Advisory committee by end June 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	No information submitted	Include in planning for 2025/26	Council resolution on establishment of disaster management advisory committee
DTS22	Develop and implement disaster prevention, mitigation and preparedness	Develop disaster mitigation strategy by end June 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	No information submitted	Include in planning for 2025/26	Council resolution on the approval disaster mitigation strategy
DTS23	Develop response and recovery strategy	Develop early warning systems for disaster by end June 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	No information submitted	Include in planning for 2025/26	Council resolution on the approval of developed early warning systems for disaster and contingency plan for imminent hazards
National key Performance Area 2: Municipal Institutional Development and Transformation													
DCS24	Effective Human Resources Management	Develop Municipal Communication Strategy	0	0	All	OpEx	1	0	OpEx	Not Achieved	Communication Strategy was not submitted	Ensure timely submission of Communication Strategy was	Council resolution on the approval of the

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Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
											to Council for approval	not submitted to Council for approval	Communications strategy
DCS25	Effective Human Resources Management	Submission of employment equity report to Department of employment and Labour	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Employment Equity report and acknowledgment of submission
DCS26	Effective Human Resources Management	Develop Human Resource Development Strategy	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Council resolution and approved HR strategy
DCS27	Effective Human Resources Management	Number of reviewed organizational structure	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Council resolution on the adoption of the Organisational Structure
DCS28	Effective Human Resources Management	Number of HR Management Reports	0	0	All	OpEx	4	4	OpEx	Achieved	None	N/A	Proof of submission and HR Management Reports
DCS29	Ensure that the personnel is properly capacitated	Number of approved Workplace Skills Plan	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Approved Workplace Skills Plan by the training Committee
DCS30	Ensure that the personnel is properly capacitated	Number of implemented work place skills plan	0	0	All	OpEx	1	0	OpEx	Not Achieved	1 WSP implementation report was submitted was not submitted	Submission of 2 WSP implementation reports and adhere to the set indicator	WSP implementation report
DCS31	Ensure that the personnel is	Functional Training Committee	0	0	All	OpEx	1	0	OpEx	Not Achieved	2 training committee	Conduct 4 training committee	Minutes and attendance register

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Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
	properly capacitated										meetings was not conducted	meetings on quarterly basis	
DCS32	Functional Local Labour Forum	Number of Local labour forum meetings held as per the approved schedule	0	0	All	OpEx	4	4	OpEx	Achieved	None	N/A	Notices, attendance registers and minutes
DCS33	To have a functional records management unit	Approval of the filling plan	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Tokologo municipality filling plan
DCS34	To have a functional records management unit	Records management infrastructure put in place	0	0	All	OpEx	1	0	OpEx	Not Achieved	The evidence was not submitted to measure the indicator	Allocation of a compliant records management office for safe keeping of municipal information.	Approval for filling rooms and pictures
DCS35	Regulation of the use of Information Technology and municipal website	Number of ITC Report submitted to the Municipal Manager	0	0	All	OpEx	4	4	OpEx	Achieved	None	N/A	ITC reports and proof of submission
DCS36	Regulation of the use of Information Technology and municipal website	Functioning municipal website	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Report on upgraded Municipal website
DCS37	Improved Organisational Cohesion and Effectiveness	Percentage of Council resolutions implemented	0	0	All	OpEx	100%	100%	OpEx	Achieved	None	N/A	Council Resolution Execution Register

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Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
DCS38	Functional Health and safety Committee	Functional Health & safety Committee	0	0	All	OpEx	4	1	OpEx	Not Achieved	3 meeting was not conducted	Conduct 4 Health and Safety meetings on quarterly basis	Notices, attendance registers and minutes
National KPA 3: Local Economic Development													
DMM39	Create conducive environment for economic growth	Reviewed LED strategy	0	0	All	Not captured	1	0	Not reported	Not Achieved	LED strategy was not approved by Council	Submission of the LED strategy to Council for approval	Council resolution and Approved LED strategy
DMM40	Create conducive environment for economic growth	Business expos conducted to assist cooperatives and SMMEs per town	0	0	All	Not captured	12	0	Not reported	Not Achieved	Business expos conducted to assist cooperatives were not conducted	Ensure business expos are conducted to assist cooperatives in the next financial year	Notice and attendance registers
National KPA 4: Municipal Financial Viability and Management													
DFS41	Enhanced Revenue Collection	Approved tariff By-law by end June 2025	0	0	All	OpEx	1	0	OpEx	Achieved	None	N/A	Council resolution on the adoption of tariff and property-laws and government gazette
DFS42	Enhanced Revenue Collection	Application for Tariff increases (D7) at the end of 31 January 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	Cost of supply (SOS) study needs to be done before an application can be submitted to NERSA	Municipality needs technical and financial expertise to complete the SOS, therefore needs to advertise to get some assistance	Proof of submission and acknowledgement of receipts for tariff increase

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Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
DFS43	Enhanced Revenue Collection	Approved and updated indigent register by end June 2025	0	0	All	OpEx	4	4	OpEx	Achieved	None	N/A	Quarterly updated Indigent register
DFS44	Enhanced Revenue Collection	Improvement in the Collection rate of the Municipality by end June 2025	0	0	All	OpEx	65%	31%	OpEx	Not Achieved	Low payment of municipal services	Ensure full implementation of the approved credit control and debt collection policy.	Proof of revenue collected
DFS45	Budgeting and reporting	Financial Management Grant Activity Plans submitted timeously by end June 2025 by end June 2025	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Proof of submission of a signed Municipal Financial Management Activity Plan
DFS46	Budgeting and reporting	FMG spend in accordance with DoRA and Grant Frameworks by end June 2025	0	0	All	OpEx	100%	100%	OpEx	Achieved	None	N/A	Allocation letter and proof of expenditure on Grants
DFS47	Budgeting and reporting	Updated Conditional Grants Register by end June 2025	0	0	All	OpEx	12	12	OpEx	Achieved	None	N/A	Quarterly updated grant register
DFS48	Budgeting and reporting	Annual budget adopted by Council by end June 2025	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Council resolution and approved annual budget
DFS49	Budgeting and reporting	Compilation and Submission of the Annual Financial Statements by end June 2025	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Proof of submission and acknowledgement of receipts

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Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
DFS50	Budgeting and reporting	Compilation of the 2024/2025 Adjustments Budget in line with the MBRR by end June 2025	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Council resolution on the adoption of adjustment budget
DFS51	Budgeting and reporting	Number of budget related policies approved by end June 2025	0	0	All	OpEx			OpEx	Achieved	None	N/A	Council resolution and approved Budget related policies
DFS52	Budgeting and reporting	Number of budget public participation meetings by end June 2025	0	0	All	OpEx	2	2	OpEx	Achieved	None	N/A	Notices and attendance registers
DFS53	Budgeting and reporting	Number of Sec 52(d) reports approved and submitted Council by end June 2025	0	0	All	OpEx	4	4	OpEx	Achieved	None	N/A	Council resolution and sec 52 (d) reports
DFS54	Budgeting and reporting	Number of Sec 71 report submitted by end June 2025	0	0	All	OpEx	12	12	OpEx	Achieved	None	N/A	Proof of submission and Acknowledgment of receipts
DFS55	To improve overall financial management	Improved demand and acquisition planning by end June 2025	0	0	All	OpEx	1	0	OpEx	Achieved	None	N/A	Approved procurement Plan and Council resolution
DFS56	To improve overall financial management	Advertisement of procurement above R 30 000 within legislated timeframe by end June 2025	0	0	All	OpEx	1	0	OpEx	Achieved	None	N/A	Advert on Municipal website
DFS57	To improve overall financial management	Improved credit payment period by end June 2025	0	0	All	OpEx	100%	0%	OpEx	Not Achieved	Creditors were not paid within 30 days	Develop creditor's payment	Creditors payment Schedule

Chapter 3

Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
												Schedule and ensure improved payment period.	
DFS58	To improve overall financial management	Number of Creditors reconciliation performed by end June 2025	0	0	All	OpEx	12	12	OpEx	Achieved	None	N/A	Reviewed and approved Creditors reconciliations
DFS59	To improve overall financial management	Number of reports on third party payments by end June 2025	0	0	All	OpEx	4	4	OpEx	Achieved	None	N/A	Proof that UIF, Medical Aid, PAYE and SDL were paid
DFS60	To improve overall financial management	Expenditure classification for all expenditure incurred by the municipality per month by end June 2025	0	0	All	OpEx	4	4	OpEx	Achieved	None	N/A	Quarterly updated UIF&W registers
DFS61	To improve overall financial management	Number of Supply Chain Management reports by end June 2025	0	0	All	OpEx	4	4	OpEx	Achieved	None	N/A	Supply Chain Management Reports
DFS62	To improve overall financial management	Number of approved Assets Registers in compliance with GRAP 17 by end June 2025	0	0	All	OpEx	1	0	OpEx	No Achieved	The evidence was not submitted to measure the indicator	Submit Asset register for approval to Council	Council resolution and Approved updated Assets Register compliant with GRAP 17
DFS63	To improve overall financial management	Quarterly Movable and fixed asset verifications by end June 2025	0	0	All	OpEx	4	4	OpEx	Achieved	None	N/A	Quarterly assets verification report

Chapter 3

Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
DFS64	To ensure a functional yellow and white fleet	Number of reports on fleet management on incidents, repairs, maintenance and licensing of fleet by end June 2025	0	0	All	OpEx	4	4	OpEx	Achieved	None	N/A	Quarterly fleet management report
National KPA 5: Good Governance and Public Participation													
DMM65	Improved Performance and Service Delivery	Number of Quarterly Performance Reports submitted to AC by end June 2025	0	0	All	OpEx	4	0	OpEx	Not Achieved	performance report were not submitted to the Audit Committee	Submission of 4 quarterly performance reports to the Audit Committee	Quarterly reports and minutes
DMM66	Internal audit plan charter approved by the audit committee	Number of Internal Audit reports submitted to AC by end June 2025	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Audit Committee meeting minutes and reports
DMM67	Internal Audit Reports tabled at audit committee meeting	Number of Audit Committee reports submitted to council by end June 2025	0	0	All	OpEx	4	0	OpEx	Not Achieved	AC reports were not submitted to Council	Ensure timely submission of AC reports to Council	AC reports and Council resolution
DMM68	Enhance oversight by Council on municipal processes	Number of audit committee meetings held by end June 2025	0	0	All	OpEx	4	4	OpEx	Achieved	None	N/A	Meeting attendance register and minutes
DMM69	Ensure functional audit committee	Approved Mid-year Budget and Performance Assessment Reports by end June 2025	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Council resolution and approved Mid-year budget and performance report

Chapter 3

Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
DMM70	Ensure functional audit committee	Number of Performance and Reviews conducted by end June 2025	0	0	All	OpEx	2	0	OpEx	Not Achieved	Assessments were not conducted during the financial year	Assessments will be conducted in the next financial year	Performance Assessment Scorecard, Attendance Register
DMM71	Implementation of Risk Management with the municipality	Approved Risk Register by end June 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	The Municipal risk register was not approved	Ensure approval of the municipal risk register	Audit Committee meeting minutes
DMM72	Implementation of Risk Management with the municipality	Number of risk management reports prepared and submitted by end June 2025	0	0	All	OpEx	4	0	OpEx	Not Achieved	Risk management Committee was not conducted	develop schedule of meetings and adhere to the date set on the schedule	Risk Management Committee meeting minutes
DMM73	Ensure enhanced public participation	Number of IDP consultative meetings held by end June 2025	0	0	All	OpEx	6	6	OpEx	Achieved	None	N/A	Attendance registers
DMM74	Budget timelines and IDP review process plan approved by council	Approved IDP Review Process Plans by end June 2025	0	0	All	OpEx	1	1	OpEx	Achieved	None	N/A	Council resolution and approved process plan
DMM75	Improved municipal intervention on issues related to special group	Number of approved integrated Gender and Equity Programmes by end June 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	Integrated Gender and Equity plan and Programmes were not approved	Ensure development of Integrated Gender and Equity plan and Programmes	Approved Integrated Gender and Equity plan and Programmes
DMM76	Improved municipal intervention on issues related	Number of HIV/AIDS and Poverty Alleviation Programs/Activities	0	0	All	OpEx	4	0	OpEx	Not Achieved	Integrated HIV/AIDS and Poverty Alleviation plan and	Ensure development Integrated HIV/AIDS and Poverty	Approved integrated HIV/AIDS and Poverty

Chapter 3

Ref No.	Strategic Objective	Key Performance Indicator / Unit of Measurement	Previous Financial Years 2023/2024		Wards	Revised Annual Budget 2024/2025	Financial Year Under Review 2024/2025		Expenditure	Performance comments	Reason for under-performance/ deviation	Measures Taken / to be taken to improve performance	Means of Verification / Portfolio of Evidence
			Target	Actual performance			Revised Annual Target	Actual performance					
	to special group	implemented by end June 2025									programmes were not implemented	Alleviation plan and programmes	Alleviation plan and programmes
DMM77	Functional Ward Committees	Number of functional ward committees by end June 2025	0	0	All	OpEx	7	0	OpEx	Not Achieved	Report on approval of 7 ward committees was not submitted	Approval of ward committees to ensure its functionality	Council resolution on the approval of elected Ward Committees
DMM78	Functional Ward Committees	Number of approved schedule of meetings by end June 2025	0	0	All	OpEx	1	0	OpEx	Not Achieved	Report on approved schedule of meetings was not submitted	Ensure development of ward committees schedule of meetings	Approved Schedule of meetings for each Ward Committee meetings
DMM79	Ward Operational Plan	Approved Ward Operational Plan by end June 2025	0	0	All	OpEx	7	0	OpEx	Not Achieved	Report of approved ward operational plan was not submitted	Ensure approval of 7 ward operational plans	Approved Ward Operational Plan

T 3.30

Chapter 3

Service Providers Strategic Performance

Section 76(b) of the MSA state that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

- Means a person or institution or any combination of person and institution which provide to or for the benefit of the local community.
- External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality.
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in term of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality.

During the year under review the municipality did appoint service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality and below is performance assessment of some of the service provider appointed to render service for the benefit of the local community on behalf of the Municipality. Project Management Unit regularly monitored all these projects.

9. Annual Performance Assessment of Service Providers 2024/2025 Financial Year											
Project Name	Name of Service Provider	Source of Funding	Start Date	Completion Date	Progress to Date	Challenges and Interventions	Assessment of service provider (Scale 1-5) 1: Poor, 2: Fair, 3: Average, 4: Good, 5: Excellent				Assessment Comments
							Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Appointment of contractor for the Contractor of Bulk Sewerage Infrastructure Tokologo Local Municipality (Phase 1)	Irrigation Equipment Supplies	WSIG	30-Sep-2024	In progress – target completion TBC	Fully aligned with timeline	All activities on schedule; no obstacles reported	3	3	3	3	None
Rendering of Travel Management Services for a period of three years	Abrahams Travel Services	EQ	21-Aug-2024	In progress – target completion 21-Aug-2027	Fully aligned with timeline	All activities on schedule; no obstacles reported	3	3	3	3	None

Chapter 4

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

INTRODUCTION

This component represents the role that HRM&D plays in deciphering, defining, developing, and rewarding an organizational culture that is conducive to achieving business objectives. This includes:

- Culture transformation and change management;
- The development of individuals and teams with a systems view;
- Review and design of organizational structures.
- Training that related to job and personal growth equipping all employees with the necessary knowledge, skills, and competencies to perform their work effectively, in pursuit of the vision and mission of Council as well as the employee's vision.
- Enabling employees to deal effectively and pro-actively with change and to the challenges of dynamic work and external environment.
- Enabling employees to acquire development orientated professionalism and the appropriate competencies.
- Helping employees to address issues of diversity whilst promoting a common organization culture so as to or in doing support unity at the workplace.
- Assisting employees in developing a better understanding of the needs of the communities that they are serving, as well as the capability to respond to these needs.
- Creating an enabling environment for the training and development of present and future incumbents. Creating a pool of suitably qualified individuals to be identified and developed in terms of a succession planning program.
- By providing job security to competent individuals.
- By providing equitable access and participation in properly structured training and appraisal processes that will ensure that every employee's work performance is maximized, and, that his/her potential is fully developed.

T 4.0.1

Chapter 4

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	2023/2024	2024/2025			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Waste Water (Sanitation)	33	33	13	20	61%
Electricity	17	17	5	12	71%
Housing	3	3	2	1	33%
Waste Water (Stormwater Drainage)	0	0	0	0	0%
Roads	0	0	0	0	0%
Technical	8	8	3	5	63%
PMU	5	5	2	3	60%
Local Economic Development	4	4	3	1	25%
Planning (Strategic & Regulatory)	3	3	1	2	67%
Community & Social Services	15	15	8	7	47%
Office of Municipal Manager	13	13	3	10	77%
Corporate Services	36	36	19	17	47%
Political Office	10	10	5	5	50%
Finance	47	47	30	17	36%
Totals	194	194	94	100	52%

T 4.1.1

Vacancy Rate: 2024/2025			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0%
CFO	1	0	0%
Other S56 Managers (excluding Finance Posts)	2	1	50%
Other S56 Managers (Finance posts)	0	0	%
Senior management: Levels 13-16 (excluding Finance Posts)	20	15	75%
Senior management: Levels 13-16 (Finance posts)	2	1	50%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	62	36	58%
Highly skilled supervision: levels 9-12 (Finance posts)	17	5	29%
Total	105	58	55%

T 4.1.2

Chapter 4

Turn- over Rate			
Details	Total Appointment as of beginning of financial year No.	Termination during the financial year No.	Turn- over Rate. No.
2022/2023	148	10	7%
2023/2024	138	12	9%
2024/2025	134	6	4%
			T 4.1.3

VACANCIES AND TURNOVER

The position of the municipal manager was filled on 3 March 2025. The employee structure was overhauled and advertisements have been placed to fill the positions of Director: Technical Services and Director: Corporate Services.

T 4.1.4

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Workforce management is achieved through proper human resources processes and procedures, aligned to Section 67 of the Municipal Systems Act, 32 of 2000, which ensures compliance with the development and adoption of appropriate systems and procedures to ensure fair, efficient, effective, and transparent personnel administration. This is achieved through the Human Resource Policies contained in the municipality's Integrated Development Plan (IDP). Adherence and compliance with applicable legislation and reviewing policies, procedures and processes aimed at regulating the workplace also further assists in workforce management.

Policy Review and Development

The municipality as an evolving and developmental Local Government Institution, regularly reviews its policies, processes, and procedures to ensure all processes followed, implemented, and executed are open, transparent, and aligned to legislative requirements, not to unfairly discriminate against employees. Policy Review is part of Management's Performance Indicators and monitored through the Performance Management System.

Tokologo has a functional Local Labour Forum which is utilised for the discussion of work-related matters, how to improve the working relationship between employment parties.

Training and Employment equity Committee also exists to address the issues of training and equity matters. Health and Safety Committee also addresses safety issues, risk assessment is conducted bi-annually to minimise risks, employees are being taken for medical surveillance, and protective clothing is provided to the employees.

All these committees convene once in a quarter and make their reports to the portfolio Committee which further escalates them to Council for noting.

T 4.2.0

Chapter 4

OCCUPATIONAL LEVELS	Male					Female				
	African	Colour	Indian	White	Total	African	Colour	Indian	White	Total
Senior Management	3	0	0	0	3	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management	10	0	0	1	11	4	0	0	0	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	8	0	0	0	8	6	1	0	1	8
Semi-skilled and discretionary decision making	27	1	0	0	28	13	1	0	1	15
Unskilled and defined decision making	61	2	0	0	63	7	0	0	0	7
Total Employees/Posts	109	3		1	113	30	2		2	32
As % of the total Number of employees/posts	96%	3%	%	1%		94%	6%	%	6%	
Current Male to female ratio	Male					Female				
Total Number of Male & Female Employees	113					32				
Current % Male to Female Ratio	%					%				

4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	HR Policy Manual	100%	N/A	May 2025

T 4.2.1

WORKFORCE POLICY DEVELOPMENT

The above policies on table are adopted by Council and more policies will be reviewed and also adopted by council. The supply chain policy and tariff policy are reviewed annually and adopted by Council. All Human Resource policies have been work shopped with all staff, and the Local Labour forum has also approved the new draft policies for Council adoption.

T 4.2.1.1

Chapter 4

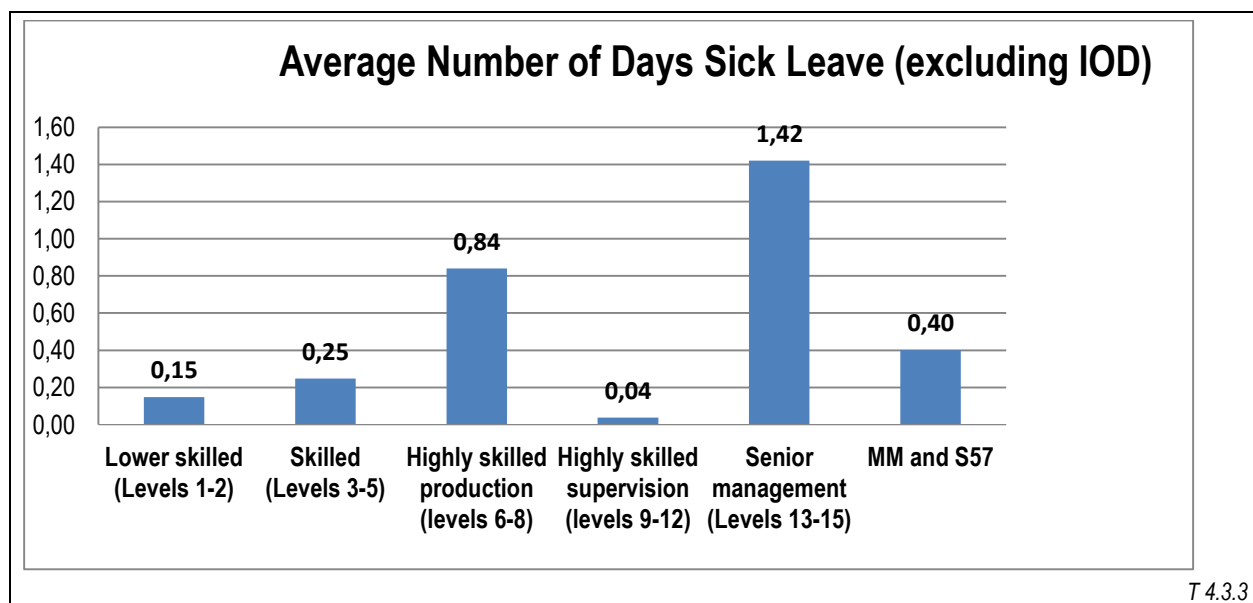
4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	0	0	0	0	R0.00
Temporary total disablement	0	0	0	0	R0.00
Permanent disablement	0	0	0	0	R0.00
Total	0	0	0	0	R0.00

T 4.3.1

Number of days and Cost of Sick Leave (excluding injuries on duty)					
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees
	Days	%	No.	No.	Days
Lower skilled (Levels 1-2)	24	90%	10	30	0,15
Skilled (Levels 3-5)	40	42%	98	22	0,25
Highly skilled production (levels 6-8)	136	58%	44	58	0,84
Highly skilled supervision (levels 9-12)	6	95%	2	26	0,04
Senior management (Levels 13-15)	230	66%	17	18	1,42
MM and S57	65	60%	6	8	0,40
Total	501	69%	177	162	3,09

T 4.3.2



Chapter 4

INJURY AND SICK LEAVE

Injuries have been reduced to a bare minimum in the municipality and when an employee gets injured, they are sending to a doctor paid by the municipality. When an employee is on long instances of sick leave the municipality takes that person to its own doctor to get an opinion on that person health and that information is kept on the file of the employee.

T 4.3.4

Number and Period of Suspensions

Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Assistant Artisan	Gross insubordination	13/05/2024	The employee was dismissed on 29 of August 2025	Arbitration hearing is scheduled for 16 of January 2026

T 4.3.5

Disciplinary Action Taken on Cases of Financial Misconduct

Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
None	N/A	N/A	N/A

T 4.3.6

SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

The rand value of the cases could not be verified as it was an internal process which in most cases does not bear costs.

T 4.3.7

4.4 PERFORMANCE REWARDS

PERFORMANCE REWARDS

No performance rewards were paid out during the year under review.

T 4.4.1

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The Human Resource Section is the custodian for capacity building of employees within the municipality and contributes to the building and creation of a capable service delivery organization. The Skills Development Act 97 of 1998 as Amended in 2008 sets clear guidelines and requirements for the organization to implement capacity building initiatives for employees.

In response to the quoted legislative framework and related regulations such as the National Skills Development Strategy (NSDSIII) and the Local Government Sector Education and Training Authority (LGSETA), the municipality acquitted itself well under the circumstances prevailing.

Chapter 4

The Workplace Skills Plan (WSP) for 2024/2025 financial year with its attended Training Plan was submitted to the Sector Education and Training Authority for Local Government (LGSETA) by 30 April 2025 as per requirement.

Emphasis has been on encouraging Municipal compliance with the Skills Development legislation, we continue to encourage compliance but we also emphasise on quality, in 2006 LGSETA began to issue completeness checks to Municipalities, in 2008 a quality criterion was developed, in 2009 evaluating the WSP/ATR in detail started to check if the WSP/ATR submitted is of required standards, feedback emanating from the evaluation is also given to the Municipalities in order to ensure that the gaps identified are addressed in future WSP & ATR.

T 4.5.0

Chapter 4

4.5 SKILLS DEVELOPMENT AND TRAINING

The Skills Development Act 97 of 1998 and the Municipal Systems Act 32 of 2000 require employees to supply employees with the necessary training in order to develop its human resource capacity. Section 55 (i)(f) state that as head of the administrator the Municipal Manager is responsible for the management, utilisation.

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 2025	Number of skilled employees required and actual as at 30 June Year 2025											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual: End of 2022/2023	Actual: End of 2023/2024	2024/2025 Target	Actual: End of 2022/2023	Actual: End of 2023/2024	2024/2025 Target	Actual: End of 2022/2023	Actual: End of 2023/2024	2023/2024 Target	Actual: End of 2022/2023	Actual: End of 2023/2024
MM and s57	Female													
	Male													
Councillors, senior officials, and managers	Female													
	Male													
Technicians and associate professionals*	Female													
	Male													
Professionals	Female													
	Male													
Sub total	Female													
	Male													
Total														

T 4.5.1

Chapter 4

4.5.2 MFMA Competencies

In terms of section 83(1) of the MFMA, the Accounting Officer, Senior Managers, the Chief Financial Officer, Non-financial Managers, and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act 56 of 2003. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, NT, with the collaboration of various stakeholders and role players in the Local Government sphere, developed an outcome based NQF level 6 qualifications in municipal finance management. In terms of the Government Notice 493 of 15 June 2017, “(1) No municipality or municipal entity may, with effect 1 January employ a person as a financial official if that person does not meet the competency level prescribed for the relevant position in terms of these Regulation”.

The table below provides details of the financial competency development progress as required by the regulation:

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1	0	0	0	0	0
Chief financial officer	1	0	0	0	0	0
Senior managers	0	0	0	0	0	0
Any other financial officials	10	0	0	0	0	0

Chapter 4

Supply Chain Management Officials	1	0	0	0	0	0
Heads of supply chain management units	1	0	0	0	0	0
Supply chain management senior managers	0	0	0	0	0	0
TOTAL	14	0	0	0	0	0
<i>T 4.5.2</i>						

Chapter 4

Skills Development Expenditure											R'000
Management level	Gender	Employees as at the beginning of the financial year No.	Original Budget and Actual Expenditure on skills development 2024/2025								
			Learnerships		Skills programmes & other short courses		Other forms of training		Total		
			Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	
MM and S57	Female										
	Male										
Legislators, senior officials, and managers	Female										
	Male										
Professionals	Female										
	Male										
Technicians and associate professionals	Female										
	Male										
Clerks	Female										
	Male										
Service and sales workers	Female										
	Male										
Plant and machine operators and assemblers	Female										
	Male										
Elementary occupations	Female										
	Male										
Sub total	Female										
	Male										
Total											

T4.5.3

Chapter 4

SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS

Training and skills development interventions are mainly aimed at increasing the knowledge, proficiency, ability, and skills of the municipality's Human Capital to improve bottom line performance. The Training Plan is informed by key strategic documents such as IDP and internal Skills Audit Results as well as the National Treasury Minimum Competency Regulations of 2007.

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the Chief Financial officer, nonfinancial managers, and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act 56 of 2003. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

According to Section 83(1) of the Municipal Finance Management Act 56 of 2003, The accounting officer, Senior managers (Section 56 Managers), The Chief Financial Officer, Financial Managers and Non-financial Managers must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act 56 of 2003. The National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

The expenditure on skills development increases annually due to employees embarking on various skills development interventions, the education at higher institution is becoming more expensive and that more training is legislated. The municipality spent R454 882.26 from FMG and other grants. The Total Budget for the 2024/2025 budget is R990 000.00, The total expenditure is R454 882.26.

According to the Skills Development Levies Act the Municipality is required to pay the 1% of its monthly remuneration in the form of a levy and it claims back the percentage in a form of a mandatory grand. The mandatory grant is paid quarterly to the municipality, and it should be noted that those funds should specifically be spent on capacitating employees as well as non-employees.

T 4.5.4

Chapter 4

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

Section 66 of the MSA states that the Accounting Officer of a municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances, and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

The municipality is in a rural area thus it is difficult to attract and retain qualified staff. Moreover, with the small income as most people in the municipal jurisdiction are indigents the salary bill ratio is high.

Thus, the Organisational structure must be carefully managed. It is against this that many posts have been frozen as not to put unnecessary financial pressure on the budget.

The municipality had a high turnover due to stringent consequence management being applied but other than that staff turnover has been consistent.

T 4.6.0

4.6 EMPLOYEE EXPENDITURE

Employee expenditure for 2024/2025 financial was at R 153,795,022 which is remarkably high and need to be attended to.

T 4.6.1

WORKFORCE EXPENDITURE

Workforce expenditure is a major part of the operational expenditure of the Tokologo Local Municipality. As it is mostly a fixed cost, proper planning and assessment of post requirements are necessary to make sure that the best available personnel are employed to meet the mandate of the municipality in service delivery to the community as well as obtaining its objectives.

The remuneration part of the employment costs is determined through the bargaining council and therefore out of our hands. Three variables that we have to keep monitoring and control are the vacancy rate, employee performance and overtime paid.

The municipality has work shopped a new Performance management policy, and will cascade it down after Council approval, thus that will ensure performance assessments and evaluate if value for money is achieved by officials.

T 4.6.1.1

Chapter 4

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	0
Highly skilled production (Levels 6-8)	Female	0
	Male	0
Highly skilled supervision (Levels 9-12)	Female	0
	Male	0
Senior management (Levels 13-16)	Female	0
	Male	0
MM and S 57	Female	0
	Male	0
Total		0

T 4.6.2

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None	N/A	N/A	N/A	N/A

T 4.6.3

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exists
None	N/A	N/A	N/A	N/A

T 4.6.4

UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE

No posts were upgraded during the year under review.

T 4.6.5

DISCLOSURES OF FINANCIAL INTERESTS

The municipality requires employees and Councillors to disclose financial interest annually. These disclosure forms are recorded and kept at Supply chain, and all these disclosure forms were requested by the AG and submitted as such.

T 4.6.6

Chapter 5

CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

The purpose of the Statement of Financial Performance is to give an account of the results of the municipality's operations. These transactions result from the operating budget. The result is expressed as being either a surplus or a deficit (being the difference between Revenue and Expenditure). A surplus is indicative of Revenue being more than Expenditure and a deficit of Expenditure being more than Revenue. The purpose of the Statement of Financial Position is to give an account of the assets and liabilities at the end of the financial year. Net assets are shown, which are the difference between the assets and the liabilities. The cash flow statement shows the net cash result. Technically, the statement starts with the accounting surplus as per the Statement of Financial Performance which gets adjusted for all non-cash transactions. All other cash transactions not resulting from the Statement of Financial Performance are recorded. These items can be referenced back to both the capital budget as well as the items reported as part of the quarterly Section 11-withdrawals reports, submitted to Council.

This financial overview presents the brief summary of the financial performance of the municipality for the financial year under review. The detailed financial performance, financial position and cash flow activities of the municipality are presented in the annual financial statements for the year ended 30 June 2024. The municipality has during the financial year, strived to comply with the requirements of the relevant legislative prescripts and the guidelines set by the National Treasury in as far as financial management is concerned.

The municipality managed the budget process effectively and adhered to the timeframes as set out by the Municipal Finance Management Act 56 of 2003. The Budget Steering Committee was established, and meetings of the committee were effectively held. Other success factors for the financial year 2024/2025 are amongst others being able to monitor and report effectively on the budgets as well as the submission of the Annual Financial Statements on time.

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

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

The total budget for the 2024/2025 was R 330,403,455 as per adjustment budget approved by council. A total of R 200,378,724 was spent on the capital projects that were identified by the municipality with the main aim of enhancing service delivery.

T 5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

The financial statements presented in this report are presented on the basis that the municipality is a going concern. The principles of GRAP have been taken into consideration when preparing these annual

Chapter 5

financial statements. The annual financial statements have been prepared by both the consultant appointed and finance personnel and later reviewed by the audit committee and a consultant.

Analysing the financial position of the municipality as outlined in the statement of financial position, in the annual financial statements, the municipality is still financially viable. The municipality has maintained a sustainable and sufficient asset base.

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

The statement of financial performance as included in the annual financial statements presented a positive net result. This means that the total revenues of the municipality were still more than the total expenditures at the end of the financial year ended 30 June 2025. The detailed statement of financial performance will be included in the financial statements. The highest cost driver for the municipality remains to be personnel costs.

T 5.1.0

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

The Municipality's total expenditure remained within the approved budget for the year under review. However, over-expenditure was recorded on the bulk purchase of electricity, primarily due to high distribution losses. In addition, the Municipality's Eskom debt continues to increase at a rapid rate. This challenge is compounded by the absence of the Municipality's own metering infrastructure, which limits the ability to accurately measure and manage actual electricity consumption.

T 5.1.3

5.2 GRANTS

OPERATING TRANSFERS AND GRANTS

Conditional grant such as MIG is the grants allocated to the municipality to implement the projects to deliver services to the community. The municipality did not receive any grants from other sources such as semi-state, private sector, or foreign government.

T 5.2.2

CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES

The Tokologo Local Municipality always ensure that all conditional grant received by it are used for the same purpose. Financial reports also confirm and justify the appropriate use of conditional grant, and we are doing so to comply with conditions attached to the grants.

T 5.2.4

Chapter 5

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

The purpose of asset management in the Tokologo Local Municipality is to ensure the effective and efficient control, utilization, safeguarding and management of the municipality's property, plant, and equipment and to make managers aware of their responsibilities in regard of property, plant, and equipment.

It also set out the standards of physical management, recording and internal controls to ensure property, plant and equipment are safeguarded against inappropriate loss or utilisation and to prescribe the accounting treatment for property, plant and equipment in the municipality include the following the cost of assets and the calculating of depreciation and capitalising of PPE and to the classification if different types of Assets.

The municipality developed an infrastructure asset management plan as required by the municipality asset management policy and Local Government Capital Asset Management. Four Asset Management Plans were developed, namely:

1. Roads Network Asset Management Plan
2. Stormwater Network Asset Management Plan
3. Community Assets Management Plan
4. Electricity Network Asset Management Plan

These Asset Management Plans are one component of the municipality's overarching corporate strategy. It was developed to support the municipality's vision for its asset management practice and programs. It provides key asset attribute data, including current composition of the municipality's infrastructure portfolio. It summarizes the physical health of the capital assets, assess the municipality's current capital spending framework, and outlines financial strategies to achieve fiscal sustainability in the long-term while reducing and eventually eliminating funding gaps.

Roads Network Assets Management Plan:

This asset management plan details information about infrastructure assets including actions required to provide an agreed level of service in the most cost-effective manner while outlining associated risks. The plan defines the services to be provided, how the services are provided and what funds are required to provide the services generally over a 20-year planning period.

This plan covers the infrastructure assets that provide road network to Tokologo Local Municipality. The Road network comprises:

- Boshof Town-Roads with Stormwater;
- Dealesville Town-Roads with Stormwater;
- Hertzogville-Roads with Stormwater;
- Seretse-Roads with stormwater;
- Tshwaraganang-Roads and stormwater; and
- Malebogo-Roads and stormwater.

Community Assets Management Plan:

This asset management plan details information about community assets including actions required to provide an agreed level of service in the most cost-effective manner while outlining associated risks. The

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plan defines the services to be provided, how the services are provided and what funds are required to provide the services generally over a 20-year planning period.

This plan covers the community assets that provide recreational services to Tokologo Local Municipality.

The forecast lifecycle costs necessary to provide the services covered by this Asset Management Plan (AM Plan) includes operation, maintenance, renewal, acquisition, and disposal of assets over the 20-year planning period is R315,139,000. The infrastructure reality is that only what is funded in the long-term financial plan can be provided. The emphasis of the Asset Management Plan is to communicate the consequences that this will have on the service provided and risks, so that decision making is informed.

The anticipated planned budget leaves a shortfall per year of the forecast lifecycle costs required to provide services in the Asset Management Plan compared with planned budget currently included in the Long-Term Financial Plan.

Electricity Network Assets Management Plan:

This plan will covers the infrastructure assets that provide electricity network to Tokologo Local Municipality. These assets include:

The Electricity Assets Management Plan network comprises:

- Provision of Standby Generator at Tokologo Local Municipality Administrative Offices
- Townships as Listed as Priority 1 in the IDP.
- Provision of Street Lights and High Mast for the towns and townships residential area

The infrastructure reality is that only what is funded in the long-term financial plan can be provided. The emphasis of the Asset Management Plan is to communicate the consequences that this will have on the service provided and risks, so that decision making is informed.

The infrastructure reality is that only what is funded in the long-term financial plan can be provided. The emphasis of the Asset Management Plan is to communicate the consequences that this will have on the service provided and risks, so that decision making is informed.

We plan to provide Electricity Network services for the following:

- Operation, maintenance, renewal and upgrade of CBD, Towns and the townships listed as Priority in the IDP.
- Construction of various Electricity networks in different prioritized villages within the 20-year planning period.

Storm water Network Assets Management Plan:

This plan covers the infrastructure assets that provide road network to Tokologo Local Municipality. The Stormwater Assets Management Plan network comprises:

- CBD
- Towns(Boshof, Dealsville and Hertzogville); and
- Townships listed as Priority 1 in the IDP.

The infrastructure reality is that only what is funded in the long-term financial plan can be provided. The emphasis of the Asset Management Plan is to communicate the consequences that this will have on the service provided and risks, so that decision making is informed.

T 5.3.1

Chapter 5

Treatment of the Three Largest Assets Acquired 2022/2023 – 2024/2025				
Asset 1				
Name				
Description				
Asset Type				
Key Staff Involved				
Staff Responsibilities				
Asset Value	2021/2022	2022/2023	2023/2024	2024/2025
Capital Implications	Increases the number of assets in the asset register			
Policies in Place to Manage Asset	MIG			
Asset 2				
Name				
Description				
Asset Type				
Key Staff Involved				
Staff Responsibilities				
Asset Value	2021/2022	2022/2023	2023/2024	2024/2025
Capital Implications	Increases the number of assets in the asset register			
Policies in Place to Manage Asset	MIG			
Asset 3				
Name				
Description				
Asset Type				
Key Staff Involved				
Staff Responsibilities				
Asset Value	2021/2022	2022/2023	2023/2024	2024/2025
Capital Implications	Increases the number of assets in the asset register			
Policies in Place to Manage Asset	MIG			

ASSET MANAGEMENT

The development of asset management plans is an interactive process that starts with the identification of service delivery needs and ends with an approved “multiyear” budget linked to the SDBIP based upon the most cost-effective method of delivering that service.

Asset management plans also include asset maintenance plans to ensure provision in the budget for appropriate funding to guarantee that existing assets continue to perform at the required levels and standards of service. The asset management plans, for example, will inform the maintenance budget.

T 5.3.3

Repair and Maintenance Expenditure: 2024/2025				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	2 352 100	2 352 100	14,064,671	(11,712,571)
T 5.3.4				

Chapter 5

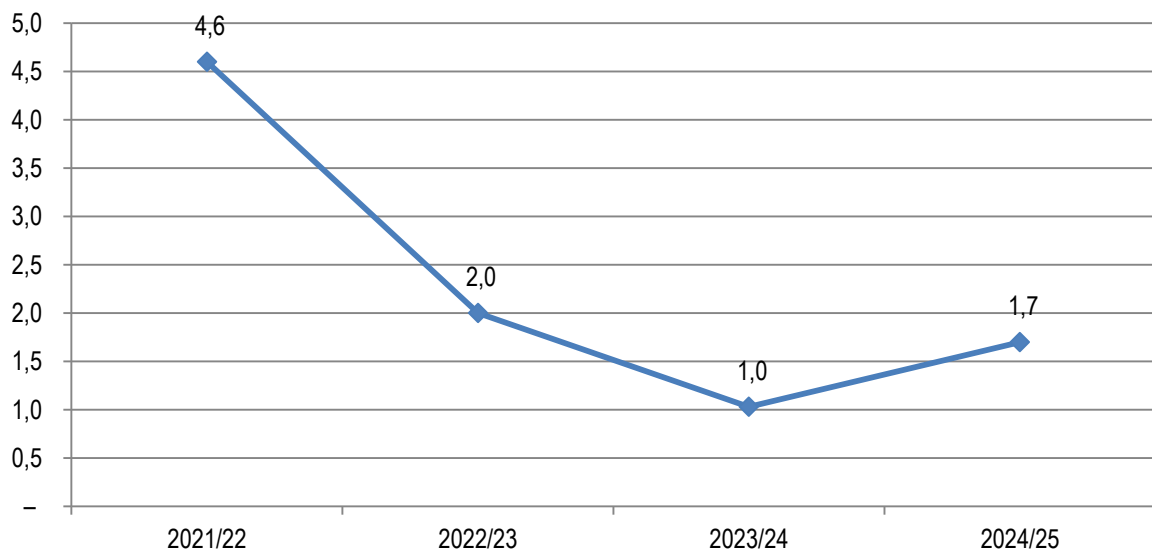
REPAIR AND MAINTENANCE EXPENDITURE

Repair and maintenance expenditure for the 2024/2025 financial year significantly exceeded the approved budget, resulting in an unfavourable variance of R 11,712,571. This over-expenditure is primarily attributable to unplanned and emergency maintenance requirements, ageing infrastructure, and increased service delivery demands.

T 5.3.4.1

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Liquidity Ratio

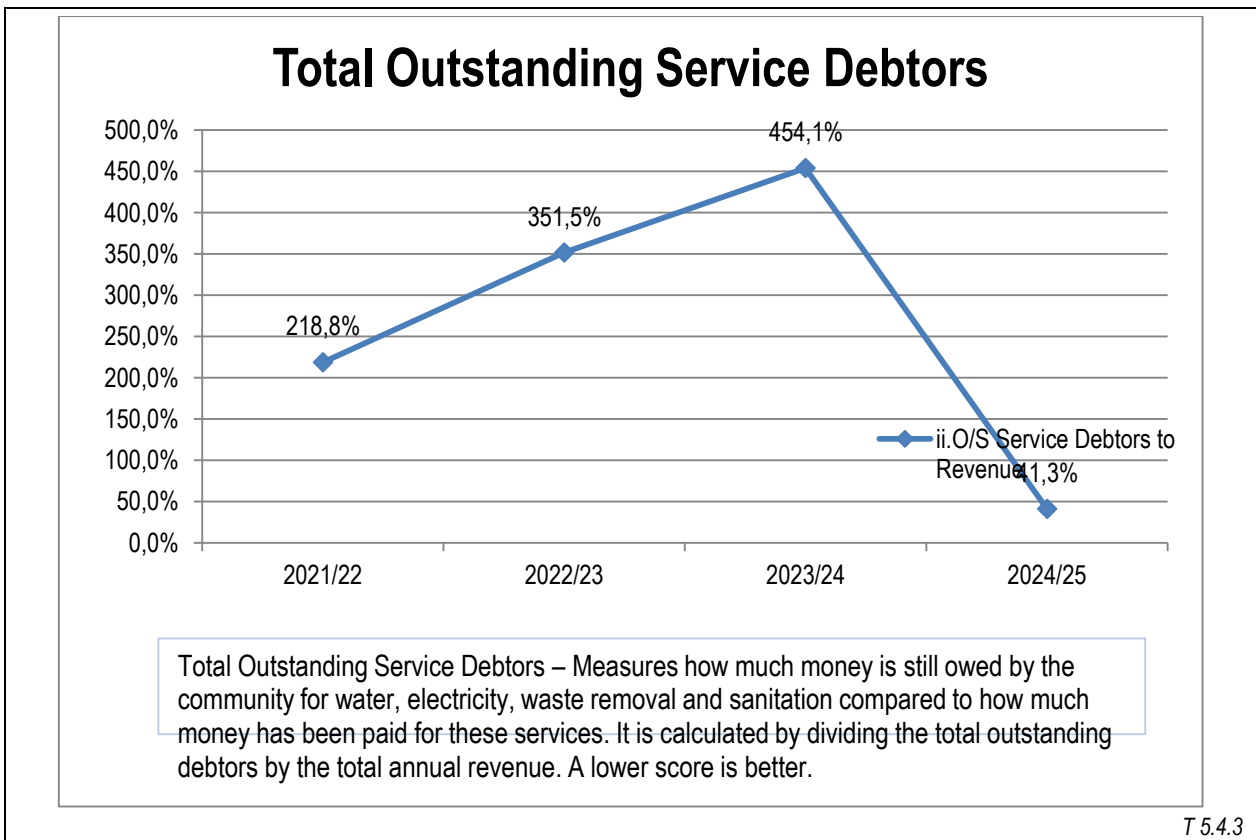
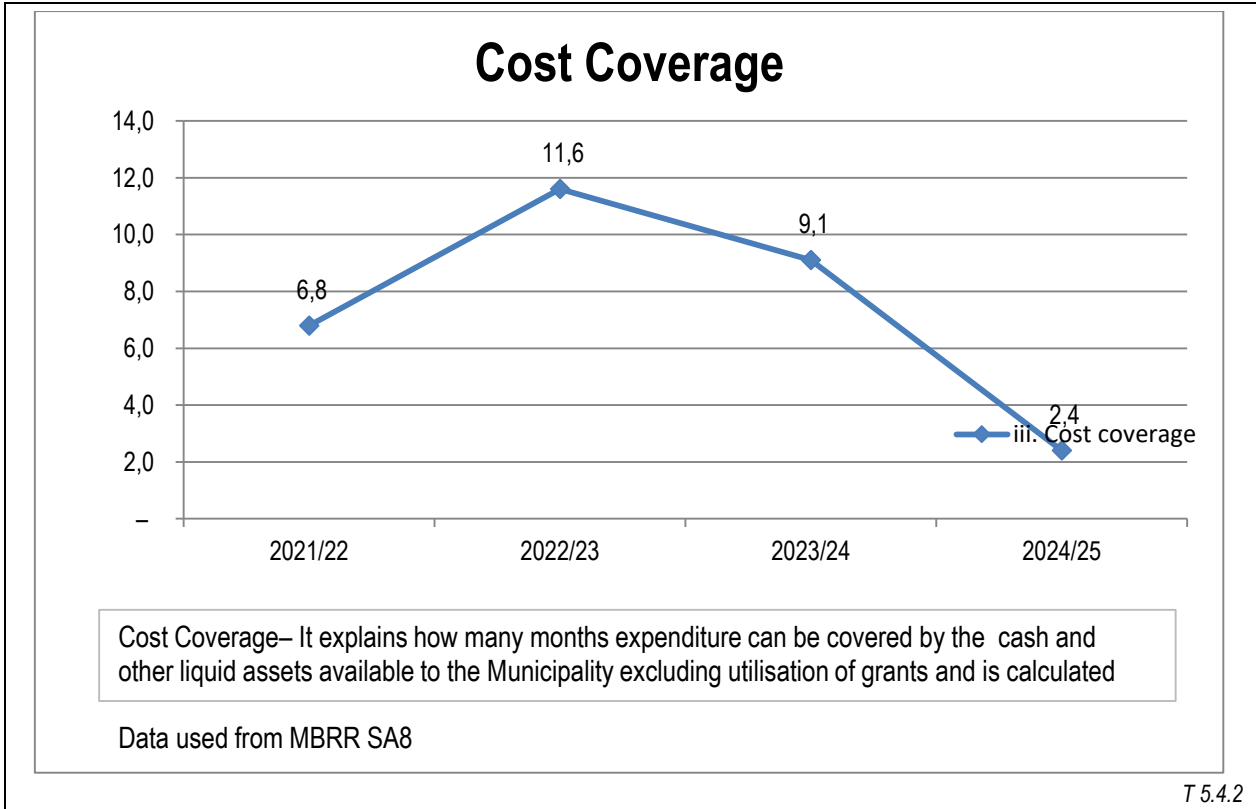


Liquidity Ratio – Measures the municipality’s ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality’s current liabilities. A higher ratio is better.

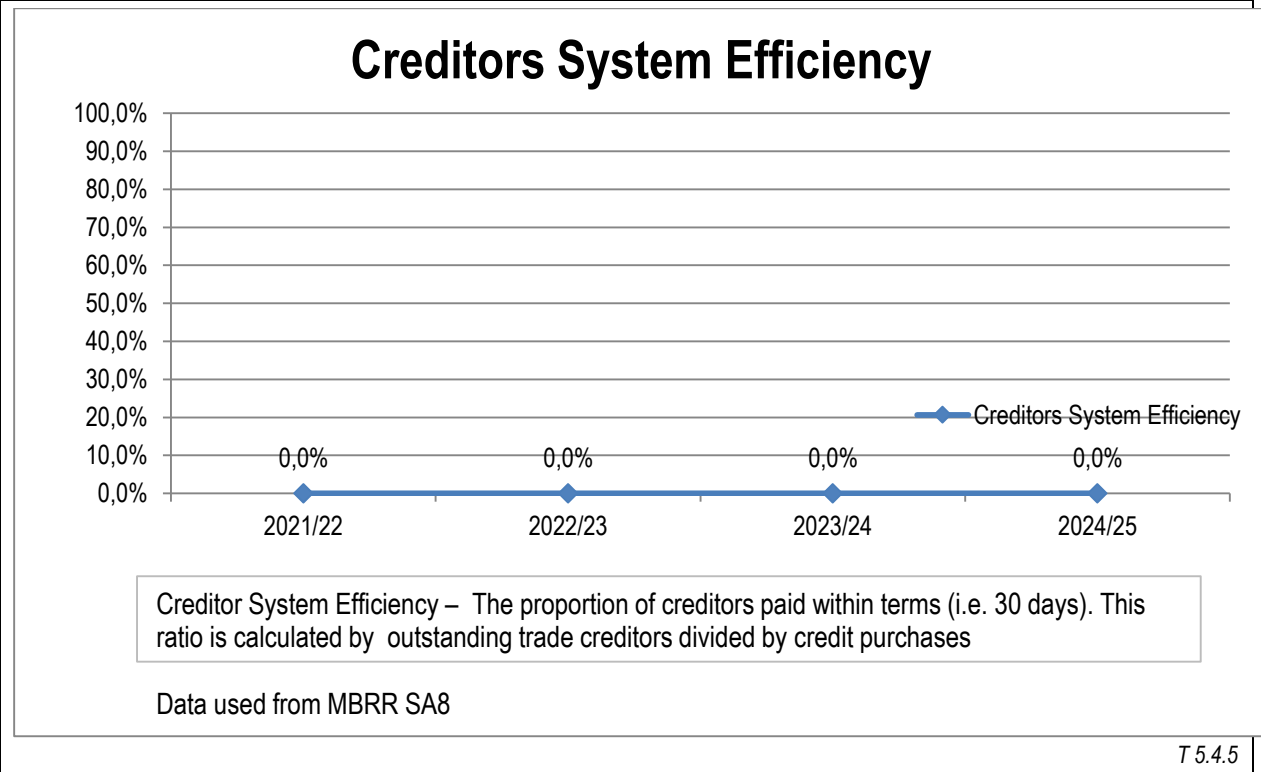
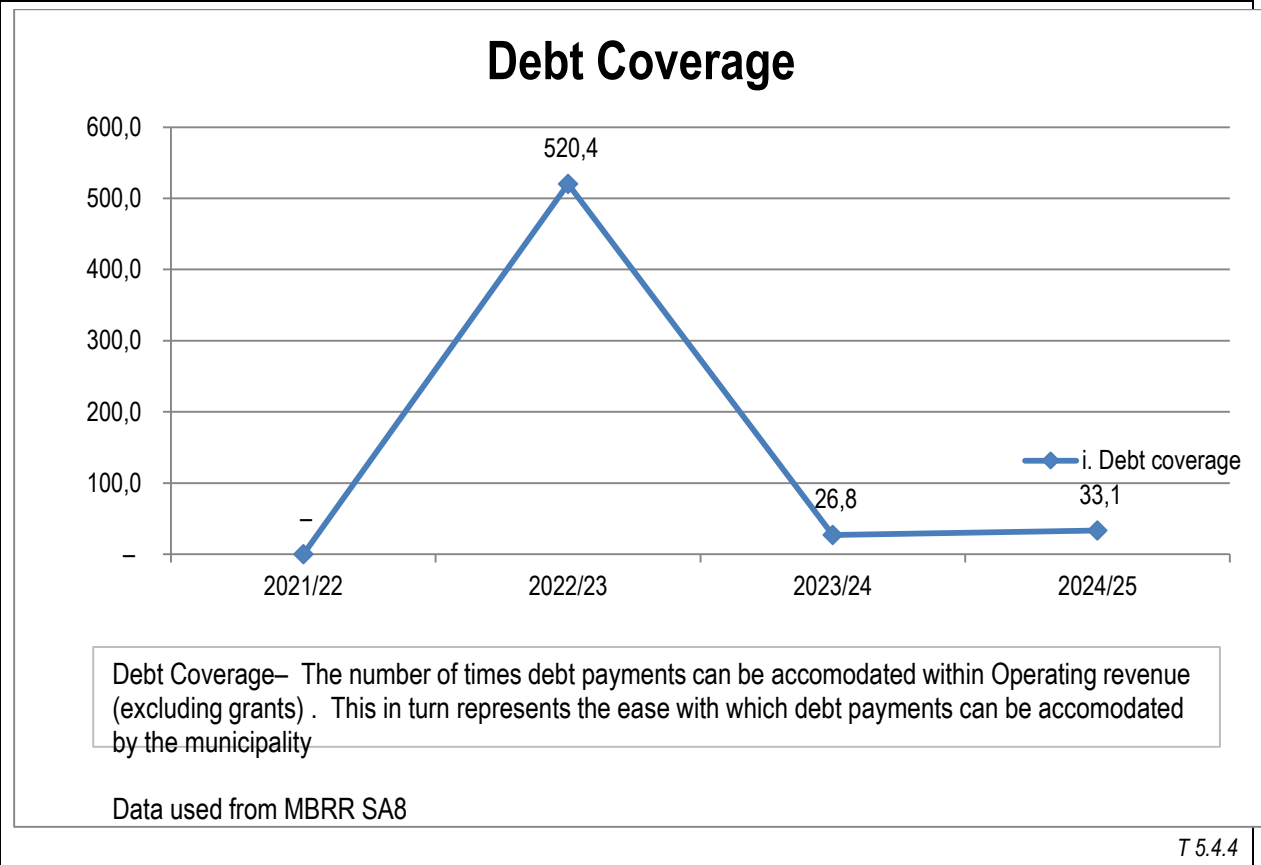
Data used from MBRR SA8

T 5.4.1

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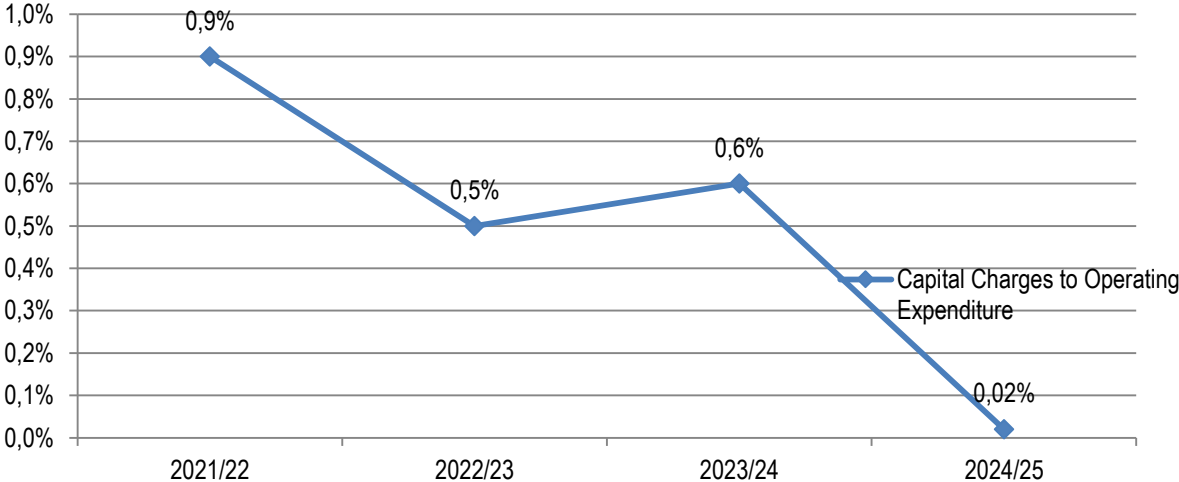


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Chapter 5

Capital Charges to Operating Expenditure

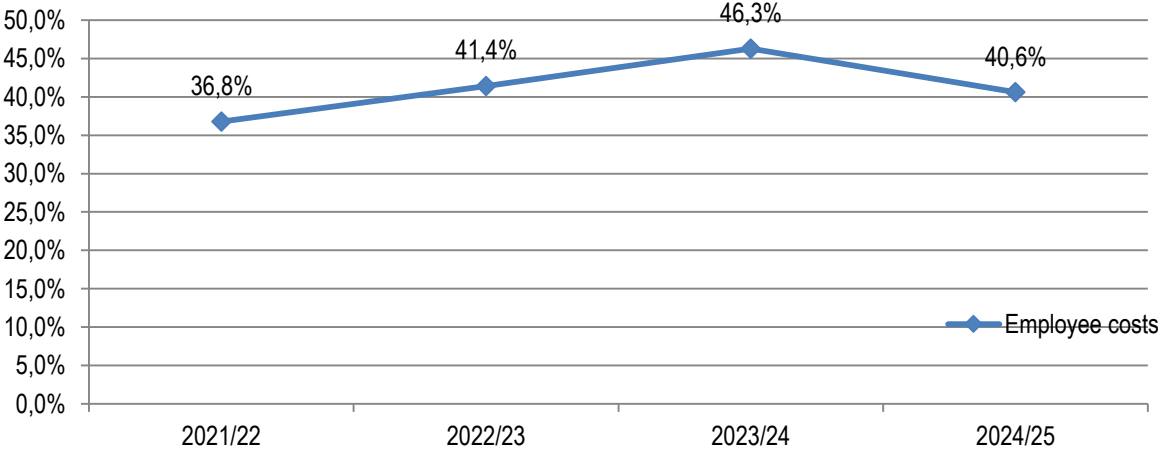


Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

T 5.4.6

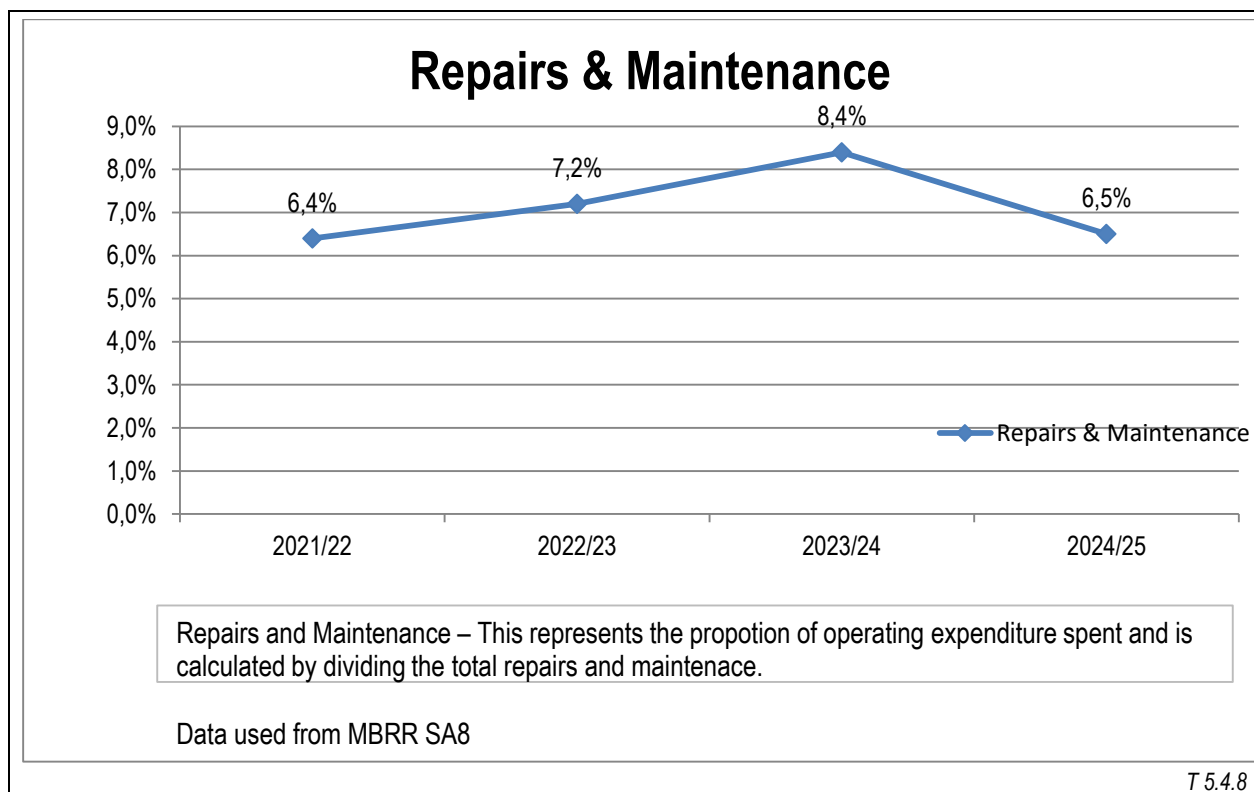
Employee Costs



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

T 5.4.7

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FINANCIAL RATIOS

Liquidity Ratio:

This ratio depicts that the municipality's assets are more than the liabilities. However, the ratio also includes the amount of money still owed to the municipality by its debtors. Considering that most debtors have been owing for more than 12 months the ratio might be a bit overstated. Nonetheless the municipality will still be able to cover its operations even without settlement of those debts. Therefore, the ratio is favourable.

Cost Coverage:

The municipality's ability to pay for its operations is not questionable. Even though the number of months has reduced in the past three years, this is attributed to the fact that the municipality had to use some of its investments in 2022 to finance the capital projects. The annual budget has been funded for the past 5 years. However, care should be given in ensuring that the municipality continue to strengthen the controls in the spending patterns. Only those goods and services that are budgeted for should be prioritised.

The Total Outstanding Service Debtors:

Payment of municipal service has always been a crisis for many institutions. The collection rate of the municipality is way below the expected rate which continues to give a burden to the municipality in terms of funding operations. The municipality has continued to hand-over those debtors that are not settling their bills in time. Government debt is also a priority for the municipality and there have been arrangements in place to ensure 100% collection of such funds.

Creditors System Efficiency:

The municipality has been able to service most of its creditors in time.

Chapter 5

Employee Costs:

This ratio has always been above the treasury norm.

Repairs and Maintenance:

Due to the lockdown the expenditure on repairs and maintenance has been rather low. However, most of the municipality's properties are fairly new and do not require maintenance hence the budget is lower against Capital Expenditure.

T 5.4.9

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

The municipality's spending on capital projects is in line with IDP which is also aligned to the annual budget. The municipality managed to approve a procurement plan that formed part of the municipal acquisition strategy. The value chain was proper that all projects were appointed in time. The bid committees were in place to ensure appropriate turn-around time w.r.t appointment of tenders. The lockdown was the only issue that led to slow movement in capital expenditure.

T 5.5.0

5.5 CAPITAL EXPENDITURE

Contained in the Audited Financial; Statements.

T 5.5.1

5.6 SOURCES OF FINANCE

SOURCES OF FUNDING

Tokologo Local Municipality is mostly reliant on government funding.

T 5.6.1.1

5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects* EXCELL					
Name of Project	Current: 2023/2024			Variance: 2024/2025	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)

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* Projects with the highest capital expenditure in 2024/2025	
Name of Project - A	
Objective of Project	
Delays	
Future Challenges	
Anticipated citizen benefits	
Name of Project - B	
Objective of Project	
Delays	
Future Challenges	
Anticipated citizen benefits	
Name of Project - C	
Objective of Project	
Delays	
Future Challenges	
Anticipated citizen benefits	
Name of Project - D	
Objective of Project	
Delays	
Future Challenges	
Anticipated citizen benefits	
Name of Project - E	
Objective of Project	
Delays	
Future Challenges	
Anticipated citizen benefits	
T 5.7.1	

CAPITAL PROJECTS

The municipality was allocated an MIG Budget of R 18,587,000 for the financial year 2023/2024 FY.

T 5.7.1.1

5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Roads are the most prioritise in municipal IDP, it clearly shows that we have a serious road infrastructure backlog. The municipality is currently developing roads infrastructure (1,5km per year) through MIG per year, a drop in an ocean when compared with the current backlog.

T 5.8.1

Chapter 5

Service Backlogs as at 30 June 2025				
	Households (HHs)			
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	9,086	95%	586	5%
Sanitation	9,086	63%	1,269	13%
Electricity	9,086	100%	0	0%
Waste management	9086	100%	0	0%
Housing				

T 5.8.2

Municipal Infrastructure Grant (MIG)* Expenditure 2024/2025 on Service backlogs						
						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adj Budget	
Infrastructure - Road transport						
Roads, Pavements & Bridges	7,652,060	7,652,060	7,652,060	0%	0%	None
Storm water				0%	0%	None
Infrastructure - Electricity						
Generation				0%	0%	None
Transmission & Reticulation				0%	0%	None
Street Lighting (High mast Lights)				0%	0%	None
Infrastructure - Water	3,390,494	3,390,494	3,390,493	0%	0%	None
Total	11,042,554	11,042,554	11,042,554	0%	0%	None

T 5.8.3

BACKLOGS

The Tokologo Local Municipality's annual budget for infrastructure development is unable to address backlogs. MIG, EPWP IG and Own Funding have played a pivotal role in the assistance in addressing backlogs. Key functions that have been addressed were roads, stormwater management and area lighting. The municipality is availing own funds for development of roads infrastructure through EPWP to mitigate the challenge however its coffers are near depletion hence the budget has been reduced, and additional own funded projects could not be implemented.

T 5.8.4

Chapter 5

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Overall, the municipality's financial viability assessment indicates that the municipality is in a healthy financial position. The municipality pays its creditors well within the required 30 days. The municipality is also able to easily cover all its creditors with the cash and cash equivalents available at year end. The cash and cash equivalents are high because of unused money that is invested on which interest is earned. The municipality's liquidity is healthy as the current assets greatly exceed the current liabilities. The current assets are boosted by the high amount of cash and cash equivalents as mentioned above, while the current liabilities are kept low by the fact that creditors are not long outstanding.

The only negative indication in the financial viability assessment is the debt collection period, which indicates that the municipality waits more than a year to collect money from its debtors. Although the ratio improved from the previous financial year, it is still a risk that the money is not received for services rendered. This risk is, now, mitigated by the fact that the municipality has high amounts of cash and cash equivalents available, and the high amount of equitable share received each year, and is therefore not likely to experience cash flow problems now.

T 5.9

5.9 CASH FLOW

CASH FLOW OUTCOMES

Cash Flow Statement are included in the audited Annual Financial Statement.

T 5.9.1.1

5.10 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

Investments included in the audited Annual Financial Statement. No borrowings for the financial year under review.

T 5.10.1

BORROWING AND INVESTMENTS

No loans were taken up in the financial year under review.

T 5.10.5

5.11 PUBLIC PRIVATE PARTNERSHIPS

PUBLIC PRIVATE PARTNERSHIPS

The Tokologo Local Municipality does not have any Public Private Partnerships in place.

T 5.11.1

Chapter 5

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

Supply Chain Management Unit is established according to Section 111 of the Municipal Finance Management Act 56 of 2003 that states that the municipality has to adopt and implement Supply Chain Management Policy. Supply Chain Management System of the municipality provides a mechanism to ensure fair, equitable, transparent, competitive, and cost-effective procurement whilst promoting black economic empowerment.

Key Findings from previous Auditor General's Report:

Some of the goods and services within the prescribed transaction values for formal written price quotations 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.

Sufficient appropriate audit evidence could not be obtained that goods and services within the prescribed transaction value for competitive bids were procured by inviting competitive bids, as required by SCM Regulations 19(a) [and 36(1)]. Similar non-compliance was also reported in the prior year.

Remedial Actions:

In progress of being addressed.

T 5.12.1

5.13 GRAP COMPLIANCE

GRAP COMPLIANCE

The Tokologo Local Municipality applies GRAP in the compilation of its financial statements. Although every effort is made to comply fully to the GRAP standards applicable, documented issues exist specifically in applying GRAP 17 in relation to assets due to lack of available resources.

T 5.13.1

Chapter 6

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

The Tokologo Local Municipality submitted the Annual Financial Statement on 31 August 2025 in line with section 126 of the Municipal Finance Management Act 32 of 2003 for auditing by Auditor General. The municipality will be audited from September until end November 2025 and receive the audit report from the auditor general in December.

T 6.0.1

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2023/2024

6.1 AUDITOR GENERAL REPORTS 2023/2024 (PREVIOUS YEAR)

Status of audit report:	Qualified
Non-Compliance Issues	Remedial Action Taken
(CoAF 323) Disposal : Lack of evidence of council approval of assets disposed in the year under review	In Progress
CLOSED (CoAF 33) Consequence management: Disciplinary committee not established	In Progress
EV (CoAF 34) Consequence management: No investigations were performed on instances of UIFW expenditure incurred	In Progress
(CoAF 30) Employee costs – Performance Management non-compliance identified	In Progress
(CoAF 160) Employee cost: Overtime hours more than prescribed hours per week	In Progress
(CoAF 16) Internal audit function- Internal control deficiencies & non-compliance	In Progress
(CoAF 2) Internal audit - Limitation of Scope on RFI 3 of 2024	In Progress
(CoAF 56) Follow up : (CoAF 291)Solid waste management - Compliance Issues	In Progress
(CoAF 253) General expenses – Compliance Testing - Payments not made within 30 days of invoice receipt	In Progress
(CoAF 254) General expenses - Payments not approved by the MM	In Progress
(CoAF 317) Finance costs - trade payables - payments are made after 30 days of invoice receipt	In Progress
CLOSED: (CoAF 332) Scope limitation : RFI no 88 of 2024 - (GL and TB after year end)	In Progress
(CoAF 26) Performance, monitoring and reporting : Non- compliance and control deficiencies identified	In Progress
(CoAF 40) Strategic planning and budgeting - Non- compliance	In Progress
(CoAF 298) Wastewater Treatment Works – Site visit observations	In Progress
(CoAF 7) Procurement and contract management - Use of consultants - Limitation of scope on RFI 12 of 2024	In Progress
(CoAF 8) Procurement and contract management - SCM Business Process - Limitation of scope on RFI 14 of 2024	In Progress

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(CoAF 24) Procurement and contract management - Use of consultants - Non-compliance identified	In Progress
(MR) (CoAF 29) Procurement and contract management - Internal control deficiencies and non-compliance identified	In Progress
(AR) (CoAF 45) Procurement and contract management - Deviations - Limitation of scope on RFI 49 of 2024	In Progress
(AR) (CoAF 46) Procurement and contract management - Contract management - Limitation of scope on RFI 52 of 2024	In Progress
(AR) (CoAF 63) Procurement and contract management - Quotations - Limitation of scope on RFI 57 of 2024	In Progress
(MR) (CoAF 99) Procurement and contract management - Deviations not disclosed	In Progress
(CoAF 101) Procurement and contract management - Deviations - Invalid deviations	In Progress
(CoAF 105) Procurement and contract management - Deviations - Declarations of interest	In Progress
(CoAF 107) Procurement and contract management - Competitive bidding process not followed	In Progress
(CoAF 124) Procurement and contract management - State interest not declared	In Progress
(AR) (CoAF 310) Procurement and contract management - Competitive bids - Bid not disqualified	In Progress
(AR) (CoAF 311) Procurement and contract management - Quotations - PPR 2022 not applied	In Progress
(AR) (CoAF 312) Procurement and contract management - Lack of contract management measures employed by the municipality	In Progress
(AR) (CoAF 316) Procurement and contract management - Non-compliances	In Progress
(CoAF 91) UIF and SDL contributions included in remuneration of councillors	In Progress
	T 6.1.1

COMPONENT B: AUDITOR-GENERAL OPINION 2024/2025 (CURRENT YEAR)

6.2 AUDITOR GENERAL REPORT 2024/2025

Status of audit report:	Qualified
Non-Compliance Issues	Remedial Action Taken
CoAF 29 - The council approval of the asset disposals was obtained after year-end	Management will prepare an item to MPAC to provide more details on the disposals and prepare a necessary disclosure in the financial statements.
CoAF 99 - Property, plant and equipment - Depreciation incorrectly calculated on various PPE items	Management is revisiting the entire population of the fixed assets register and re-perform calculations on the depreciation to ensure that they all accurate.
CoAF 100 - Property, plant and equipment - Existence (Movable and Infrastructure assets).	Internal audit function, together with Asset Officer will perform physical verification of assets to ensure that they all exist.
CoAF 200 - Prior period error (Property, plant and equipment) - Limitation of scope on RFI 88	Management will adjust the financial statements.

Chapter 6

CoAF 216 - Property, Plant and Equipment: Presentation and Disclosure (GRAP 3 : Change In Estimates)	Management will adjust the financial statements.
CoAF 222 - Prior year issue - Property, plant and equipment - (CoAF 278) Property plant and equipment (restated amount) - Limitation of scope on RFI no 85 of 2024	Management will adjust the financial statements and submit the supporting documents.
CoAF 114 - Title deeds for investment property - Limitation of scope RFI 51 of 2025	Management will revisit the entire population and ensure that every property has a title deed and submit evidence for auditing purposes.
CoAF 132 - Property, plant and equipment - Zero value assets	Management will revisit the entire population of the fixed assets register and identify assets with zero values and consider reassessing their useful lives and disclose them in the financial statements with the correct amounts.
CoAF 166 - Property, plant and equipment - WIP additions - Limitation of Scope on RFI 58 of 2025	Management will ensure that all the supporting documents and WIP register is reviewed and submitted for an audit.
CoAF 184 - Follow up of prior year issues-Property, plant and equipment - (CoAF 59) Property, plant and equipment - Additions & WIP - Limitation of Scope on RFI 31 of 2024	Management will ensure that all the supporting documents and WIP register is reviewed and submitted for an audit.
CoAF 187 - Follow up of prior year issues-Property, plant and equipment - (CoAF 306) Infrastructure Assets (Opening Balance): Accuracy, valuation and allocation (Depreciation, impairment, OB & classification)	Management will ensure that opening balances are corrected and roll them forward appropriately.
CoAF 189 - Property, plant and equipment : Land (Ownership)	Management will revisit the entire population of fixed assets register and ensure that owners of lands have title deeds.
CoAF 190 - Follow up of prior year issues-Property, plant and equipment - (COAF 103)PPE: Incorrect classification of Land	Management will prepare an audit file that will support the correct classification of land and provide a necessary disclosure.
CoAF 100 - Follow-up on prior year issue -Property, plant and equipment - (CoAF 330) Property, plant and equipment: WIP register is not complete	Management will ensure that all capital infrastructure assets in progress are captured and recorded in the WIP register and update the asset register where necessary.
CoAF 194 - Capital assets disposed of which are required to provide a minimum level of basic municipal services	Management will revisit the transaction and provide the necessary supporting documents.
CoAF 218 - Follow up of prior year issues-Property, plant and equipment - (CoAF 270) Property, plant and equipment : Infrastructure (Completeness)	Management will ensure that all assets are captured in the fixed assets register. This will be done through assets physical verification.
CoAF 220 - Previous years follow up - Follow up on (CoAF 101) Property, Plant and Equipment - Limitation of Scope RFI 70 (Additions and WIP) (ISS.134)	Management will submit all the outstanding information for auditing purposes.
CoAF 223 - Follow up : Property, plant and equipment Iss 245 (CoAF 287)Impairment Loss on Infrastructure Assets - Completeness Issues	Management will develop and update the fixed asset management policy and align it with standard of GRAP.

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CoAF 225 - Follow-up on the prior year issue PPE - (CoAF 139) PPE - Infrastructure Asset Classification Issue	Management will reassess and perform necessary corrections.
CoAF 228 - Follow-up on the prior year issue PPE - (CoAF 140) PPE : (CoAF 246 of 2022/23)PPE - Building Additions Misstatement	Management will include all newly purchased assets in the assets register to ensure that it is accurate.
CoAF 230 - Follow-up on the prior year issue (COAF 247) Movables - Opening balance (Classification) Immovable and Movable assets	The necessary adjustments will be performed to ensure that the fixed assets register is complete and accurate.
CoAF 239 - Prior year follow-up (CoAF 287)Impairment Loss on Infrastructure Assets - Completeness Issues	Management will include and perform the necessary adjustments and update a policy in impairment of assets.
CoAF 191 - Follow-up of prior year issue - Investment property (CoAF 271) Investment Property - Unable to confirm ownership as per Deed search	Management will revisit the entire population and ensure that every property has a title deed and submit evidence for auditing purposes.
CoAF 201 - Investment property (Fair value adjustment)	Management will ensure that proper assessment and valuation of investment properties is performed and update the investment property register to ensure that it is complete and accurate.
CoAF 67 - Bulk purchases (Electricity) - Payments not made within 30 days of invoice receipt	Proper measures will be put in place to ensure that invoices are paid as they become due.
CoAF 76 - Bulk purchases - Electricity - Cut-off issue	The necessary controls will be put in place to address the issue cut-off.
CoAF 78 - Bulk purchases - Water - Cut-off issue	The necessary controls will be put in place to address the issue cut-off.
CoAF 79 - Bulk purchases - Water - Compliance testing - payments not made within 30 days of invoice receipt	Proper measures will be put in place to ensure that invoices are paid as they become due.
CoAF 103 - General Expenses : Payments not made within 30 days	Proper measures will be put in place to ensure that invoices are paid as they become due.
CoAF 106 - General Expenditure-Repairs and maintenance(Various issues identified)	Management will implement proper internal controls to ensure that expenditures are managed efficiently and accurately.
CoAF 107 - General Expenditure-Three quotations were not obtained to procure goods or services	Management will design proper controls to prevent deviations from occurring. This includes developing a UIFW reduction strategy.
CoAF 108 - General Expenditure : Remaining population(Various issues identified)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 112 - General Expenses : Consultants and professional fees (Various issues identified)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 115 - General expenses-Auditors remuneration (Various issues identified)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 116 - General expenses : Subsistence, transport and freight (Various issues identified)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.

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CoAF 153 - Follow-up of prior year-General expenditure-Consultants and professional fees-Misclassification(COAF 245)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 154 - Follow-up of prior year issues- General expenditure : Repairs and maintenance - Misclassification(COAF239)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 157 - Follow up of prior year issues-General expenses - Auditors' Remuneration - Misclassification(Coaf 244)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 158 - Follow up of prior year General expenses - Misclassification(Coaf248)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 160 - Follow up of prior year issues-General expenses - Repairs and maintenance - Cut-off(Coaf250)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 161 - Follow up of prior year issues -General expenses - Remaining population - Cut-off(Coaf 251)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 162 - Follow up of prior year issues-General expenses - GRNs and Pre-trip Authorization forms not included on the transactions - Occurrence not confirmed(Coaf 307)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 163 - Follow up of prior year issues-General expenditure - Consultants and Professional services Journals - Limitation of scope on RFI 67(CoAF 92)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 164 - Follow up of prior year issues-General expenses - Auditors' remuneration - Cut-off(Coaf252)	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 168 - Trade payables from exchange transaction-Trade payables listing not complete	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 188 - General Expenditure-Limitation of Scope(Physical verification) RFI 80	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 202 - Finance cost - transactions - payments not made within 30 days of invoice receipt	Management is revisiting the entire population to ensure that all transactions are classified correctly in the accounting records.
CoAF 53 - Payables from exchange transactions - Limitation of scope on RFI 39 of 2025 Trade payables	Management will ensure that supporting documents are submitted as they become due for auditing purposes.
CoAF 63 - Trade payables - Differences identified between statements and payable listing	The monthly reconciliations will be performed to ensure that listing agrees to the statements.
CoAF 88 - Payables from exchange transactions - Payments received in advance and salary control - Limitation of scope on RFI 66 of 2025	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 89 - Payables from exchange transitions - Prior period error - Limitation of scope on RFI 67 of 2025	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 127 - Follow-up on prior year - (CoAF 131) Unspent conditional grants and receipts journal limitation of scope	Management will ensure that information is submitted as it becomes due for auditing purposes.

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CoAF 135 - Unspent conditional grants and receipts are not backed by cash in the bank	Management will ensure that there is strict compliance on conditional grants.
CoAF 176 - Previous years follow up-Payables from exchange transactions: PY COAF 209 (Salary control) - RFI 110 limitation of scope(Coaf151)	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 179 - Previous years follow up-Payables from exchange transactions: PY COAF 204 (Large and unusual) - RFI 100 limitation of scope(Coaf 154)	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 180 - Previous years follow up-Payables from exchange transactions: PY COAF 208 (Remaining population) - RFI 108 limitation of scope(COaf 155)	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 181 - Previous years follow up-(CoAF 294)Trade payables - Scope limitation RFI 58(Coaf 156)	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 14 - AOPO - APR High level review	Management is correcting all the errors identified during auditing process.
CoAF 46 - AOPO - Discrepancies identified between POE and APR	Management is correcting all the errors identified during auditing process.
CoAF 61 - AOPO - Usefulness : Presentation & disclosure : Corrective measure(s) taken/ to be taken to improve performance not disclosed	Management is correcting all the errors identified during auditing process.
CoAF 64 - AOPO - SDBIP not aligned with the IDP	Management is correcting all the errors identified during auditing process.
CoAF 77 - AOPO - CORI - Indicators not included in the IDP and SDBIP	Management is correcting all the errors identified during auditing process.
CoAF 91 -AOPO - Usefulness - Measurability and relevance misstatements identified	Management is correcting all the errors identified during auditing process.
CoAF 66 - Procurement and contract management : Payments made to service provider after contract expiry	Management will revisit the service level agreement and ensure that all monies are paid back to the municipality. A debt will be raised against the service provider.
CoAF 68 - Procurement and contract management - Competitive bids - Limitation of scope on RFI 54 of 2025	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 69 - Procurement and contract management - Invalid deviation - Fumatso Trading - 315kva 22kv/415v transformer at Seretse	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 70 - Procurement and contract management - Invalid deviation - Woman SA - Supply of water tank in Malebogo	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 85 - Procurement and contract management - Invalid deviation - 100Kva 22kv/400v Transformer at Hertzogville	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 86 - Procurement and contract management - Non-compliance with PPR 2022 requirements	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 87 - Procurement and contract management - Invalid deviation - Fumatso Trading - 15/5315 - High mast light switch, breakers, capacitor, igniter HPS lubes	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 109 - Procurement and contract management - Invalid deviation - Kea Leboga Construction - 15/3280 - Sewerage services	Management will revisit the entire process and resolve the issue.

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CoAF 110 - Procurement and contract management - Invalid deviation - Motshabi Traders - 15/4917 - Material and supplies, HTH Chlorine	Management will revisit the entire process and resolve the issue.
CoAF 111 - Procurement and contract management - Competitive bids - Limitation of scope on RFI 74 of 2025	Management will revisit the entire process and resolve the issue.
CoAF 117 - Procurement and contract management - Invalid deviation - Manthathi Engineering - 15/4616 - Electrical services	Management will revisit the entire process and resolve the issue.
CoAF 118 - Procurement and contract management - Invalid deviation - RA Iketsetse Construction - 15/4574 - Sewerage services	Management will revisit the entire process and resolve the issue.
CoAF 142 - Procurement and contract management - Competitive bids - Non-compliance - Irrigation Equipment Supplies - TLM/WSIG/BOSHOF/2023/2024	Management will revisit the entire process and resolve the issue.
CoAF 197 - Procurement and contract management - Competitive bids - Non-compliance identified	Management will revisit the entire process and resolve the issue.
CoAF 206 - Procurement and contract management - PPR 2022 - Rendering of travel agency services	Management will revisit the entire process and resolve the issue.
CoAF 241 - Procurement and contract management- Non-compliance quotations	Management will revisit the entire process and resolve the issue.
CoAF 71 - Consumer receivables from exchange transactions - Material differences between impairment schedule and the GL	Management will revisit the entire process and resolve the issue.
CoAF 198 - Statutory receivables - Allowance for Impairment-Inactive accounts	Management will revisit the entire process and resolve the issue.
CoAF 12 of 2025: Limitation of scope - RFI 12 of 2025 - Service organisation - Service level agreement	Management will revisit the entire process and resolve the issue.
CoAF 36 - Service charges - Limitation of scope on understanding (Prepaid Electricity & Water)	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 47 - Service charges - Material differences between GL and billing schedules and material limitations of scope	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 47 - Service charges - Material differences between GL and billing schedules and material limitations of scope	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 48 - Service charges - Sale of water - Limitation of scope on RFI 26 of 2025	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 137 - Government grants and subsidies - confirmation letters not provided	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 139 - Follow-up on prior year - (CoAF 242) Government grants and subsidies - RBIG difference in grant register and confirmation memo	The reconciliations will be performed and agreed all the differences.
CoAF 146 - Government grants and subsidies - Limitation of scope on RFI 41	Management will ensure that information is submitted as it becomes due for auditing purposes.
CoAF 150 - Follow-up on prior year - (CoAF 38) Government grants and subsidies - Difference between GL and grant register	The reconciliations will be performed and agreed all the differences.

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CoAF 165 - Government grants and subsidies - Cut-off	Management will perform high level reviews on a monthly basis to ensure that all transactions are captured correctly in the accounting records.
CoAF 240 - Consumer receivables from exchange transactions - Completeness could not be confirmed	Management will perform high level reviews on a monthly basis to ensure that all transactions are captured correctly in the accounting records.
CoAF 242 - Follow-up on prior year - (CoAF 223) - Government grants and subsidies: confirmation memos not signed	Management will perform high level reviews on a monthly basis to ensure that all transactions are captured correctly in the accounting records.
CoAF 90 - VAT receivable - AFS High level review - Previous year's follow up on CoAF 74	Management will perform high level reviews on a monthly basis to ensure that all transactions are captured correctly in the accounting records.
CoAF 96 - VAT receivable amount as per VAT statement does not agree to the amount on the face of AFS	Management will perform high level reviews on a monthly basis to ensure that all transactions are captured correctly in the accounting records.
CoAF 101 - VAT receivable - Previous year's follow-up on (COAF 215) Internal control deficiency and interest not accounted for	Management will perform high level reviews on a monthly basis to ensure that all transactions are captured correctly in the accounting records.
CoAF 92 - Unauthorised expenditure written off - Limitation of scope on RFI 53 of 2025	Management will perform high level reviews on a monthly basis to ensure that all transactions are captured correctly in the accounting records.
CoAF 212 - Compliance-Reasonable steps were not taken to ensure that irregular and fruitless expenditure is prevented	Management will perform high level reviews on a monthly basis to ensure that all transactions are captured correctly in the accounting records.
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AUDITOR GENERAL REPORT ON THE FINANCIAL STATEMENTS: 2024/2025

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Tokologo Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Tokologo Local Municipality as at 30 June 2025 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 24 of 2024 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. The municipality did not account for property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment* as the municipality did not review the assets useful lives at each reporting date. As a result, property, plant and equipment with a gross carrying amount of R95 312 434, had a zero net carrying amount while still being in use. I was unable to determine the impact on the net carrying amount of property, plant and equipment as it was impracticable to do so. Additionally, there was an impact on the surplus for the year and the accumulated surplus.
4. The municipality did not account for property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*, as the municipality recorded land that they did not own in the asset register. Consequently, land included in note 12 to the financial statement was overstated by R11 991 809 (2024: R15 857 460). Additionally, there was an impact on the accumulated surplus.
5. The municipality did not recognise depreciation included in the reconciliation of property, plant and equipment in property, plant and equipment in note 12 to the financial statements in accordance with GRAP 17, *Property, plant and equipment*. This was because material differences were identified between the depreciation recorded in the asset register and the recalculated depreciation. Consequently, this resulted in

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depreciation included in the reconciliation of property, plant and equipment in note 12 to the financial statements being understated and property, plant and equipment overstated by R4 204 347 (2024: R10 479 119). Additionally, there was an impact on the surplus for the period and the accumulated surplus.

6. I was unable to obtain sufficient appropriate audit evidence that the additions/capital expenditure included in the reconciliation of work-in-progress in note 12 to the financial statements were properly accounted for due to the non-submission of information in support of these assets. I was unable to confirm the additions/capital expenditure included in the reconciliation of work-in-progress by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the additions/capital expenditure included in the reconciliation of work-in-progress, stated at R632 361 618 in note 12 to the financial statements.
7. During 2024, the municipality did not account for additions/capital expenditure included in the reconciliation of work-in-progress 2024 in property, plant and equipment in note 12 to the financial statements in accordance with GRAP 17, *Property, plant and equipment*, as the capital expenditure was not recorded in the financial statements. I was unable to determine the full extent of the understatement of additions/capital expenditure included in the reconciliation of work-in-progress 2024 stated at R589 264 257 in note 12 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the prior year surplus and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the property, plant and equipment for the current period.

Payables from exchange transactions

8. The municipality did not account for trade payables included in payables from exchange transactions in note 16 to the financial statements in accordance with GRAP 1, *Presentation of Financial Statements*, as material differences were identified between the supplier statements and the creditors listing. Consequently, this resulted in trade payables included in payables from exchange transactions in note 16 to the financial statements being overstated by R5 904 654. In addition, the municipality did not record all the transactions relating to retentions and trade payables in the accounting records. Consequently, trade payables and general expenses were understated by R25 401 576 (2024: R34 605 689), respectively and retentions and work in progress were understated by R40 403 762 respectively. Additionally, there was an impact on the surplus for the year and the accumulated surplus.
9. I was also unable to obtain sufficient appropriate audit evidence that trade payables, salary control, retentions and payments received in advance-debtors with credit balance included in payables from exchange transactions in note 16 to the financial statements were properly accounted for. This was due to the non-submission of information in support of these liabilities. I was unable to determine these current liabilities by alternative means. Consequently, I was unable to determine whether any

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adjustments were necessary to the trade payables stated at R525 411 197, retentions stated at R5 966 042, payments received in advance-debtors with credit balances stated at R1 244 711 and salary control stated at R65 560 915 included in payables from exchange transactions in note 16 to the financial statements.

10. During 2024, the municipality did not account for salary control accounts and accrued leave included in payables from exchange transactions in accordance with GRAP 1, *Presentation of Financial Statements* as the municipality did not record all the transactions in the salary control account. Consequently, salary control accounts and accrued leave were understated by R4 966 560 and R54 409 and employee related cost was understated by R5 020 969. Additionally, there was an impact on the surplus for the period and the accumulated surplus.

Consumer receivables from exchange transactions

11. The municipality did not recognise consumer receivables from exchange transactions in accordance with GRAP 104, *Financial instruments*. This was due to the municipality not accounting for all consumer debtors in the debtor age analysis. I was unable to determine the full extent of the understatement of gross consumer receivables from exchange transaction balances, stated at R536 171 335 (2024: R457 328 638) in note 8 to the financial statements, and service charges, stated at R65 041 446 (2024: R52 462 686) in note 22 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the surplus for the year and the accumulated surplus.
12. In addition, I was unable to obtain sufficient appropriate audit evidence for the allowance for impairment included in consumer receivables from exchange transactions in note 8 to the financial statements, as the municipality could not provide adequate supporting evidence for the inputs used in the impairment methodology to impair consumer debtors. I was unable to confirm the allowance for impairment included in consumer receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the allowance for impairment included in consumer receivables from exchange transactions stated at R523 665 609 in note 8 to the financial statements.

Government grants and subsidies

13. The municipality did not record government grants and subsidies in accordance with GRAP 23, *Revenue from non-exchange transactions*, as the municipality recorded government grants and subsidies in the incorrect accounting period. Consequently, government grants and subsidies were overstated by R50 103 952, and unspent conditional grants were understated by the same amount. Additionally, there was an impact on the surplus for the year and the accumulated surplus.
14. I was unable to obtain sufficient appropriate audit evidence that government grants and subsidies were properly accounted for due to the non-submission of information in support of these grants and subsidies and material differences between the grant

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register and financial statements. I was unable to determine the government grants and subsidies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the government grants and subsidies stated at R248 789 557 (2024: R310 191 159) in note 28 to the financial statements.

15. During 2024, the municipality did not recognise government grants and subsidies in accordance with GRAP 23, *Revenue from non-exchange transactions*, due to differences identified between the grant register, general ledger, and the confirmation memos. Consequently, government grants and subsidies included in note 28 to the financial statements were understated in R30 312 834, and the unspent conditional grants in note 20 to the financial statements were also overstated by the same amount. Additionally, there was an impact on the unspent conditional grants and receipts, surplus for the year, and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the government grants and subsidies for the current period.

Investment property

16. I was unable to obtain sufficient appropriate audit evidence for investment properties, due to the non-submission of information in support of these fair values. I was unable to confirm the investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the investment property, stated at R32 652 347 (2024: R36 764 160) in note 11 to the financial statements.
17. The municipality did not account for investment property in accordance with GRAP 16, *Investment property*, as the municipality incorrectly recorded properties that it did not own in the asset register. Consequently, investment property was overstated by R32 973 954 (2024: R19 503 089). Additionally, there was an impact on the surplus for the year and the accumulated surplus.

Unspent conditional grants and receipts

18. I was unable to obtain sufficient appropriate audit evidence that unspent conditional grants and receipts had been properly accounted for due to the non-submission of information in support of these grants and receipts. I was unable to confirm the unspent conditional grants and receipts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the unspent conditional grants and receipts, stated at R39 425 954 (2024: R 15 976 943) in note 20 to the financial statements.

General expenses

19. I was unable to obtain sufficient appropriate audit evidence that general expenses had been properly accounted for, as the municipality did not have adequate systems in place to account for these expenses and confirm that goods and services were

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received by the municipality at the correct quantity, quality and price. I was unable to confirm general expenses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to general expenses stated at R75 103 617 (2024: R100 090 323) in note 38 to the financial statements.

20. The municipality did not record general expenses in accordance with GRAP 1, *Presentation of financial statements*, as general expenses were recorded in the incorrect accounting period. Consequently, general expenses and payables from exchange transactions were overstated by R6 267 051. Additionally, there was an impact on the surplus for the year and the accumulated surplus.

Bulk purchases

21. The municipality did not record bulk purchases in accordance with GRAP 1, *Presentation of financial statements*, as the municipality recorded bulk purchases in the incorrect accounting period. Consequently, general expenses were overstated by R5 111 493 and payables from exchange transactions were overstated by the same amount. In addition, the municipality did not correctly account for the concessionary arrangement entered into for the Eskom debt relief programme, while purchase of property, plant and equipment were incorrectly recorded as bulk purchases. Consequently, bulk purchases were overstated by R10 265 350 and payables from exchange transactions were overstated by R9 562 377 and property, plant and equipment were understated by R702 973. Additionally, there was an impact on the surplus for the year and the accumulated surplus.

Service charges

22. I was unable to obtain sufficient appropriate audit evidence that service charges had been properly accounted for due to the non-submission of information in support of these revenue transactions. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R65 041 446 (2024: R52 462 686) in note 22 to the financial statements.
23. In addition, the municipality did not recognise service charges in accordance with GRAP 9, *Revenue from exchange transactions*, as differences were identified between the general ledger and the financial statements. In addition, the municipality did not bill all properties for service charges, while, in other instances, the municipality billed some consumers using incorrect tariffs. Consequently, service charges in note 22 to the financial statements were understated by R10 521 571 and consumer receivables from exchange transactions in note 8 to the financial statements were also understated by the same amount. Additionally, there was an impact on the surplus for the year and the accumulated surplus.
24. During 2024, the municipality did not recognise service charges in accordance with GRAP 9, *Revenue from exchange transactions*. Differences were identified between the billing reports relating to the sale of electricity and the general ledger. The

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municipality also did not implement adequate systems, as incorrect tariffs were used to bill sewage and sanitation, sale of water and not all properties were billed for refuse removal and sewerage and sanitation. Consequently, service charges and consumer receivable from exchange transactions were understated by R4 674 424. Additionally, there was an impact on the surplus for the period and the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the service charges for the current period.

Prior period errors

25. I was unable to obtain sufficient appropriate audit evidence for those prior period errors disclosed in note 47 to the financial statements, due to the non-submission of information in support of these adjustments. I was unable to confirm the prior period errors by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in note 47 to the financial statements. In addition, the municipality did not disclose all the prior period errors in accordance with GRAP 3, *Accounting policies, changes in accounting estimates and errors*. The nature and amount of the correction for some of the financial statement items affected, and the amount of the correction at the beginning of the earliest previous financial period, were not disclosed. I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Commitments

26. I was also unable to obtain sufficient appropriate audit evidence that commitments were properly accounted for due to the non-submission of information in support of these commitments. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the commitments stated at R130 406 656 in note 44 to the financial statements.
27. The municipality did not account for commitments in accordance with GRAP 1, *Presentation of financial statements*, as differences were identified between the amount disclosed in the financial statements and the commitments schedule. Consequently, commitments disclosed in note 44 to the financial statements were understated by R43 369 632. In addition, the municipality did not disclose commitments in accordance with GRAP 17, *Property, plant and equipment*, as the municipality did not record all commitments during the current year. I was unable to determine the full extent of the understatement to commitments, stated at R130 406 656 in note 44 to the financial statements, as it was impracticable to do so.

Change in estimate

28. The municipality did not disclose the unrecognised change in estimates in accordance with GRAP 3, *Accounting policies, changes in estimates and errors*, as the municipality did not disclose the change in estimates in their financial statements. I have not

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included the omitted information in this auditor's report, as it was impracticable to do so.

Segment information

29. The municipality did not disclose the segment information in accordance with GRAP 18, *Segment reporting*, as no reconciliation of segments was included in note 57 to the financial statements. In addition, the municipality did not disclose the accounting policy for segment reporting. I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Irregular expenditure

30. The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements, which were not disclosed. I was unable to determine the full extent of the understatement to irregular expenditure, stated at R279,649,097 in note 54 to the financial statements, as it was impracticable to do so.

VAT receivables

31. I was unable to obtain sufficient appropriate audit evidence for the VAT receivables due to the unexplained differences identified between the VAT reconciliation and the amount disclosed in the financial statements. I was unable to confirm the VAT receivables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the VAT receivables stated at R65 263 766 in note 7 to the financial statements.

Additional disclosures in terms of MFMA

32. The municipality did not disclose distribution losses included in the additional disclosures in terms of MFMA in note 55 to the financial statements, in accordance with section 125(2)(d)(i) of the MFMA, as no distribution losses were disclosed in the notes to the financial statements for the current and corresponding periods. Consequently, I have not included the omitted information in this auditor's report, as it was impracticable to do so.
33. In addition, I was unable to obtain sufficient appropriate audit evidence for the VAT included in the additional disclosures in terms of the MFMA in note 55 to the financial statements as explained differences were identified between the VAT reconciliation and amounts disclosed in the financial statements. I was unable to confirm the VAT included in the additional disclosures in terms of the MFMA by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the VAT included in the additional disclosures in terms of the MFMA, stated at R48 275 714 in note 55 to the financial statements.

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34. During 2024, the municipality did not disclose auditors' remuneration included in additional disclosure in terms of the MFMA in accordance with section 125(2)(d)(i) of the MFMA as the municipality incorrectly classified other expenditure as auditors' remuneration. Consequently, auditor remuneration was overstated by R13 162 226. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the additional disclosures in terms of the MFMA for the current period.

Total revenue

35. Total revenue was materially misstated by R3 393 622 due to the cumulative effect of individually immaterial uncorrected misstatements for the following items:

- Interest received (trading) stated at R42 387 505 was overstated by R314 835
- Property rates stated at R24 272 298 were overstated by R3 078 787

Additionally, there was an impact on the surplus for the year and on the accumulated surplus.

Total expenditure

36. Total expenditure for the corresponding figures was materially misstated by R5 034 267 due to the cumulative effect of individually immaterial uncorrected misstatements for the following items:

- Contracted services stated at R6 463 225 for the corresponding figure were understated by R2 763 733
- Bulk purchases stated at R36 550 407 for the corresponding figure were understated by R2 220 509
- Remuneration of councillors stated at R6 703 017 for the corresponding figure was understated by R50 025

Additionally, there was an impact on the surplus for the year and on the accumulated surplus.

Context for opinion

37. 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.
38. 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

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fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matters

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

Close calls relating to going concern

41. Note 50 in the financial statements, deals with the possible effects of the future implications of continuing deterioration in operational results on the municipality's prospects, performance, and cash flows. Management has also described how they plan to deal with these events and circumstances.

Fruitless and wasteful expenditure

42. As disclosed in note 53 to the financial statements, fruitless and wasteful expenditure of R37 130 145 (2024: R37 207 567) was incurred, mainly due to interest and penalties on late payment to suppliers.

Material uncertainty relating to claims against the municipality

43. With reference to note 45 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing the claims. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Other matters

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

Unaudited disclosure notes

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

Unaudited supplementary schedules

46. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

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Responsibilities of the accounting officer for the financial statements

47. 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.
48. 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

49. 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.
50. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page xx to xx, forms part of my auditor's report.

Report on the annual performance report

51. 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 performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
52. I selected the following material performance indicators related to Municipal Basic services and Infrastructure Development presented in the annual performance report for the year ended 30 June 2025. 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.
 - Percentage of households with access to water services
 - Number of leakages attended
 - Status of blue drop and water samples tested

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- Percentage of budget spend on water services
- Number of household provided with minimum standard of sanitation
- Status of oxidation ponds
- Number of drain and sewer blockages
- Percentage of budget spend on sanitation
- Approved energy plan
- No of streetlight repaired and faulty meter
- k/m of roads paved
- Number of street gravelled and pedestrian walking built
- Status of Integrated Waste Management plan (IWMP)
- Status of landfill sites
- Number of sport facilities upgraded
- Number of parks upgraded
- Approved disaster strategies

53. 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.

54. I performed procedures to test whether:

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

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- 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 measures taken to improve performance.

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

56. The material findings on the reported performance information for the selected material indicators are as follows:

Various indicators

57. Various indicators were not clearly defined during the planning process. Consequently, the indicators are not useful for measuring and reporting on progress against planned objectives. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved. The targets below do not relate directly to their indicators. This makes it difficult to plan for the achievement of the indicator. Consequently, the reported achievements do not provide useful information on the achievement of the indicators and the irrelevant targets hinder appropriate planning for the achievement of the indicators. Measures taken to improve performance against underachieved targets were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against targets. A comparison of the actual performance for the year against the planned targets and the prior year performance was not included in the annual performance report. Consequently, the reported information is not useful for evaluating progress over time and for identifying areas of improvement.)

Indicators	Targets	Detail
k/m of roads paved	Develop road operations and maintenance plan by 30th June 2025	The indicator target year (2025) and the definition's reference year (2024) don't align with the reporting period.
Number of street gravelled and pedestrian walking built	Develop road operations and maintenance plan 30th June 2025	The indicator target year (2025) and the definition's reference year (2024) don't align with the reporting period.
Approved disaster strategies	Development disaster Management strategies by 30th June 2025	The indicator target year (2025) and the definition's reference year (2024) don't align with the reporting period.

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No of streetlight repaired and faulty meters

58. An achievement of not achieved was reported against a target of Develop operations and maintenance plan for Streetlights and faulty electrical meters by 30th June 2025. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved. The target of Develop operations and maintenance plan for Streetlights and faulty electrical meters by 30th June 2025 does not relate directly to the indicator, which measures No of street light repaired and faulty meters. This makes it difficult to plan for the achievement of the indicator. Consequently, the reported achievement does not provide useful information on the indicator's achievement. Measures taken to improve performance against the underachieved target of Develop operations and maintenance plan for Streetlights and faulty electrical meters by 30th June 2025 were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target. A comparison of the actual performance for the year against the planned targets and the prior year performance was not included in the annual performance report. Consequently, the reported information is not useful for evaluating progress over time and for identifying areas of improvement.

Various indicators

59. I could not determine the accuracy of various reported achievements, as the indicators were not well defined and adequate supporting evidence to clarify the methods and processes for measuring achievement were not provided. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved. Measures taken to improve performance against underachieved targets were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against targets. A comparison of the actual performance for the year against the planned targets and the prior year performance was not included in the annual performance report. Consequently, the reported information is not useful for evaluating progress over time and for identifying areas of improvement.

Indicators	Targets	Reported achievements
Percentage of budget spend on water services	100% budget expenditure on water services by 30th June 2025	Not achieved
Percentage of budget spend on sanitation	100% budget expenditure on sanitation by 30th June 2025	Not achieved
Status of landfill sites	Registration of Sites by 30th June 2025	Not achieved

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Number of sport facilities upgraded	Upgrading of one Sports facility in Hertzogville by 30th June 2025	Not achieved
Number of parks upgraded	Upgrading of one park in Hertzogville by 30th June 2025	Not achieved
Number of sport facilities upgraded	Upgrading of one Sports facility in Hertzogville by 30th June 2025	Not achieved

Various indicators

60. Various indicators were not clearly defined during the planning process. Consequently, the indicators are not useful for measuring and reporting on progress against planned objectives. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved. A comparison of the actual performance for the year against the planned targets and the prior year performance was not included in the annual performance report. Consequently, the reported information is not useful for evaluating progress over time and for identifying areas of improvement.

Indicators	Targets	Reported achievements
Number of leakages attended	100% households with access to water services within their sites by 30th June 2025	Achieved Complaints register is submitted and 2 water leakages has been reported
Number of drain and sewer blockages	Attend drain and sewer blockages in Hertzogville, Boshof and Dealsville by 30th June 2025	Achieved 16 drain and sewer leakages reported and attended

Status of blue drop and water samples tested

61. An achievement of not achieved was reported against a target of submission of water samples for testing by 30th June 2025. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved. A comparison of the actual performance for the year against the planned targets and the prior year performance was not included in the annual performance report. Consequently, the reported information is not useful for evaluating progress over time and for identifying areas of improvement. Ensure submission of water samples for testing on a quarterly basis was reported as a measure aimed at improving performance against the target of submission of water samples for testing by 30th June 2025. However, I could not determine if the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

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Various indicators

62. Various indicators were not clearly defined during the planning process. Consequently, the indicators are not useful for measuring and reporting on progress against planned objectives. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved. A comparison of the actual performance for the year against the planned targets and the prior year performance was not included in the annual performance report. Consequently, the reported information is not useful for evaluating progress over time and for identifying areas of improvement. Measures taken to improve performance against underachieved targets were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against targets.

Indicators	Targets	Reported achievements
Approved energy plan	Develop and approved energy master plan June 30th 2025	Not achieved
Status of Integrated Waste Management plan (IWMP)	Reviewed integrated Waste Management Plan by 30th June 2025	Not achieved

Various indicators

63. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved. A comparison of the actual performance for the year against the planned targets and the prior year performance was not included in the annual performance report. Consequently, the reported information is not useful for evaluating progress over time and for identifying areas of improvement. Measures taken to improve performance against underachieved targets were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against targets.

Indicators	Targets	Reported achievements
Percentage of households with access to water services	100% households with access to water services within their sites by 30th June 2025	Achieved
Number of households provided	9 831 household provided with minimum standard of sanitation by 30th June 2025	Achieved

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with minimum standard of sanitation		
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Other matters

64. I draw attention to the matters below.

Achievement of planned targets

65. 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.
66. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. Some measures taken to improve performance are included in the annual performance report on pages xx to x.

Municipal basic service and infrastructure development

<i>Targets achieved: 17%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Status of blue drop and water samples tested	Submission of water samples for testing by 30th June 2025	Not achieved
Percentage of budget spend on water services	100% budget expenditure on water services by 30th June 2025	Not achieved
Status of oxidation ponds	Maintenance of 3 municipal oxidation ponds by June 2025	Not achieved
Percentage of budget spend on sanitation	100% budget expenditure on sanitation by 30th June 2025	Not achieved
Approved energy plan	Develop and approved energy master plan June 30th 2025	Not achieved
No of streetlight repaired and faulty meters	Develop operations and maintenance plan for Streetlights and faulty electrical meters by 30th June 2025	Not achieved

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k/m of roads paved	Develop road operations and maintenance plan by 30th June 2025	Not achieved
Number of street gravelled and pedestrian walking built	Develop road operations and maintenance plan 30th June 2025	Not achieved
Status of Integrated Waste Management plan (IWMP)	Reviewed integrated Waste Management Plan by 30th June 2025	Not achieved
Status of landfill sites	Registration of Sites by 30th June 2025	Not achieved
Number of sport facilities upgraded	Upgrading of one Sports facility in Hertzogville by 30th June 2025	Not achieved
Number of parks upgraded	Upgrading of one park in Hertzogville by 30th June 2025	Not achieved
Approved disaster strategies	Develop disaster Management strategies by 30th June 2025	Not achieved

Material misstatements

67. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Municipal Basic services and Infrastructure Development. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

68. 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.
69. 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.
70. 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.

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71. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

72. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
73. The council failed to adopt an oversight report containing the council's comments on the 2023/24 annual report, as required by section 129(1) of the MFMA.

Expenditure management

74. Reasonable steps were not taken to ensure that money owed by the municipality was always paid within 30 days, as required by section 65(2)(e) of the MFMA.
75. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by the non-compliance with the supply chain management regulations.
76. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R37 130 145, as disclosed in note 53 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 and penalties on late payments to suppliers.
77. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by grants not use for their intended purposes.

Assets management

78. 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.

Revenue management

79. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

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80. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Consequences management

81. 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.
82. Irregular 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.
83. 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.
84. Unauthorised expenditure was certified by the council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) of the MFMA.

Strategic planning & performance

85. The performance management system and related controls were not maintained as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be conducted as required by municipal planning and performance management regulation 7(1).

Conditional grants

86. The Regional Bulk Infrastructure Grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
87. The Water Services Infrastructure Grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
88. The Municipal Infrastructure Grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
89. I was unable to obtain sufficient appropriate audit evidence that the expanded public works Programme was spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
90. Performance in respect of programmes funded by the regional bulk infrastructure grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

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91. Performance in respect of programmes funded by the water services infrastructure grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.
92. Performance in respect of programmes funded by the municipal infrastructure grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

Procurement and contract management

93. Some of the goods and services within the prescribed transaction values for formal written price quotations 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.
94. Sufficient appropriate audit evidence could not be obtained that goods and services within the prescribed transaction value for competitive bids were procured by inviting competitive bids, as required by SCM Regulations 19(a) Similar non-compliance was also reported in the prior year.
95. Sufficient appropriate audit evidence could not be obtained that bid specifications were unbiased and allowed all potential suppliers to offer their goods or services, as required by SCM Regulation 27(2)(a).
96. 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. Similar non-compliance was also reported in the prior year.
97. Sufficient appropriate audit evidence could not be obtained that goods or services procured under contracts secured by other organs of state were in accordance with Regulation 32.
98. Some of the quotations were awarded to bidders based on preference points that were not allocated in accordance with the requirements of section 2(1)(a) of the Preferential Procurement Policy Framework Act and its regulations. Similar non-compliance was also reported in the prior year.
99. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5. Similar limitation was also reported in the prior year.
100. 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.

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Governance and oversight

101. The Internal Audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to internal controls, as required by section 165(2)(b)(ii) of the MFMA.
102. The Internal Audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to risk management, as required by section 165(2)(b)(iv) of the MFMA.
103. The Internal Audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to performance management, as required by section 165(2)(b)(v) of the MFMA.
104. The Internal Audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to compliance with MFMA, Dora, and any other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.
105. The internal audit plan did not include the assessment of the auditee's reliability of performance measurement in measuring performance against key performance indicators, as required by regulation 14(1)(b)(iii) on Municipal Planning and Performance Management.
106. The Internal Audit unit did not audit the results of performance measurements, as required by section 45(a) of the Municipal Systems Act 32 of 2000 (MSA).
107. The internal audit unit did not submit quarterly reports on the audits of performance measurements of the auditee to the municipal manager and the performance audit committee, as required by regulation 14(1)(c)(ii) on Municipal Planning and Performance Management.
108. The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the auditee, its efficiency and effectiveness and its overall level of compliance with the relevant applicable legislation, as required by section 166(2)(b) of the MFMA.
109. The audit committee did not advise the council, mayor and accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
110. The performance audit committee did not submit an audit report on the review of the performance management system to the council, at least twice during a financial year, as required by regulation 14(4)(a)(iii) on Municipal Planning and Performance Management.

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111. The audit committee did not review the quarterly reports submitted by the internal auditors on the audits of performance measurement as required by regulation 14(4)(a)(i) on Municipal Planning and Performance Management.
112. The performance audit committee did not review the quarterly reports submitted by the internal auditors on the audits of performance measurement as required by regulation 14(4)(a)(i) on Municipal Planning and Performance Management.

Human resource management

113. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations.

Other information in the annual report

114. 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 in the scoped-in KPA presented in the annual performance report that have been specifically reported on in this auditor's report.
115. My opinion on the financial statements and my reports on the audit of the annual performance report and 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.
116. 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 in the scoped-in KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
117. 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

118. 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.
119. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on the selected

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material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.

120. Lack of adequate procedures by accounting officer to monitor and enforce the implementation of the corrective measures included in the audit action plan to address internal control weaknesses relating to the financial statements, performance reporting as well as compliance with the applicable laws and regulations.
121. Accounting officer's lack of adequate review processes relating to financial statements and performance report as material misstatements were not detected and corrected before submission as there was inadequate time allocated to the financial statements preparation process.
122. Management's failure to implement an adequate record keeping system resulted in material findings on supporting records that could not be submitted to support the financial statements and annual performance report.
123. Internal audit and audit committee did not play adequate oversight to ensure that their responsibilities are performed in accordance with the requirements of the MFMA.

Material irregularities

124. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.
125. The material irregularities identified are as follows

Status of previously reported material irregularities

Full and proper records not kept (2018-19) – infrastructure assets, services charges and conditional grants

126. In my 2019-20 auditor's report, I reported that the accounting officer did not take reasonable steps in the 2018-19 financial year to ensure that full and proper records were kept of infrastructure assets, service charges and conditional grants, as required by section 62(1)(b) of the MFMA. The non-compliance contributed to a disclaimed audit opinion as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements.
127. The lack of full and proper records is likely to result in substantial harm to the municipality as it contributed to the material uncertainty regarding its ability to continue operations, as disclosed in note 50 to the 2018-19 financial statements. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.

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128. The accounting officer was notified of this material irregularity on 11 June 2021. The accounting officer could not provide sufficient and appropriate evidence of the actions that have been taken in response to being notified of the material irregularity, as the planned actions to address the poor record keeping and financial problems were not adequate. I recommended that the accounting officer should take the following actions to address the material irregularity, which should have been implemented by 14 April 2022:

- The non-compliance with section 62(1)(b) of the MFMA should be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and enhancing control weaknesses.
- Based on the reasons and circumstance, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept, in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan should include anticipated timeframes and address the following key areas as a minimum:
 - (i) Complete asset register of all of the municipality's infrastructure assets, including work-in-progress, as well as payment certificates to support assets purchased.
 - (ii) Meter-reading records for revenue from service charges.
 - (iii) Register and payment vouchers to support payments made from conditional grant funding, including reconciliations.

129. I further recommended that the accounting officer should have taken appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA, by 14 July 2022. The plan should describe the anticipated timeframe and milestones to be achieved and include as a minimum strategies to:

- increase the collection of revenue,
- optimise costs in respect of bulk purchases,
- efficiently manage the available cash of the municipality,
- enter payment arrangements with major suppliers.

130. The accounting officer has not adequately implemented the above recommendations. I notified the accounting officer on 7 August 2023 of the following remedial actions to address the material irregularity, which must have been implemented by 7 March 2024 with a progress report after three months:

- The non-compliance with section 62(1)(b) of the MFMA must be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses.

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- Based on the reasons and circumstances, appropriate action must be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan must include anticipated timeframes and address the following key areas as a minimum:
 - (a) Complete asset register of all of the municipality's infrastructure assets, including work-in-progress, as well as payment certificates to support assets purchased;
 - (b) Meter reading records for revenue from service charges; and
 - (c) Register and payment vouchers to support payments made from conditional grant funding, including reconciliations; and
- I further recommend that the accounting officer must have taken appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA. The plan must describe the anticipated timeframe and milestones to be achieved and include as a minimum strategies to:
 - (a) Increase the collection of revenue;
 - (b) Optimise costs in respect of bulk purchases;
 - (c) Efficiently manage the available resources of the municipality; and
 - (d) Enter into payment arrangements with major suppliers.

131. A response with regard to the implementation of the remedial actions was received on 8 March 2024, however supporting documentation for each of the actions stated in the response was not provided. I have decided to request in terms of regulation 11(2) of the Material Irregularity Regulations, intervention from the following role-players and oversight structures in the accountability ecosystem to assist and support, as far as is necessary, the accounting officer with the implementation of the remedial action and to address the material irregularity appropriately:

- Member of the Executive Council: Finance;
- Member of the Executive Council: Cooperative Governance and Traditional Affairs;
- Executive Mayor;
- Speaker of Council; and
- Member of the Mayoral Committee: Finance.

132. In addition to requesting intervention from the above role players, I have requested the following role players in the accountability ecosystem to exercise oversight by

Chapter 6

supporting and assisting, as far as is necessary, the accounting officer with the implementation of the remedial action and addressing the material irregularity appropriately:

- Premier of the province;
- Chairperson of the Municipal Public Accounts Committee; and
- Chairperson of the Audit Committee.

133. This action was taken to address the ongoing issues and ensure corrective measures were implemented to resolve the material irregularity. The role players were requested to submit a progress report on the interventions implemented to the Office of the Premier by 30 September 2024 and the Office of the Premier had to submit a report to me on all the interventions implemented by relevant role players by 31 October 2024.
134. Delays were noted in the progress report being provided and I followed up with the Office of the Premier in February 2025 on the outstanding progress report.
135. To date, the Office of the Premier has not submitted the required progress report. However, we have noted through engagements between the Office of the Premier and the AGSA that there are various interventions in progress by the relevant role players.
136. I will follow up on the effectiveness of these interventions, which will inform my determination on the further action to take.

Other reports

137. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
138. During 2017-18, the accounting officer requested that the Free State Provincial Treasury and the Free State Department of Co-operative Governance and Traditional Affairs consider an investigation in terms of section 106 of the MSA for possible maladministration and fraud as a result of the alleged theft of certain tender and payment documentation. The investigation was still in progress at the date of this auditor's report. A case was also opened at the South African Police Service and was still being investigated at the date of this auditor's report.
139. The president of South Africa has signed a proclamation on 11 December 2023 that the special investigations unit investigates the allegations relating to serious maladministration in connection with the affairs of the municipalities, improper or unlawful conduct by employees of the municipalities; unlawful expenditure of public money; unlawful or improper conduct by any person, which has caused or may cause serious harm to the interests of the public. The investigation was still in progress at the date of this auditor's report.

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Auditor - General

Bloemfontein

30 November 2025



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Chapter 6

AUDITOR-GENERAL'S OPINION 2024/2025

The municipality received a qualified audit opinion in the current financial year. The qualification consisted of 4 qualification paragraphs, namely VAT Receivable balance that has long been outstanding and not resolved, Audit Findings on Property Plant and Equipment, Unauthorised Expenditure, and Irregular expenditure that remains unresolved which were mainly caused by lack of adequate reviews on the annual financial statements and lack of consequence management to address unauthorised and irregular expenditure.

The qualification opinion is not a desirable one and we will continue working hard to change the narrative. There is also a need to continue with trainings to capacitate the current staff do be at the level that would see us reducing the use of consultants. Furthermore, the implementation and monitoring of a comprehensive Audit Action Plan, effective internal controls, and commitment from all relevant role players will be needed to improve the audit outcome of the municipality.

T 6.2.4

GLOSSARY

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year, and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “ <i>what we use to do the work</i> ”. They include finances, personnel, equipment, and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service Delivery and Infrastructure; • Economic development; • Municipal transformation and institutional development; • Financial viability and management; and

GLOSSARY

	<ul style="list-style-type: none"> • Good governance and community participation.
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes, and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered).
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote	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. Section 1 of the MFMA defines a "vote" as: <ul style="list-style-type: none"> a) <i>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> b) <i>which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.</i>

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APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and / or Party Represented	Number Council Meetings Attendance	Percentage Apologies for non-attendance
	FT / PT			No	%
Boitumelo Enoch Seakge	Full Time	Mayor	ANC Ward 3	6	0%
Mathe Mathews Gaebee	Full Time	Speaker	ANC Ward 7	6	0%
Goitseman Koba Magomo	Part Time	Finance & Technical Services	ANC PR	6	0%
Johanna Groenewaldt	Part Time	Corporate & Community Services	ANC PR	6	0%
Tebogo Serame Tebang	Full Time	MPAC	ANC Ward 1	6	0%
Tshepo Molale	Full Time	District Representative	ANC Ward 6	6	0%
Lebogang Godfrey Setlhare	Full Time	Finance & Technical Services	ANC Ward 4	6	0%
Tshepiso Stephen Maraman	Full Time	Corporate & Community Services	ANC Ward 5	6	0%
Sicelo Hismajesty Maqhubu	Part Time	MPAC	DA PR	6	0%
Letshego Letshabo	Part Time	MPAC	EFF PR	6	0%
Moses Rantholoana Monyane	Part Time	Finance & Technical Services	EFF PR	6	0%
Johann Steenkamp	Full Time	Corporate & Community Services	DA Ward 2	6	0%
Wilhelm Alfred Weich	Part Time	Corporate & Community Services	VFP PR	6	0%

T A

Executive Committee Meetings				
Executive Committee Members	Total No of Meetings held	Attendance	Non attendance	
			With apology	Without apology
Goitseman Koba Magomo	6	100%	N/A	N/A
Johann Steenkamp	6	100%	N/A	N/A

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Finance Committee	Deals with income, expenditure, budget and all other financial matters.
Audit Committee	It is independent advisory body to council, municipal manager and management staff on financial controls, risk management, accounting policies, performance management.
Housing and Erven Committee	Deals with housing and erven matters within the municipality.
Local Labour Forum [LLF]	Platform were organised labour and the employer negotiates and bargains on issues affecting labour at local level.

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Education Committee	Deals with local educational matters.
Sports Committee	Deals with issues affecting all sporting codes.
Agriculture and Rural Development Committee	Deals with all matters pertaining to agriculture and rural development.
Economic Development Committee	Deals with local economic development issues.
Social Development Committee	Deals with social & welfare issues affecting the community.
<i>T B</i>	

APPENDIX C – THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director / Manager (State title and name)
Municipal Manager	Mr. M. Sehloho
Chief Financial Officer	Mr. T. Matile
Corporate Services	Mr. T. Tlhokwe
Technical Services	Vacant
Community Services	Vacant
<i>T C</i>	

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

New No	Function As Per Government Gazette No 6847 - 24 Dec 2010	Function Assigned	Done By TLM
1	Air Pollution	LM/DM Function	No
2	Amusement Facilities	Local Function	No
3	Billboards & Display of Advertisements in Public Places	Local Function	Yes
4	Building Regulations	Local Function	Yes
5	Cemeteries, Funeral Parlours and Crematoria	Local Function	Yes
6	Child Care Facilities	Local Function	No
7	Cleansing	Local Function	Yes
8	Control of Public Nuisances	Local Function	Yes
9	Control of Undertakings that Sell Liquor to the Public	Local Function	No
10	Facilities for the Accommodation, Care and Burial of Animals	Local Function	No
11	Fencing and Fences	Local Function	No
12	Fire Fighting Service	LM/DM Function	No
13	Integrated (IDP) Municipal Planning	Local Function	Yes
14	Levying of fees for Services Provided by LM	Local Function	Yes
15	Levying of Rates on Property	Local Function	Yes
16	Levying of Surcharges on Fees for Services Provided for or on behalf of the LM	Local Function	Yes
17	Licensing and control of undertakings that sell food to the public	Local Function	No
18	Licensing of Dogs	Local Function	No
19	Local Amenities	Local Function	Yes
20	Local Roads and Streets	Local Function	Yes
21	Local Sport Facilities	Local Function	Yes

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New No	Function As Per Government Gazette No 6847 - 24 Dec 2010	Function Assigned	Done By TLM
22	Local Markets	Local Function	Yes
23	Municipal Abattoirs	LM/DM Function	No
24	Municipal Airports	LM/DM Function	Yes
25	Municipal Health Service	LM/DM Function	No
26	Municipal Parks & Recreation	Local Function	Yes
27	Municipal Planning (Town Planning)	Local Function	Yes
28	Municipal Public Transport	LM/DM Function	No
29	Municipal Public Works relating to any Functions of the LM	LM/DM Function	No
30	Noise Pollution	LM/DM Function	No
31	Pontoons, Ferries, Jetties, Piers & Harbours	LM/DM Function	NA
32	Pounds	LM/DM Function	Yes
33	Promotion of Local Tourism for the Area	Local Function	Yes
34	Public Places	Local Function	Yes
35	Refuse Removal, Refuse Dumps and Solid Waste Disposal Sites	Local Function	Yes
36	Retail Potable Water Supply Systems and Domestic Wastewater and Sewerage Disposal Systems Serving the Area of the Municipality	Local Function	Yes
37	Retail Supply of Electricity and Gas	Local Function	Yes
38	Street Lighting	LM/DM Function	Yes
39	Street Trading	Local Function	Yes
40	Storm Water Management in Build Areas	Local Function	Yes
41	Trading Regulations	Local Function	Yes
42	Traffic and Parking	Local Function	No
			<i>T D</i>

APPENDIX E – WARD REPORTING

No.	Ward Councillor	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Tebogo Serame Tebang	Yes	12	12	4
2	Johann Steenkamp	Yes	12	12	4
3	Boitumelo Enoch Seakge	Yes	12	12	4
4	Lebogang Godfrey Sethare	Yes	12	12	4
5	Tshepiso Stephen Maraman	Yes	12	12	4
6	Tshepo Molale	Yes	12	12	4
7	Mathe Mathews Gaebee	Yes	12	12	4
					<i>T E</i>

APPENDICES

APPENDIX F – WARD INFORMATION

Full information provided in Appendix O.

Various Wards				
Capital Projects: Seven Largest in 2024/2025				
R' 000				
No.	Project Name and detail	Start Date	End Date	Total Value
1	Construction of 10km (01) ductile iron pipeline	06 Mar 2023	30 Jun 2025	R106,661,175.66
2	Construction of 10km (02) ductile iron pipeline.	08 Mar 2023	30 Jun 2025	R103,362,920.87
3	Construction of the Boshof 4.5ml/day WTW M&E	28 Feb 2023	Ongoing	R92,557,426.12
4	Construction of 5km (03) ductile iron pipeline.	02 Mar 2023	30 Mar 2024	R55,160,909.54
5	Construction of 5km (04) ductile iron pipeline.	10 Mar 2023	30 Mar 2024	R51,753,367.20
6	Stormwater implementation for the Boshof Bulk Water Scheme.	28 Feb 2023	23 Jun 2025	R33,530,093.80
<i>T F.1</i>				

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	9,670	9,670	9,670	9,670	
Households without minimum service delivery	586	1115	0	0	
Total Households*	9,670	9,670	9,670	9,670	
<i>T F.2</i>					

Top Four Service Delivery Priorities for Ward (Highest Priority First)		
No.	Priority Name and Detail	Progress During 2024/2025
1		
2		
3		
4		
<i>T F.3</i>		

APPENDICES

APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2024/25

REPORT OF THE AUDIT AND PERFORMANCE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2025

TOKOLOGO LOCAL MUNICIPALITY

AUDIT, RISK AND PERFORMANCE COMMITTEE REPORT 2024/2025 FINANCIAL YEAR

AUDIT, RISK AND PERFORMANCE COMMITTEE REPORT

2024/2025 FINANCIAL YEAR



For: Tokologo Local Municipality

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TOKOLOGO LOCAL MUNICIPALITY

AUDIT, RISK AND PERFORMANCE COMMITTEE REPORT 2024/2025 FINANCIAL YEAR

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TOKOLOGO LOCAL MUNICIPALITY

AUDIT, RISK AND PERFORMANCE COMMITTEE REPORT 2024/2025 FINANCIAL YEAR

1. Purpose

The Committee is honoured to present 2024/2025 financial year annual report which aims to update Council on its activities and to raise issues of concern for the attention of Council of Tokologo Local Municipality.

2. LEGISLATIVE REQUIREMENTS

Section 166, of municipal finance management Act, 56 of 2006 states- Each municipality and each municipal entity must have an audit committee. Subject to subsection (6).

An audit committee is an independent advisory body which must advise the municipal council, the political office-bearers. The accounting officer and the management staff of the municipality on matters relating to:

- Internal financial control and internal audits.
- Risk management.
- Accounting policies.
- The adequacy, reliability and accuracy of financial reporting and information.
- Performance management and effective governance, compliance with this Act, the annual Division of Revenue Act and any other applicable legislation.
- Respond to the council on any issues raised by the Auditor-General in the audit report.

In performing its functions, an audit committee has access to the financial records and other relevant information municipality and must liaise with the internal audit unit of the municipality, and the person designated by the Auditor-General to audit the financial statements of the municipality. No councillor may be a member of an audit committee.

The committee has in terms of circular 65 of MFMA adopted an appropriate formal terms of reference clearly setting out the establishment, purpose, authority, composition and the relationship with council, management , internal and external auditors as its charter.

3. Matters relating to committee responsibility:

3.1 The Committee structure

- The established committee consists of three (3) independent external members as listed below:

Mr. N Lintoe	(Chairperson)
Mr. H Maritz	(Member)
Mr. H Ngomane	(Member)

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TOKOLOGO LOCAL MUNICIPALITY

AUDIT, RISK AND PERFORMANCE COMMITTEE REPORT 2024/2025 FINANCIAL YEAR

The committee is appointed for a period of three (03) years, from 01 October 2023 to 30 September 2026.

- The Committee Chairperson should assess the performance of individual Committee Members, and the Council should evaluate the Committee's Chairperson, based on several factors. These include:
 - Expertise;
 - Inquiring attitude,
 - Objectivity, and independence;
 - Judgment;
 - Understanding of the public sector business;
 - Willingness to devote the time needed to prepare for and participate in Committee deliberations;
 - Timely responses; and
 - It must be noted that the contracts of the Committee Chairperson and the members of the Committee will end on the 30th of September 2026 and the municipality is prepared to follow the regulated procedures to appoint and have a Committee in place.
 - Attendance at meetings
- Overall the Chairperson is satisfied that the current members have displayed sufficiently through behaviour and attitude that the expectations set out in the Audit, Risk and Performance Management Committee Charter have been adhered to in relation to matters that were brought to the attention of the Audit, Risk and Performance Management Committee.

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TOKOLOGO LOCAL MUNICIPALITY

AUDIT, RISK AND PERFORMANCE COMMITTEE REPORT 2024/2025 FINANCIAL YEAR

3.2 Attendance of Meetings

The committee had planned to attend its meetings as follows:

Meeting Date	Type of Meeting	Meeting Venue	Closing Date for Submission of Documents	Purpose of Meeting
Thursday, December 12, 2024	Ordinary	Virtual	Friday, December 6, 2024	Approval of 2024/25 strategic documents
Thursday, February 27, 2025	Ordinary	Virtual	Friday, February 21, 2025	Discussion of 2024/25 1st Quarter and 2nd Quarter progress on Audit, Risk & Performance Management
Thursday, April 24, 2025	Ordinary	Virtual	Friday, April 18, 2025	Discussion of 2024/25 3rd Quarter progress on Audit, Risk & Performance Management
Thursday, July 3, 2025	Ordinary	Virtual	Friday, June 27, 2025	Discussion of 2024/25 4th Quarter progress on Audit, Risk & Performance Management
Friday, 29 August 2025	Special	Virtual	Wednesday, 27 August 2025	Review of the AFS 2024/25
Friday, 28 November 2025	Special	Virtual	Wednesday, 26 November 2025	AGSA Management Letter Discussion

Section 166 of municipal finance management Act, 56 of 2003, states that, audit committee must sit at least quarterly, which is four (04) times a year. The committee set five (05) times in 2024/25 financial year. The committee has also reviewed the financial statements for 2024/25 financial year. The committee met with office of auditor general to discuss both the engagement letter and audit strategy for an audit of 2024/25 financial year. The committee approved the audit of an external auditor as presented in the audit strategy. The audit, risk and performance committee approved strategic documents of the internal audit unit.

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TOKOLOGO LOCAL MUNICIPALITY

AUDIT, RISK AND PERFORMANCE COMMITTEE REPORT 2024/2025 FINANCIAL YEAR

Reconciliation of meetings attended is as follows:

Member	Dates and Confirmation of Attendance							TOTAL
	28/08/2024	30/08/2024	12/12/2024	27/01/2025	02/4/2025	23/10/2025	27/11/2025	
	AFS review (2023/24 FY)	AFS review (2023/24 FY)	Internal Audit and Risk Management Strategic Documents	Internal Audit and Risk Management Strategic Documents	Internal Audit reports	AGSA: Engagement Letter & Audit Strategy	AGSA: Management report	
Mr. Lintoe Nkotsi (Chairperson)	Present	Present	Present	Absent	Present	Present	Present	6
Mr. Hendrick Maritz (Member)	Present	Present	Present	Present	Absent	Present	Present	6
Mr. Hendry Ngomane (Member)	Present	Present	Present	Present	Present	Present	Present	6

As part of the capacity development, it is recommended that the committee do attend forums, and workshops as and, when they are invited by the Free State Provincial Treasury and, CogTA.

The committee confirms that, Mr. Henry Ngomane (Member) attended the **Audit Committee Forum** that was hosted by Free State Provincial Treasury on 23 January 2025. The Forum was hosted on a virtual platform, which made his attendance to be seven (07) in total.

3.3 Internal Audit Function

3.3.1 Staff (Human resources):

- The position of Manager: Internal Audit was advertised and filled.
- **The organogram consist of four (04) positions:**

Manager: Internal Audit
 Senior Internal Auditor
 Internal Auditor (Compliance)
 Internal Auditor (Performance)

APPENDICES

TOKOLOGO LOCAL MUNICIPALITY

AUDIT, RISK AND PERFORMANCE COMMITTEE REPORT 2024/2025 FINANCIAL YEAR

The Unit is currently operating with two (02) officials, Manager, and one Internal Auditor. To assist in ensuring that the work is done accordingly, one official from finance department was seconded to join the unit. Therefore, the unit is currently operating with three (03) officials.

3.3.2 Effectiveness of internal audit unit

- Council should note that the implementation of the internal audit plan was behind schedule in the 2024/25 financial year.
- The unit did not issue any internal audit reports for the 2024/2025 financial year.

3.3.3 Trainings and Workshops

- The two officials have also completed the Municipal Finance Management Program.
- The internal audit unit personnel attended the following trainings that were provided by Provincial Treasury and the Chartered Institute of Government Finance, Audit & Risk Officers (CIGFARO):
 - Global Internal Audit Standards
 - mSCOA Annual Workshop; and
 - Audit & Risk Indaba.

3.4 Risk Management

- The Committee is responsible for providing risk management oversight, including the effectiveness of risk management processes.
- The committee shared its oversight responsibilities to both internal audit and risk management of the municipality.
- The strategic documents of risk management were approved.

3.5 Performance Management System

- The Committee is responsible for providing performance management system oversight, including the effectiveness of performance management system and the Committee noted that there is slow progress in improving performance management system of the municipality due to the fact that departments/units do not submit the required proof of evidence to PMS unit and most of the times PMS unit submit reports to Section 80 and Internal Audit Unit without required information.

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TOKOLOGO LOCAL MUNICIPALITY

AUDIT, RISK AND PERFORMANCE COMMITTEE REPORT 2024/2025 FINANCIAL YEAR

3.6 Non-compliance with laws and regulations

- Council should note that there were some incidents of non-compliance with laws and regulations identified. The municipality is advised to implement sufficient and appropriate controls in place that will enable them to monitor upcoming reporting and compliance requirements.

3.7 Fraud consideration and fraud risk management

- The Committee noted that fraud & prevention strategy and implementation plan are still in a draft form. Once the review of these documents has been finalised, the documents will be submitted to Council for approval.

3.8 Recommendations/Conclusion

- That the Committee request Council to take note and approve the report contents of this report.

Reviewed by:



.....
Mr. N Lintoe
Chairperson
Audit, Risk and Performance Management Committee
Date: 21/01/2026

Acknowledged and Approved/Not Approved:

Speaker of Council/Delegated councilmember/Major

Name and Surname: _____ **Date:** _____

Council Resolution No. _____

TG

APPENDICES

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

None

APPENDIX I – MUNICIPAL ENTITY / SERVICE PROVIDER PERFORMANCE SCHEDULE

None

APPENDIX J – DISCLOSURE OF FINANCIAL INTEREST

Disclosures of Financial Interests		
Period 1 July to 30 June of 2025 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor		
Member of / ExCo		
Councillor		
Municipal Manager		
Chief Financial Officer		
Deputy MM and (Executive) Directors		
Other S57 Officials		
		TJ

APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

APPENDIX K(i): REVENUE COLLECTION PERFORMANCE BY VOTE

Contained in the audited Annual Financial Statement.

APPENDICES

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

No information.

APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

No information.

APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

No information

APPENDIX S – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

No information.

APPENDICES

VOLUME II: ANNUAL FINANCIAL STATEMENT

VOLUME II



Tokologo Local Municipality
(Registration number FS182)
Annual Financial Statements
for the year ended 30 June, 2025

VOLUME II

Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2025

General Information

Legal form of entity	Category B Local Municipality as defined by the Municipal Structures Act (Act no.117)
Nature of business and principal activities	A Local Municipality performing the functions as set out in the Constitution (Act no.105 of 1996)
Mayoral committee	
Executive Mayor	Mayor BE Seakge Speaker MM Gaebee Chief Whip GK Magomo
Councillors	Councillor TS Tebang Councillor LG Sethare Councillor TS Maraman Councillor T Molale Councillor J Steenkamp Councillor RM Monyane Councillor L Letshabo Councillor SH Maqhubu Councillor WA Weich Councillor J Groenewalt
Grading of local authority	Low Capacity (Grade 2)
Accounting Officer	MA Sehloho
Chief Finance Officer (CFO)	TD Matile
Registered office	Voortrekker Street Market Square Boshof 8340
Business address	Voortrekker Street Market Square Boshof 8340
Postal address	Private Bag X46 Boshof 8340
Bankers	First National Bank
Auditors	The Auditor-General of South Africa
Attorneys	Ryan Green

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Tokologo Local Municipality

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Annual Financial Statements for the year ended 30 June, 2025

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Abbreviations used:

DoRA	Division of Revenue Act no. 2 of 2013
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June, 2026 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 6 to 93, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November, 2025 and were signed on its behalf by:

MA Sehloho
Municipal Manager

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June, 2025.

1. Review of activities

Main business and operations

The municipality is engaged in a local municipality performing the functions as set out in the constitution (act no.105 of 1996) and operates principally in South Africa.

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

Net surplus of the municipality was 305,715 (2024: surplus 53,418,477).

2. Going concern

We draw attention to the fact that at 30 June, 2025, the municipality had an accumulated surplus (deficit) of 742,539,479 and that the municipality's total liabilities exceed its assets by 742,539,479.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note 50 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

3. Subsequent events

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

4. Accounting Officers' interest in contracts

The accounting officer had no interest in any contracts.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

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

7. Management agreement

There are no management agreements in place to report on.

8. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
MA Sehloho	RSA

9. Auditors

The Auditor-General of South Africa will continue in office for the next financial period.

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Accounting Officer's Report

10. Non-compliance with applicable legislation

The municipality did not pay all its creditors within 30 days, as required by section 65(2)(e) of the MFMA due to financial constrains.

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Statement of Financial Position as at 30 June, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	80,167	50,369
Operating lease asset	4	28,394	32,869
Receivables from exchange transactions	5	1,222,826	1,183,776
Statutory receivables from non-exchange transactions	6	11,020,396	4,342,130
VAT receivable	7	65,263,766	77,194,745
Consumer receivables from exchange transactions	8	12,505,726	7,869,213
Cash and cash equivalents	9	24,572,382	781,281
		114,693,657	91,454,383
Non-Current Assets			
Biological assets	10	1,357,400	2,090,700
Investment property	11	32,652,347	36,764,160
Property, plant and equipment	12	1,311,162,967	1,186,554,697
Intangible assets	13	52,653	52,653
Heritage assets	14	37,000	37,000
		1,345,262,367	1,225,499,210
Total Assets		1,459,956,024	1,316,953,593
Liabilities			
Current Liabilities			
Finance lease obligation	15	294,253	261,782
Payables from exchange transactions	16	603,819,505	475,066,435
VAT payable	17	16,988,052	12,079,722
Consumer deposits	18	529,709	536,335
Employee benefit obligation	19	446,000	439,000
Unspent conditional grants and receipts	20	39,425,954	15,976,943
		661,503,473	504,360,217
Non-Current Liabilities			
Finance lease obligation	15	160,543	454,796
Employee benefit obligation	19	2,787,000	2,547,000
Provisions	21	52,965,529	45,995,357
		55,913,072	48,997,153
Total Liabilities		717,416,545	553,357,370
Net Assets		742,539,479	763,596,223
Accumulated surplus		742,539,479	763,596,223
Total Net Assets		742,539,479	763,596,223

* See Note 47

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Annual Financial Statements for the year ended 30 June, 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	65,041,446	52,462,686
Rental of facilities and equipment	23	158,870	71,799
Interest received (trading)		42,387,505	39,081,470
Other income		407,050	492,521
Interest received - investment	26	241,894	674,742
Total revenue from exchange transactions		108,236,765	92,783,218
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	24,272,297	19,165,612
Interest received		7,384,871	14,523,333
Transfer revenue			
Government grants & subsidies	28	248,789,557	310,191,159
Fines, Penalties and Forfeits	29	74,650	120,900
Total revenue from non-exchange transactions		280,521,375	344,001,004
Total revenue	30	388,758,140	436,784,222
Expenditure			
Employee related costs	31	(56,048,343)	(55,838,903)
Employee costs - Remuneration of councillors	32	(7,082,577)	(6,703,017)
Depreciation and amortisation	33	(32,494,944)	(35,348,794)
Finance costs	35	(45,244,082)	(33,062,640)
Lease rentals on operating lease	24	(218,795)	(599,846)
Debt Impairment	37	(86,392,807)	(97,845,966)
Bulk purchases	39	(60,910,028)	(36,550,407)
Contracted Services	40	(1,374,001)	(6,463,225)
General Expenses	38	(75,103,617)	(100,090,323)
Total expenditure		(364,869,194)	(372,503,121)
Operating surplus	42	23,888,946	64,281,101
Loss on disposal of assets and liabilities		(2,689,506)	(972,850)
Fair value adjustments	43	(3,942,872)	(1,946,018)
Actuarial gains/losses	19	142,500	59,075
Impairment loss	34	(17,093,353)	(8,002,831)
		(23,583,231)	(10,862,624)
Surplus for the year		305,715	53,418,477

* See Note 47

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 1 July, 2023	710,177,746	710,177,746
Changes in net assets		
Surplus for the year	53,418,477	53,418,477
Total changes	53,418,477	53,418,477
Restated* Balance at 1 July, 2024	742,233,764	742,233,764
Changes in net assets		
Surplus for the year	305,715	305,715
Total changes	305,715	305,715
Balance at 30 June, 2025	742,539,479	742,539,479

Note(s)

* See Note 47

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Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		42,665,502	26,854,106
Grants		272,238,568	295,998,275
Interest income		184,544	579,656
		315,088,614	323,432,037
Payments			
Employee costs		(63,063,420)	(62,404,845)
Suppliers		(54,162,320)	(106,626,544)
Finance costs		(178,397)	(350,603)
		(117,404,137)	(169,381,992)
Net cash flows from operating activities	41	197,684,477	154,050,045
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(173,631,594)	(154,343,275)
Cash flows from financing activities			
Unspent conditional grants to be surrendered		-	(1,929,227)
Finance lease payments		(261,782)	14,025
Net cash flows from financing activities		(261,782)	(1,915,202)
Net increase/(decrease) in cash and cash equivalents		23,791,101	(2,208,432)
Cash and cash equivalents at the beginning of the year		781,281	2,989,713
Cash and cash equivalents at the end of the year	9	24,572,382	781,281

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	89,865,254	-	89,865,254	65,041,446	(24,823,808)	57.1
Rental of facilities and equipment	121,219	-	121,219	158,870	37,651	57.2
Interest received (trading)	46,371,205	-	46,371,205	42,387,505	(3,983,700)	57.3
Other income	89,162	20,000	109,162	407,050	297,888	57.4
Interest received - investment	-	-	-	241,894	241,894	57.5
Total revenue from exchange transactions	136,446,840	20,000	136,466,840	108,236,765	(28,230,075)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	33,498,751	-	33,498,751	24,272,297	(9,226,454)	57.6
Interest received	9,032,472	-	9,032,472	7,384,871	(1,647,601)	57.7
Transfer revenue						
Government grants & subsidies	167,363,000	144,000	167,507,000	248,789,557	81,282,557	57.8
Fines, Penalties and Forfeits	53,500	-	53,500	74,650	21,150	57.9
Total revenue from non-exchange transactions	209,947,723	144,000	210,091,723	280,521,375	70,429,652	
Total revenue	346,394,563	164,000	346,558,563	388,758,140	42,199,577	
Expenditure						
Employee related costs	(79,972,446)	2,789,111	(77,183,335)	(56,048,343)	21,134,992	57.10
Remuneration of councillors	(5,384,774)	(67,544)	(5,452,318)	(7,082,577)	(1,630,259)	57.11
Depreciation and amortisation	(26,603,179)	16,303,757	(10,299,422)	(32,494,944)	(22,195,522)	57.12
Impairment loss/ Reversal of impairments	-	-	-	(17,093,353)	(17,093,353)	57.13
Finance costs	(5,000,000)	60,000	(4,940,000)	(45,244,082)	(40,304,082)	57.14
Lease rentals on operating lease	-	-	-	(218,795)	(218,795)	57.15
Debt Impairment	(49,924,426)	-	(49,924,426)	(86,392,807)	(36,468,381)	57.16
Bad debts written off	(6,972,736)	-	(6,972,736)	-	6,972,736	57.18
Bulk purchases	(25,000,000)	(11,900,000)	(36,900,000)	(60,910,028)	(24,010,028)	57.19
Contracted Services	(31,310,500)	(20,699,620)	(52,010,120)	(1,374,001)	50,636,119	57.20
Transfers and Subsidies	-	(144,000)	(144,000)	-	144,000	57.20
General Expenses	(13,901,677)	(2,876,892)	(16,778,569)	(75,103,617)	(58,325,048)	57.21
Total expenditure	(244,069,738)	(16,535,188)	(260,604,926)	(381,962,547)	(121,357,621)	
Operating surplus	102,324,825	(16,371,188)	85,953,637	6,795,593	(79,158,044)	
Loss on disposal of assets and liabilities	-	-	-	(2,689,506)	(2,689,506)	57.22
Fair value adjustments	-	-	-	(3,942,872)	(3,942,872)	57.23
Actuarial gains/losses	-	-	-	142,500	142,500	57.24
	-	-	-	(6,489,878)	(6,489,878)	
Surplus before taxation	102,324,825	(16,371,188)	85,953,637	305,715	(85,647,922)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	102,324,825	(16,371,188)	85,953,637	305,715	(85,647,922)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	80,167	80,167	57.25
Operating lease asset	-	-	-	28,394	28,394	57.26
Receivables from exchange transactions	-	-	-	1,222,826	1,222,826	57.27
Statutory receivables from non-exchange transactions	15,682,148	-	15,682,148	11,020,396	(4,661,752)	57.28
VAT receivable	84,582,977	-	84,582,977	48,275,714	(36,307,263)	57.29
Consumer debtors	42,516,449	-	42,516,449	12,505,726	(30,010,723)	57.30
Cash and cash equivalents	15,113,249	(20,000,000)	(4,886,751)	24,572,382	29,459,133	57.31
	157,894,823	(20,000,000)	137,894,823	97,705,605	(40,189,218)	
Non-Current Assets						
Biological assets	3,986,250	-	3,986,250	1,357,400	(2,628,850)	57.32
Investment property	36,062,940	(2,242,018)	33,820,922	32,652,347	(1,168,575)	57.33
Property, plant and equipment	1,070,606,264	-	1,070,606,264	1,311,162,967	240,556,703	57.34
Intangible assets	52,668	-	52,668	52,653	(15)	
Heritage assets	37,000	-	37,000	37,000	-	
	1,110,745,122	(2,242,018)	1,108,503,104	1,345,262,367	236,759,263	
Total Assets	1,268,639,945	(22,242,018)	1,246,397,927	1,442,967,972	196,570,045	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	294,253	294,253	57.35
Payables from exchange transactions	417,312,223	-	417,312,223	603,819,503	186,507,280	57.36
Taxes and transfers payable (non-exchange)	2,553,891	(288,000)	2,265,891	-	(2,265,891)	57.37
VAT payable	13,618,291	-	13,618,291	-	(13,618,291)	57.38
Consumer deposits	478,965	-	478,965	529,709	50,744	57.39
Employee benefit obligation	-	-	-	446,000	446,000	57.39
Unspent conditional grants and receipts	-	-	-	39,425,954	39,425,954	57.40
	433,963,370	(288,000)	433,675,370	644,515,419	210,840,049	
Non-Current Liabilities						
Finance lease obligation	-	-	-	160,543	160,543	57.35
Employee benefit obligation	-	-	-	2,787,000	2,787,000	57.39
Provisions	-	-	-	52,965,529	52,965,529	57.41
	-	-	-	55,913,072	55,913,072	
Total Liabilities	433,963,370	(288,000)	433,675,370	700,428,491	266,753,121	
Net Assets	834,676,575	(21,954,018)	812,722,557	742,539,481	(70,183,076)	

Net Assets

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	834,676,575	(21,954,018)	812,722,557	742,539,479	(70,183,078)	57.43

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	15,074,436	-	15,074,436	-	(15,074,436)	
Sale of goods and services	26,325,135	-	26,325,135	42,665,502	16,340,367	
Grants	167,363,000	-	167,363,000	272,238,568	104,875,568	
Interest income	34,736,907	-	34,736,907	184,544	(34,552,363)	
Other receipts	399,764	-	399,764	-	(399,764)	
	243,899,242	-	243,899,242	315,088,614	71,189,372	
Payments						
Employee costs	(158,109,207)	-	(158,109,207)	(63,063,420)	95,045,787	
Suppliers	-	-	-	(54,162,320)	(54,162,320)	
Finance costs	(2,500,000)	-	(2,500,000)	(178,397)	2,321,603	
	(160,609,207)	-	(160,609,207)	(117,404,137)	43,205,070	
Net cash flows from operating activities	83,290,035	-	83,290,035	197,684,477	114,394,442	
Cash flows from investing activities						
Purchase of property, plant and equipment	(82,766,650)	-	(82,766,650)	(173,631,594)	(90,864,944)	
Cash flows from financing activities						
Finance lease movements	-	-	-	(261,782)	(261,782)	
Net increase/(decrease) in cash and cash equivalents	523,385	-	523,385	23,791,101	23,529,498	
Cash and cash equivalents at the beginning of the year	3,207,894	-	3,207,894	781,281	(2,426,613)	
Cash and cash equivalents at the end of the year	3,731,279	-	3,731,279	24,572,382	21,102,885	

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Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.5 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

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1.5 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

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1.5 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

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

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are as follow [State significant judgements made].

Additional information is disclosed in Note 5961.

Impairment of statutory receivables

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

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

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

1.6 Biological assets

The entity recognises biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to biological assets measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

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1.7 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus and deficit.

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

Property interests held under operating leases are classified and accounted for as investment property.

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 11).

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1.7 Investment property (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11).

1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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1.8 Property, plant and equipment (continued)

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	15 - 50 years
Furniture and fixtures	Straight-line	3 - 10 years
Motor vehicles	Straight-line	5 - 10 years
Office equipment	Straight-line	3 - 10 years
Computer equipment	Straight-line	2 - 7 years
Plant and machinery	Straight-line	3 - 30 years
Infrastructure (Water & Sewerage)	Straight-line	10 - 70 years
Infrastructure (Community facilities and Sports and Recreation facilities)	Straight-line	10 - 50 years
Infrastructure (Electricity)	Straight-line	15 - 50 years
Infrastructure (Roads and Stormwater)	Straight-line	10 - 80 years
Infrastructure (Solid waste & landfill sites)	Straight-line	10 - 50 years
Infrastructure (Communication)	Straight-line	10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 12).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

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1.9 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer softwares	Straight-line	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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1.9 Intangible assets (continued)

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 14).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

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1.10 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

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

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

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

Impairment

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

Transfers

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

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

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

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1.11 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

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1.11 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Consumer receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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1.11 Financial instruments (continued)

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

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1.11 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

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1.11 Financial instruments (continued)

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.12 Tax

Value added tax (VAT)

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

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1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.14 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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1.14 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.16 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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1.16 Impairment of cash-generating assets (continued)

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

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1.16 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.16 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.17 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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1.17 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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1.17 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.17 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.18 Employee benefits

Identification

Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service.

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

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1.18 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are discounted using the discount rate as specified.

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1.18 Employee benefits (continued)

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, the entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- (a) service cost;
- (b) net interest on the net defined benefit liability (asset); and
- (c) remeasurements of the net defined benefit liability (asset).

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

- (a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.
- (b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.19 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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1.19 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

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1.19 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

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1.21 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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1.21 Revenue from exchange transactions (continued)

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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1.22 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

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1.22 Revenue from non-exchange transactions (continued)

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Taxes

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

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

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

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

1.23 Investment income

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

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1.24 Borrowing costs

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

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

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.27 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.28 Irregular expenditure

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

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.29 Segment information

A segment is an activity of an entity:

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

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

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1.29 Segment information (continued)

Measurement

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

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

1.30 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 01-Apr-10 to 31-Mar-11.

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

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.31 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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1.31 Segment information (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.32 Events after reporting date

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

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

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

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.33 Unspent conditional grants and receipts

Conditional government grants are subjected to specific conditions. If these specific conditions are not met, the money received are repayable

Unspent conditional grants are financial liabilities that are separately disclosed in the Statement of Financial Position.

Unspent conditional grants of prior years that are due to be surrendered to treasury against the equitable share of the preceding year, are disclosed separately as unspent grants to be surrendered to treasury.

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July, 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	1 April, 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	1 April, 2099	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	1 April, 2099	Unlikely there will be a material impact
• IGRAP 22 Foreign Currency Transactions and Advance Consideration	1 April, 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	1 April, 2025	Unlikely there will be a material impact

3. Inventories

Water Inventory	80,167	50,369
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Inventory pledged as security

No inventories were pledged as security.

4. Operating lease asset (liability)

Lessor - Rental on municipal sites	28,394	32,869
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The municipality leases some of its properties under cancellable operating leases to various institutions. The lease agreements have escalations between 6% and 8% per annum over a period of 5 years. Rental income for these agreements have been taken into account during the calculation of the deferred lease. There are no purchase options.

There are no contingent rentals.

Minimum lease payments

- within one year	132,223	154,140
- in second year to fifth year inclusive	99,167	231,390
	231,390	385,530

5. Receivables from exchange transactions

Overpayment of councillors & employees	121,242	121,242
Sundry debtors - Eskom	1,101,584	1,062,534
	1,222,826	1,183,776

Trade and other receivables pledged as security

There were no receivables from exchange transactions that were pledged as security.

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5. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June, 2025, 121,242 (2024: 121,242) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	121,242	121,242
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Trade and other receivables impaired

As of 30 June, 2025, trade and other receivables of - (2024: -) were impaired and provided for.

The amount of the provision was - as of 30 June, 2025 (2024: -).

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6. Statutory receivables from non-exchange transactions		
Fines	16,300	120,900
Consumer debtors - Rates	11,004,096	4,221,230
	11,020,396	4,342,130
Statutory receivables general information		
Transaction(s) arising from statute		
Gross balances		
Property rates	86,880,954	68,029,220
Traffic fines	926,700	852,050
	87,807,654	68,881,270
Less: Allowance for impairment		
Property rates	(75,876,858)	(63,807,990)
Traffic fines	(910,400)	(731,150)
	(76,787,258)	(64,539,140)
Net balance		
Property rates	11,004,096	4,221,230
Traffic fines	16,300	120,900
	11,020,396	4,342,130
Property rates		
Current	2,849,174	6,306,859
30 days	2,314,448	2,870,724
60 days	2,297,580	2,691,724
90 days	2,220,616	2,572,371
> 90 days	77,199,136	53,587,541
Less: allowance for impairment	(75,876,858)	(63,807,989)
	11,004,096	4,221,230
Traffic fines		
Current	-	9,000
30 days	6,250	58,650
60 days	10,050	10,000
90 days	-	3,250
> 90 days	910,400	771,150
Less: allowance for impairment	(910,400)	(731,150)
	16,300	120,900
Total		
Current	2,849,174	6,315,859
30 days	2,320,698	2,929,374
60 days	2,303,830	2,701,724
90 days	2,220,616	2,575,621
> 90 days	78,113,336	54,358,691
Less: allowance for impairment	(76,787,258)	(64,539,139)
	11,020,396	4,342,130

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6. Statutory receivables from non-exchange transactions (continued)

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June, 2025, 2,320,698 (2024: 4,342,130) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	2,320,698	4,273,480
2 months past due	10,050	58,650
3 months past due	-	10,000

Statutory receivables impaired

As of 30 June, 2025, Statutory receivables of 87,807,654 (2024: 68,881,269) were impaired and provided for.

The amount of the provision was 76,787,258 as of 30 June, 2025 (2024: 64,539,139).

The ageing of these loans is as follows:

Over 6 months	76,787,258	64,539,139
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Factors the entity considered in assessing statutory receivables impaired

The municipality observed data which indicated that there is a measurable decrease in the estimated future cash flows from statutory receivables since their initial recognition, being the adverse changes in the payment status of the statutory receivables (e.g. an increased number of delayed payments and an increase in the ageing of the receivables).

Reconciliation of provision for impairment for statutory receivables

Opening balance	(64,539,139)	(56,233,582)
Provision for impairment	(12,248,119)	(8,305,557)
	(76,787,258)	(64,539,139)

No statutory receivables from non-exchange transactions were pledged as security.

7. VAT receivable

VAT Control	65,263,766	77,194,745
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VAT Receivable consist of input vat from exchange transactions.

8. Consumer receivables from exchange transactions

Gross balances

Electricity	18,031,288	18,040,162
Water	46,687,882	37,415,656
Sewerage	282,544,083	240,370,028
Refuse	183,974,360	156,995,423
Sundry services	600,614	634,191
Housing rental	4,107,549	3,647,619
Other receivables	225,559	225,559
	536,171,335	457,328,638

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8. Consumer receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Electricity	(12,801,581)	(15,238,367)
Water	(45,997,643)	(37,295,132)
Sewerage	(278,400,553)	(237,104,585)
Refuse	(181,569,703)	(155,313,972)
Sundry services	(563,021)	(634,191)
Housing rental	(4,107,549)	(3,647,619)
Other receivables	(225,559)	(225,559)
	(523,665,609)	(449,459,425)
Net balance		
Electricity	5,229,707	2,801,795
Water	690,239	120,524
Sewerage	4,143,530	3,265,443
Refuse	2,404,657	1,681,451
Sundry services	37,593	-
	12,505,726	7,869,213
Electricity		
Current	294,959	413,593
30 days	267,932	205,353
60 days	181,433	185,330
90 days	164,786	185,930
> 90 days	17,122,178	17,049,956
Less: allowance for impairment	(12,801,581)	(15,238,367)
	5,229,707	2,801,795
Water		
Current	961,125	1,065,956
30 days	926,024	488,849
60 days	912,994	488,282
90 days	891,894	485,033
> 90 days	42,995,845	34,887,536
Less: allowance for impairment	(45,997,643)	(37,295,132)
	690,239	120,524
Sewerage		
Current	4,089,306	7,481,030
30 days	3,928,431	3,607,282
60 days	3,906,298	3,591,446
90 days	3,801,048	4,044,988
> 90 days	266,818,998	221,645,280
Less: allowance for impairment	(278,400,551)	(237,104,583)
	4,143,530	3,265,443

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8. Consumer receivables from exchange transactions (continued)		
Refuse		
Current	2,635,947	4,853,377
30 days	2,543,093	2,338,144
60 days	2,524,800	2,329,456
90 days	2,528,163	2,772,538
> 90 days	173,742,357	144,701,908
Less: allowance for impairment	(181,569,703)	(155,313,972)
	2,404,657	1,681,451
Sundry service		
Current (0 -30 days)	4,028	59,345
31 - 60 days	4,216	6,136
61 - 90 days	4,208	7,406
91 - 120 days	4,201	14,071
> 90 days	583,961	547,233
Less: allowance for impairment	(563,021)	(634,191)
	37,593	-
Housing rental		
Current	40,665	72,915
30 days	47,888	36,225
60 days	44,870	36,630
90 days	47,729	35,939
> 90 days	3,926,391	3,465,904
Less: allowance for impairment	(4,107,543)	(3,647,613)
	-	-
Other receivables		
Current	2,810	3,298
30 days	2,795	1,658
60 days	2,767	1,658
90 days	2,767	1,658
> 90 days	214,420	217,287
Less: allowance for impairment	(225,559)	(225,559)
	-	-
Summary of debtors by customer classification		
Total		
Current	8,028,839	13,949,514
30 days	7,720,378	6,683,647
60 days	7,577,370	6,640,208
90 days	7,442,876	7,540,157
> 90 days	505,401,871	422,515,112
	536,171,334	457,328,638
Less: Allowance for impairment	(523,665,608)	(449,459,425)
	12,505,726	7,869,213
Reconciliation of allowance for impairment		
Balance at beginning of the year	(449,459,425)	(376,688,182)
Contributions to allowance	(74,206,184)	(72,771,243)
	(523,665,609)	(449,459,425)

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8. Consumer receivables from exchange transactions (continued)

Consumer receivables from exchange transactions general information

Interest or other charges levied/charged

It is the policy of the municipality to levie interest on accounts that are overdue.

Basis used to assess and test whether a statutory receivable is impaired

The municipality observed data which indicated that there is a measurable decrease in the estimated future cash flows from statutory receivables since their initial recognition, being the adverse changes in the payment status of the statutory receivables (e.g. an increased number of delayed payments and an increase in the ageing of the receivables).

Consumer receivables from exchange transactions

As of 30 June, 2025, consumer receivables from exchange transactions of 536,171,335 (2024: 457,328,629) were impaired and provided for.

The amount of the provision was 523,665,609 as of 30 June, 2025 (2024: 449,459,577).

The ageing of these loans is as follows:

Over 6 months	523,665,609	449,459,577
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The carrying amount of consumer debtors are denominated in the following currencies:

Pledged as security

There are no consumer receivables from exchange transactions that were pledged as security.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	24,091,934	284,039
Short-term deposits	480,448	497,242
	24,572,382	781,281

Cash and cash equivalents pledged as guarantee

Beneficiary: ESKOM Holdings SOC Limited	100,000	100,000
No expiry date		

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9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2025	30 June, 2024	30 June, 2023	30 June, 2025	30 June, 2024	30 June, 2023
FNB Current Account 62021285748	24,091,934	284,039	2,637,485	24,091,934	284,039	2,637,485
Business Money Market 62290902678	15,446	3,974	9,510	15,446	3,974	9,510
7 day notice 74368883317	52,793	49,407	45,558	52,793	49,407	45,558
32 days' notice 74037651683	231,630	213,845	196,117	231,630	213,845	196,117
FNB Fixed Deposit 71037990209	10,145	10,145	10,145	10,145	10,145	10,145
FNB 32-day's notice 74037601777	90,890	84,262	77,594	90,890	84,262	77,594
FNB Money Market 6238885376	237,082	135,609	13,303	237,082	135,609	13,303
Total	24,729,920	781,281	2,989,712	24,729,920	781,281	2,989,712

10. Biological assets

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - Game	1,357,400	-	1,357,400	2,090,700	-	2,090,700

Reconciliation of biological assets - 2025

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Total
Biological assets - Game	2,090,700	52,400	(556,700)	(229,000)	1,357,400

Reconciliation of biological assets - 2024

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Total
Biological assets - Game	1,769,800	138,600	(113,700)	296,000	2,090,700

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10. Biological assets (continued)		
Non-financial information		
Quantities of each biological asset		
Blesbok	80	208
Ostrich	4	4
Plains Zebra	16	38
Red Hartbeest	49	66
Warthog	-	5
Eland	35	31
Gemsbok	40	71
Impala	52	71
Spingbok	522	620
Kudu	5	5
Giraffe	1	1
	804	1,120

Pledged as security

There are no biological assets that were pledged as security.

11. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	32,652,347	-	32,652,347	36,764,160	-	36,764,160

Reconciliation of investment property - 2025

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	36,764,160	(397,941)	(3,713,872)	32,652,347

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	39,006,178	(2,242,018)	36,764,160

Pledged as security

There are no investment properties that were pledged as security.

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

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11. Investment property (continued)

Details of valuation

The effective date of the revaluations was Monday, 30 June, 2025. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

Maintenance of investment property

Investment property comprises of land. No repairs and maintenance relating to land, were incurred during the financial year and prior year

Amounts recognised in surplus or deficit

Rental revenue from Investment property	158,870	71,799
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12. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	35,904,719	(16,048,022)	19,856,697	36,092,693	(187,375)	35,905,318
Buildings	77,268,343	(58,928,178)	18,340,165	77,443,477	(57,465,050)	19,978,427
Furniture and fixtures	3,416,853	(2,662,146)	754,707	3,835,721	(2,686,699)	1,149,022
Motor vehicles	10,511,640	(9,758,059)	753,581	10,671,140	(9,723,843)	947,297
Office equipment	928,521	(623,033)	305,488	977,164	(588,457)	388,707
Infrastructure	1,902,652,704	(631,973,161)	1,270,679,543	1,740,778,992	(613,380,135)	1,127,398,857
Finance leased assets	836,428	(503,437)	332,991	836,428	(167,049)	669,379
Computer equipment	1,094,908	(955,113)	139,795	1,037,451	(919,761)	117,690
Total	2,032,614,116	(721,451,149)	1,311,162,967	1,871,673,066	(685,118,369)	1,186,554,697

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	35,905,318	-	(600)	-	-	-	(16,048,021)	19,856,697
Buildings	19,978,427	-	(2,365)	-	-	(1,560,605)	(75,292)	18,340,165
Furniture and fixtures	1,149,022	97,500	(212,557)	-	-	(274,940)	(4,318)	754,707
Motor vehicles	947,297	-	(10,936)	-	-	(182,780)	-	753,581
Office equipment	388,707	15,000	(23,350)	-	-	(73,799)	(1,070)	305,488
Infrastructure	1,127,398,857	175,790,599	(1,536,962)	130,341,000	(130,341,000)	(30,009,675)	(963,276)	1,270,679,543
Finance leased assets	669,379	-	-	-	-	(335,014)	(1,374)	332,991
Computer equipment	117,690	80,730	(494)	-	-	(58,131)	-	139,795
	1,186,554,697	175,983,829	(1,787,264)	130,341,000	(130,341,000)	(32,494,944)	(17,093,351)	1,311,162,967

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	36,092,692	-	-	-	-	-	(187,374)	35,905,318
Buildings	20,634,706	-	-	-	-	(1,618,615)	962,336	19,978,427
Furniture and fixtures	707,530	724,698	(9,049)	-	-	(276,332)	2,175	1,149,022
Motor vehicles	1,274,621	-	(33,753)	-	-	(293,571)	-	947,297
Office equipment	259,794	194,800	-	-	-	(65,887)	-	388,707
Infrastructure	1,006,426,269	163,161,198	(920,837)	5,387,598	(5,387,598)	(32,487,890)	(8,779,883)	1,127,398,857
Finance leased assets	349,242	836,427	-	-	-	(516,290)	-	669,379
Computer equipment	173,744	68,350	(34,110)	-	-	(90,209)	(85)	117,690
	1,065,918,598	164,985,473	(997,749)	5,387,598	(5,387,598)	(35,348,794)	(8,002,831)	1,186,554,697

Pledged as security

None of the property, plant and equipment were pledged as security.

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12. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Finance lease asset	332,991	669,379
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Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Infrastructure	615,398,580	589,264,257
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There were no property, plant and equipment in the process of being constructed or developed which are taking significantly longer period to complete than expected.

There were no property, plant and equipment in the process of being constructed or developed which have been halted.

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Total
Opening balance	589,264,257	589,264,257
Additions/capital expenditure	173,438,361	173,438,361
Transferred to completed items	(130,341,000)	(130,341,000)
	632,361,618	632,361,618

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	434,031,778	434,031,778
Additions/capital expenditure	160,620,077	160,620,077
Transferred to completed items	(5,387,598)	(5,387,598)
	589,264,257	589,264,257

Expenditure incurred to repair and maintain property, plant and equipment

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

Contracted services	11,324,912	7,510,508
Sale of goods/Inventory	2,635,520	5,102,735
General expenses	36,447	39,662
	13,996,879	12,652,905

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

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13. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses and software's	77,271	(24,618)	52,653	77,271	(24,618)	52,653

Reconciliation of intangible assets - 2025

	Opening balance	Total
Licenses and software's	52,653	52,653

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Licenses and software's	52,668	(15)	52,653

Pledged as security

None of the intangible assets were pledged as security

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14. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	37,000	-	37,000	37,000	-	37,000

Reconciliation of heritage assets 2025

	Opening balance	Total
Mayoral chain	37,000	37,000

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayoral chain	37,000	37,000

Pledged as security

None of the heritage assets were pledged as security.

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15. Finance lease obligation		
Minimum lease payments due		
- within one year	332,179	332,179
- in second to fifth year inclusive	166,090	498,269
	498,269	830,448
less: future finance charges	(43,473)	(113,870)
Present value of minimum lease payments	454,796	716,578
Present value of minimum lease payments due		
- within one year	294,253	261,782
- in second to fifth year inclusive	160,543	454,796
	454,796	716,578
Non-current liabilities	160,543	454,796
Current liabilities	294,253	261,782
	454,796	716,578

It is municipality policy to lease certain equipment and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 12% (2024: 12%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

16. Payables from exchange transactions

Trade payables	525,411,197	385,095,255
Payments received in advanced - Debtors with credit balances	1,244,711	-
Accrued leave pay	4,997,087	5,344,880
Accrued bonus	639,553	1,018,289
Salary control	65,560,915	77,641,969
Retentions	5,966,042	5,966,042
	603,819,505	475,066,435

17. VAT payable

VAT Control	16,988,052	12,079,722
-------------	------------	------------

VAT Payable consist of output vat from exchange transactions.

18. Consumer deposits

Electricity	429,535	435,100
Water	97,062	98,123
Housing rental	3,112	3,112
	529,709	536,335

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19. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(3,233,000)	(2,986,000)
Non-current liabilities	(2,787,000)	(2,547,000)
Current liabilities	(446,000)	(439,000)
	(3,233,000)	(2,986,000)
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	2,986,000	2,600,000
Service cost	296,000	269,000
Interest cost	322,000	308,000
Settlements	(228,500)	(131,925)
Actuarial loss / (gain)	(142,500)	(59,075)
	3,233,000	2,986,000
Net expense recognised in the statement of financial performance are as follows:		
Service cost	296,000	269,000
- Current service cost	296,000	269,000
Interest costs	322,000	308,000
Remeasurements of the net defined benefit liability	(142,500)	(59,075)
- Actuarial gains and losses arising from:	(142,500)	(59,075)
- Changes in demographic assumptions	(129,500)	68,000
- Changes in financial assumptions	(13,000)	(127,075)
	475,500	517,925
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	(142,000)	(59,075)

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19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.25 %	10.65 %
Normal Salary Increase Rate	5.09 %	6.49 %
CPI (Consumer Price Inflation)	4.09 %	5.49 %
Net Effective Discount Rate	3.97 %	3.90 %

Actuarial basis

GRAP25 requires that the discount rate be set with regards to the market yield on government bonds at the reporting date. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses the current market rates of the appropriate term to discount short term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

For the current valuation we used the nominal and zero curves as at 28 June 2025 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. Although we have used the yield curve for our discount rates and our corresponding inflation rates, for indicative purposes we show the discount rate and CPI that corresponds to the implied duration of our liability. The implied duration of the liability for this valuation is 6,09 years. It is however important to note that this is solely for indicative purposes as we use the entire yield curve to obtain our financial variables.

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2025 of 5.1%.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

At the age band of 20 to 24, promotional increase is assumed to be 5%

At the age band of 25 to 29, promotional increase is assumed to be 4%

At the age band of 30 to 34, promotional increase is assumed to be 3%

At the age band of 35 to 39, promotional increase is assumed to be 2%

At the age band of 40 to 44, promotional increase is assumed to be 1%

At the age band of 45 and over, promotional increase is assumed to be 0%

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for illhealth and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

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19. Employee benefit obligations (continued)

Sensitivity analysis

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turn out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

The table below illustrates the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

2025	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	3,373,000	3,233,000	3,103,000
Current Service Cost	301,000	286,000	272,000
Interest Cost	307,000	294,000	281,000

2024	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	3,123,000	2,986,000	2,858,000
Current Service Cost	313,000	296,000	281,000
Interest Cost	338,000	322,000	308,000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

The effect of a 1% p.a. change in the Normal Salary inflation assumption was tested. The effect is as follows:

2025	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	3,061,000	3,233,000	3,420,000
Current Service Cost	270,000	286,000	303,000
Interest Cost	277,000	294,000	312,000

2024	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	2,825,000	2,986,000	3,161,000
Current Service Cost	280,000	296,000	314,000
Interest Cost	304,000	322,000	342,000

The valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the Normal Salary cost inflation;
- 1% increase/decrease in the discount rate;
- 1 year increase/decrease in the average retirement age.

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20. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Department of Water and Forestry	35,762,703	-
Municipal Infrastructure Grant	3,663,035	-
Water Services Infrastructure Grant	216	15,976,943
	39,425,954	15,976,943
Movement during the year		
Balance at the beginning of the year	15,976,943	6,734,859
Additions during the year	280,136,367	298,978,906
Income recognition during the year	(240,807,229)	(289,736,822)
Transfer to Equitable share against py unspent grants withheld	(15,880,127)	-
	39,425,954	15,976,943

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 28 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

21. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in landfill closure provision	Change in discount factor	Total
Rehabilitation of Landfill Sites	45,995,357	2,352,238	4,617,934	52,965,529

Reconciliation of provisions - 2024

	Opening Balance	Change in landfill closure provision	Change in discount factor	Total
Rehabilitation of Landfill Sites	39,443,067	2,446,662	4,105,628	45,995,357

Environmental rehabilitation provision

The municipality operates three landfill sites, namely Boshof Landfill Site, Dealesville Landfill Site and Hertzogville Landfill Site.

The TLM has a (future) legal obligation to rehabilitate the landfills for which it is responsible once the sites have reached the end of their useful lives. The purpose of these landfill provisions is to estimate the TLM's current and non-current liabilities associated with the future closure of the sites, since:

- A legal obligation to rehabilitate its landfills in terms of the National Environmental Management: Waste Act (NEMWA) because of the past event of it having developed and operated the landfill;
- The rehabilitation of the landfills will require an outflow of resources in the future; and
- The regulations governing landfill closure requirements are well developed in South Africa and therefore estimating the extent and cost of closure works are possible.

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21. Provisions (continued)		
Boshof and Dealesville Landfill Sites		
It is evident from historical Google Earth® imagery that both sites were upgraded/formalised in 2016, though not in accordance with regulations for waste disposal to landfill. The site upgrades included the construction of several unlined cells into which waste is placed. Waste is disposed outside of the cells and is not regularly covered.		
It is evident from historical Google Earth® imagery that both sites were upgraded/formalised in 2016, though not in accordance with regulations for waste disposal to landfill. The site upgrades included the construction of several unlined cells into which waste is placed. Waste is disposed outside of the cells and is not regularly covered. Waste management licences (WML) for both sites were issued in 2015. These WMLs have a validity period of 20 years. The baseline assessments indicated that the sites have airspace beyond this period and as such the WML dictates the expected useful life of the sites (closure date 2035).		
Hertzogville Landfill Site		
The site is somewhat formalised, with waste being placed in excavated cells. The cells are however unlined and hence waste disposal is not compliant with prevailing legislation. The site infrastructure comprises a fence and gate, an admin building, and a recyclable storage shed.		
As with the other sites, the Hertzogville Landfill has potentially significant airspace remaining. The WML, issued in 2014, also states that the licence as a 20-year validity that ends in 2034. As such, the site is presumed to have 9 years remaining life.		
22. Service charges		
Sale of electricity	23,805,544	16,788,886
Sale of water	6,476,962	2,970,162
Sewerage and sanitation charges	20,849,502	20,249,983
Refuse removal	13,470,495	13,086,201
Revenue forgone (Indigent support)	438,943	(632,546)
	65,041,446	52,462,686
23. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	158,870	71,799
24. Lease rentals on operating lease		
Equipment		
Contractual amounts	218,795	599,846
25. Other revenue		
Other income	407,050	492,521
26. Investment revenue		
Interest revenue		
Bank	184,544	579,656
Interest earned on Eskom Deposits	57,350	95,086
	241,894	674,742

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27. Property rates		
Rates received		
Residential	30,930,620	20,038,363
Less: Income forgone	(6,658,323)	(872,751)
	24,272,297	19,165,612
28. Government grants & subsidies		
Operating grants		
Equitable share	72,565,810	75,080,000
Expanded Public Works Programme Incentive Grant	932,334	785,000
Finance Management Grant	3,000,000	3,000,000
Local Government SETA Discretionary Grant	288,000	-
	76,786,144	78,865,000
Capital grants		
Integrated National Electrification Grant	-	1,509,253
Water Services Infrastructure Grant	7,108,784	17,930,545
Municipal Infrastructure Grant	12,766,965	17,700,000
Regional Bulk Infrastructure Grant	152,127,664	194,186,361
	172,003,413	231,326,159
	248,789,557	310,191,159
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	72,565,810	75,080,000
Unconditional grants received	176,223,747	235,111,159
	248,789,557	310,191,159
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Current-year receipts	64,867,000	66,417,000
Conditions met - transferred to revenue	(80,843,943)	(75,080,000)
Withheld against prior year Unspent conditional grants and receipts, as surrender to the Revenue fund	15,976,943	6,733,773
Withheld against prior year Unspent conditional grants to be surrendered, as surrender to the Revenue fund	-	1,929,227
	-	-
Financial Management Grant		
Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,000,000)	(3,000,000)
	-	-

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28. Government grants & subsidies (continued)		
Regional Bulk Infrastructure Grant		
Current-year receipts	187,890,367	197,189,873
Conditions met - transferred to revenue	(152,127,664)	(194,186,361)
Transferred to/(from) receivables	-	(3,003,512)
	35,762,703	-
Conditions still to be met - remain liabilities (see note 20).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	2,090,483
Current-year receipts	16,430,000	15,449,721
Conditions met - transferred to revenue	(12,766,965)	(15,449,721)
Surrendered to National revenue fund	-	(2,090,483)
	3,663,035	-
Conditions still to be met - remain liabilities (see note 20).		
Water Services Infrastructure Grant		
Balance unspent at beginning of year	15,976,943	4,644,375
Current-year receipts	7,109,000	36,157,766
Conditions met - transferred to revenue	(7,108,784)	(20,180,824)
Surrendered to National revenue fund	(15,976,943)	(6,573,600)
To be transferred to National Revenue fund	-	1,929,226
	216	15,976,943
Conditions still to be met - remain liabilities (see note 20).		
29. Fines, Penalties and Forfeits		
Court Traffic Fines	74,650	120,900
30. Revenue		
Service charges	65,041,446	52,462,686
Rental of facilities and equipment	158,870	71,799
Interest received (trading)	42,387,505	39,081,470
Other income	407,050	492,521
Interest received - investment	241,894	674,742
Property rates	24,272,297	19,165,612
Interest income - Property rates	7,384,871	14,523,333
Government grants & subsidies	248,789,557	310,191,159
Fines, Penalties and Forfeits	74,650	120,900
	388,758,140	436,784,222

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30. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	65,041,446	52,462,686
Rental of facilities and equipment	158,870	71,799
Interest received (trading)	42,387,505	39,081,470
Other income	407,050	492,521
Interest received - investment	241,894	674,742
	108,236,765	92,783,218
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	24,272,297	19,165,612
Interest income - Property rates	7,384,871	14,523,333
Transfer revenue		
Government grants & subsidies	248,789,557	310,191,159
Fines, Penalties and Forfeits	74,650	120,900
	280,521,375	344,001,004
31. Employee related costs		
Basic	31,517,726	37,177,379
Bonus	1,800,937	2,796,911
Medical aid - company contributions	3,017,595	3,107,238
UIF	274,172	265,413
Leave pay provision charge	472,353	-
Defined contribution plans	5,291,930	4,872,712
Travel, motor car, accommodation, subsistence and other allowances	4,355,280	1,409,211
Overtime payments	4,711,273	3,120,112
Long-service awards	289,260	-
Acting allowances	3,173,554	2,150,129
Uniform allowance	720	720
Bargain council	17,722	16,986
Housing benefits and allowances	228,000	126,000
Standby allowance	508,971	356,242
Telephone allowance	92,850	170,850
Termination benefits	296,000	269,000
	56,048,343	55,838,903
Remuneration of the Municipal Manager		
Annual Remuneration	755,602	545,171
Backpay	52,191	-
Travel Allowance	200,000	240,000
Acting Allowance	166,453	165,206
Subsistence & travel allowance	-	190,061
Housing allowance	120,000	180,000
Other Contributions	15,016	13,087
Cash Gratuity	20,340	-
	1,329,602	1,333,525

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31. Employee related costs (continued)		
Remuneration of the Chief Finance Officer		
Annual Remuneration	721,022	689,171
Backpay	52,191	-
Acting allowance	-	30,424
Cash Gratuity	20,340	-
Contributions to UIF, Medical and Pension Funds	12,486	10,663
Subsistence and Travelling	-	49,233
Housing allowance	36,000	36,000
Travel allowance	240,000	240,000
	1,082,039	1,055,491
Remuneration of the Corporate Services Director		
Annual Remuneration	685,171	653,171
Backpay	52,340	-
Travel allowance	240,000	240,000
Subsistence and Travelling	51,150	56,685
Contributions to UIF, Medical and Pension Funds	12,489	11,435
Housing allowance	72,000	72,000
Cash Gratuity	20,340	-
	1,133,490	1,033,291
Remuneration of the Acting Technical Director		
Acting Allowance	294,633	-
32. Remuneration of councillors		
Councillors	7,082,577	6,703,017
Remuneration of Councillor BE Seakge (Executive Mayor)		
Council allowance	889,823	838,575
Cellphone allowance	43,200	42,200
Data Allowance	3,804	3,719
Contributions to UIF and SDL	8,639	8,682
	945,466	893,176
Remuneration of Councillor MM Gaebee (Speaker)		
Council allowance	711,860	670,861
Data allowance	3,804	3,719
Cellphone allowance	43,200	42,200
Contributions to UIF and SDL	5,538	5,758
	764,402	722,538
Remuneration of Councillor J Groenewaldt		
Council allowance	279,229	237,469
Data allowance	3,804	3,719
Cellphone allowance	43,200	42,200
Travel allowance	93,076	79,156
Contributions to UIF and SDL	2,976	3,092
	422,285	365,636

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32. Remuneration of councillors (continued)		
Remuneration of Councillor TS Tebang		
Council allowance	271,038	233,552
Travel allowance	90,345	77,851
Cellphone allowance	43,200	38,600
Data Allowance	3,804	3,402
Contributions to UIF and SDL	3,668	3,700
	412,055	357,105
Remuneration of Councillor GK Magomo		
Council allowance	284,331	245,112
Data Allowance	3,804	3,402
Telephone allowance	43,200	38,600
Travel allowance	91,725	80,204
Contributions to UIF and SDL	3,002	3,136
	426,062	370,454
Remuneration of Councillor SH Maqhubu		
Council allowance	279,229	214,933
Data Allowance	3,804	3,402
Telephone allowance	43,200	38,600
Travel allowance	93,076	71,644
Contributions to UIF and SDL	3,772	3,464
	423,081	332,043
Remuneration of Councillor T Molale		
Council allowance	281,598	174,470
Telephone allowance	43,200	38,600
Data Allowance	3,804	3,402
Contributions to UIF and SDL	3,051	3,168
	331,653	219,640
Remuneration of Councillor LS Setlhare		
Council allowance	279,229	241,697
Telephone allowance	43,200	38,600
Travel allowance	93,076	37,560
Data Allowance	3,804	3,402
Contributions to UIF and SDL	3,060	2,842
	422,369	324,101
Remuneration of Councillor J Skeenkamp		
Council allowance	284,331	245,112
Travel allowance	91,725	80,204
Telephone allowance	43,200	38,600
Data Allowance	3,804	3,402
Contributions to UIF and SDL	3,812	3,834
	426,872	371,152

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32. Remuneration of councillors (continued)		
Remuneration of Councillor L Letshabo		
Council allowance	281,597	242,652
Data Allowance	3,804	3,402
Telephone allowance	43,200	38,600
Contributions to UIF and SDL	3,051	3,168
	331,652	287,822
Remuneration of councillor: TS Maraman		
Council allowance	281,598	242,652
Telephone allowance	43,200	38,600
Data Allowance	3,804	3,402
Contributions to UIF and SDL	2,333	2,549
	330,935	287,203
Remuneration of Councillor RM Monyane		
Council allowance	281,598	242,652
Telephone allowance	43,200	38,600
Data Allowance	3,804	3,402
Contributions to UIF and SDL	3,051	3,168
	331,653	287,822
Remuneration of Councillor Wa Weich		
Council allowance	279,229	214,933
Telephone allowance	43,200	38,600
Travel allowance	93,076	71,644
Data Allowance	3,804	3,402
Contributions to UIF and SDL	3,772	3,464
	423,081	332,043
Ward Committee members		
Stipend	414,605	407,505
33. Depreciation and amortisation		
Property, plant and equipment	32,494,944	35,348,794
34. Impairment loss		
Impairments		
Property, plant and equipment	17,093,353	8,002,831
35. Finance costs		
Trade and other payables	40,125,751	28,298,408
Finance leases	70,397	81,853
Landfill site provision	4,617,934	4,105,629
Employee benefits obligations	322,000	308,000
Interest on advance received	108,000	268,750
	45,244,082	33,062,640

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36. Auditors' remuneration		
Fees	9,043,967	19,867,869
37. Debt impairment		
Contributions to debt impairment provision	86,392,807	97,845,966
38. General expenses		
Advertising	860,072	537,704
Audit committee	77,356	48,254
Auditors remuneration	9,043,967	19,867,869
Bank charges	106,104	86,540
Cleaning	410,552	546,773
Commission paid	6,990,636	4,637,501
Computer expenses	95,680	42,790
Consultants and Professional Services	22,349,034	40,683,898
Electricity	99,074	43,668
Fuel and oil	1,813,754	1,661,458
Insurance	306,958	543,498
Medical expenses	2,367,545	2,370,735
Prepaid vending revenue share	285,292	85,709
Printing and stationery	430,710	623,598
Protective clothing	292,889	390,127
Repairs and maintenance	14,230,711	12,652,905
Security (Guarding of municipal property)	2,939,577	2,302,034
Subscriptions and membership fees	1,158,578	1,690,485
Subsistence	3,416,281	4,381,833
Telephone and fax	1,721,461	1,229,741
Training	1,191,053	1,668,685
Transport and freight	1,999,040	3,401,792
Travel - local	2,917,293	592,726
	75,103,617	100,090,323
39. Bulk purchases		
Electricity - Eskom	59,624,676	34,314,217
Water	1,285,352	2,236,190
	60,910,028	36,550,407
40. Contracted services		
Outsourced Services		
Catering Services	632,346	988,367
Cleaning Services	186,655	373,320
Internal Auditors	-	4,714,385
Professional Staff	555,000	387,153

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41. Cash generated from operations		
Surplus	305,715	53,418,477
Adjustments for:		
Depreciation and amortisation	32,494,944	35,348,794
Gain on sale of assets and liabilities	2,689,506	972,850
Fair value adjustments	3,942,872	1,946,018
Debt impairment	86,392,807	97,845,966
Movements in operating lease assets and accruals	4,475	(4,220)
Movements in retirement benefit assets and liabilities	247,000	386,000
Movements in provisions	4,617,934	(4,089,892)
Changes in working capital:		
Inventories	(29,798)	(9,091)
Receivables from exchange transactions	(39,050)	(95,085)
Consumer debtors	(73,935,965)	(99,058,773)
Other receivables from non-exchange transactions	(6,678,266)	1,356,805
Payables from exchange transactions	136,974,180	55,535,555
VAT	(12,744,262)	9,750,551
Unspent conditional grants and receipts	23,449,011	747,313
Consumer deposits	(6,626)	(1,223)
	197,684,477	154,050,045
42. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Contractual amounts	218,795	599,846
Loss on sale of other asset	(2,689,506)	(972,850)
Impairment on property, plant and equipment	17,093,353	8,002,831
Depreciation on property, plant and equipment	32,494,944	35,348,794
Employee costs	63,130,920	62,541,920
43. Fair value adjustments		
Investment property (Fair value model)	(3,713,872)	(2,242,018)
Biological assets - (Fair value model)	(229,000)	296,000
	(3,942,872)	(1,946,018)
44. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	130,406,656	130,406,656
Total capital commitments		
Already contracted for but not provided for	130,406,656	130,406,656
Total commitments		
Total commitments		
Authorised capital expenditure	130,406,656	130,406,656

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44. Commitments (continued)

This committed expenditure relates to property, plant and equipment and will be financed by government grants allocations.

Operating leases - as lessor (income)

Refer to note 4 for the disclosure on operating lease commitments.

45. Contingencies

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Contingent assets

Rexus Trading SA (Pty) Ltd // Tokologo LM

1. Claim by LM for repayment of monies already paid by the LM to supplier for ductile pipes not delivered to LM by Supplier. Claim for repayment admitted by Rexus, though quantum in dispute. Good prospects of success. Approx. R 18 million.
2. Counter claim by Supplier for alleged contract price adjustments and storage of pipe not yet delivered. Counter claim unsubstantiated and good prospects of defence. Approx. R 40 million.
3. Attorney ref: G00039. Summons issued and defended by Rexus. Costs approximately R 150 000.00

Rexus Trading SA (Pty) Ltd // Tokologo LM	58,000,000	18,000,000
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Contingent liabilities

Afriforum // Tokologo LM

Referral of request for information by Afriforum to Information Regulator (South Africa). Matter dormant. Costs: none at this time

Various Farmers and Entities // Tokolgoo LM (Hertzogville Veld Fires)

Twelve claims by various farmers and farming operations instituted against the LM for recovery of damages caused by Veld Fires that occurred during October 2018, Approx. R 36 million in aggregate. Summons issued and each matter defended, and all pleas delivered to LM. First round of pre-trials already finalized. LM to compile and deliver request for further particulars and to identify experts to be consulted and called as witnesses. Cost: approx. R 450 000.00

Various Farmers and Entities // Tokolgoo LM (Hertzogville Veld Fires)	36,000,000	36,000,000
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46. Related parties

Relationships

Accounting Officer

Interest in related parties

Refer to accounting officers' report note 8

Municipal services rendered to Related Parties are charged at approved tariffs that were advertised to the public. This information is under the heading Councillors

Related party relationship

The municipality's senior officials made the following declarations relating to interest, relationships, directorship and securities held with listed and nonlisted companies.

Councillor BE Seakge (Executive Mayor)

No business interest, shares and / or directorships held

Councillor MM Gaebee (Speaker)

No business interest, shares and / or directorships held

Members of key management

Municipal Manager MA Sehloho - No business interest, shares and / or directorships held
Chief Finance Officer TD Matile - No business interest, shares and / or directorships held
Corporate Services Director LC Tlokwe - No business interest, shares and / or directorships held

Related party balances

There were no related party balances to report on.

Related party transactions

Remuneration of management

Management class: Councillors

Refer to note 32 "Remuneration of councillors"

Management class: Executive management

*Refer to note 31 "Employee related costs"

47. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

The nature of the error(s) and the effect of the corrections are detailed below.

47.1 - Corrections of Operating lease receivable

The balance previously disclosed in the statement of financial position on operating lease receivable was understated, due to omission of the operating lease straightlining on the lease as lossor with SASSA, as required by GRAP 13 - Leases. The error has since been rectified and the comparative figures have been restated.

Statement of financial position

Increase in Operating lease receivable

- 26,381

Increase in Accumulated surplus

- (22,161)

- 4,220

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47. Prior period errors (continued)

Statement of financial performance

Increase in Revenue from exchange transactions - Rental income	-	(4,220)
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47.2 - Corrections of Employee benefit obligations

The balance previously disclosed on employee benefit obligations was overstated. The error has since been rectified and the comparative figures have been restated.

Statement of financial position

Decrease in Employee benefit obligations	-	533,000
Increase in Accumulated surplus	-	(533,000)
	-	-

47.3 - Corrections of Unspent conditional grants and receipts

The balance previously disclosed on unspent conditional grants and receipts was misstated, as a result of errors in the prior year grants register. The error has since been rectified and the comparative figures have been restated.

The revenue previously disclosed on government grants & subsidies was misstated due to missallocations, as a result of errors in the prior year grants register. The error has since been rectified and the comparative figures have been restated.

Statement of financial position

Decrease in Payables from exchange transactions	-	4,509,253
Increase in Unspent conditional grants Regional Bulk Infrastructure Grant	-	(546,176)
Increase in Unspent conditional grants Water Services Infrastructure Grant	-	(8,470,512)
	-	(4,507,435)

Statement of financial performance

Increase in Government grants & subsidies Finance Management Grant	-	(3,000,000)
Decrease in Regional Bulk Infrastructure Grant	-	2,796,455
Increase in Municipal Infrastructure Grant	-	(2,250,279)
Increase in Intergrated National Electrification Grant	-	(1,509,253)
Decrease in Water Services Infrastructure Grant	-	8,470,512
	-	4,507,435

47.4 - Corrections of Property, plant and equipment

During the verification of assets and reconciliation process of the compilation of the fixed assets register, items which were disposed in the previous financial year were identified as still in use, as a results prior year disclosed balances were mistated. The error has since been rectified and the comparative figures have been restated.

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47. Prior period errors (continued)		
Statement of financial position		
Increase in Infrastructure Cost	-	7,838,518
Decrease in Infrastructure Accumulated depreciation	-	720,247
Increase in Accumulated surplus	-	(9,444,489)
Increase in Land Accumulated impairment	-	(374,749)
Increase in Computer Equipment Cost	-	33,921
Increase in Furniture and fixtures Cost	-	93,740
Increase in Office equipment Cost	-	12,021
Increase in Computer Equipment Accumulated Depreciation	-	(23,147)
Increase in Furniture and fixtures Accumulated Depreciation	-	(70,218)
Increase in Office equipment Accumulated Depreciation	-	(9,222)
	-	(1,223,378)
Statement of financial performance		
Increase in depreciation	-	845,113
Increase in impairment	-	(374,749)
	-	470,364

47.5 - Corrections of Commitments disclosure note

The prior year disclosure of commitments was understated by R130m, being an oversight during the preparation of the AFS. The error has since been rectified and the prior year comparative figure restated.

Notes to the Annual Financial Statements

Increase in Commitments	-	130,406,656
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47.6 - Corrections of financial instruments disclosure note

The prior year disclosure of financial instruments was misstated due to incorrect figures in the note which were different from the actual values in of the financial statement. The error has since been rectified and the prior year comparative figure restated.

Notes to the Annual Financial Statements

Increase in Receivables from exchange transactions	-	106,245
Decrease in Consumer receivables from exchange transactions	-	(72,631,152)
Increase in Cash and cash equivalents	-	253,119
	-	(72,271,788)

48. Comparative figures

Certain comparative figures have been reclassified for a better and accurate presentation of AFS.

The effects and reasons each reclassification are as follows:

48.1 - Reclassification in Investment property

In the previous financial year annual financial statement, a line item for Accumulated depreciation and accumulated impairment was incorrectly disclosed due to an incorrect mapping of an account which was part of the investment property Cost /Valuation, thus overstating the Cost /Valuation and the Accumulated depreciation and accumulated impairment balances. The respective account has since been remapped to rectify the error.

The effects of the reclassification are as follows

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48. Comparative figures (continued)

Statement of financial position

Decrease in Investment property Cost /Valuation	-	(374,220)
Decrease in Investment property Accumulated depreciation and accumulated impairment	-	374,220
	-	-

49. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The following reflects the Municipality's exposure to liquidity risk from financial liabilities:

	2025		2024	
	Less than 12 months	Over 12 months	Less than 12 months	Over 12 months
Payables from exchange transactions	603,819,505	-	475,066,435	-
Unspent conditional grants and receipts	39,425,954	-	15,976,943	-
Consumer deposits	529,709	-	536,335	-
Subtotal	643,775,168	-	491,579,713	-
	643,775,168	-	491,579,713	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2025	2024
Receivables from exchange transactions	1,222,826	1,183,776
Consumer receivables from exchange transactions	12,505,726	7,869,213
Cash and cash equivalents	24,572,382	781,281

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of Eskom (SOC) Ltd. Refer to note 9 for additional details.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

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50. Going concern

We draw attention to the fact that at 30 June, 2025, the municipality had an accumulated surplus (deficit) of 742,539,479 and that the municipality's total liabilities exceed its assets by 742,539,479.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality. Management have evaluated all material going concern risks. Presented below are the major areas evaluated:

The municipality's current liabilities exceed its current assets by R506,441,461 (R412,905,834 in 2024) which indicates a current asset ratio of 0.18 which is below the required norm.

The municipality incurred a surplus of R40,674,070 during the year (R53,418,477 in 2024)

The creditors payment days of the municipality is currently 1,090 days (795 days in 2024).

The provision for impairment on consumer debts as a percentage of accounts receivable is currently 97.67% (98.28% in 2024). The debtors collection period is currently 365+ days (365+ days in 2024).

The provision for impairment on statutory receivables as a percentage of accounts receivable is currently 86.38% (93.70% in 2024). The debtors collection period is currently 365+ days (365+ days in 2024).

Outstanding amounts owed to Eskom at year-end is currently R295,603,389 (R241,532,270 in 2024) and to DWA R95,767,230 (R69,844,193 in 2024).

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

Unspent conditional grants balance of R39,425,954 (R15,976,943 in 2024) are not cash backed by the available Cash and cash equivalents balance of R24,572,382 (R781,281 in 2024). Irregular expenditure in the current year increased by R-(R11,844,548 in 2024).

These events and conditions indicate that a significant doubt exists that may cast significant doubt on the entity's ability to continue as a going concern. However, management has developed plans the following plan of action to deal with the going concern uncertainties.

- The municipality is planning to move to a pre-paid system for the supply of water and electricity which will enhance the revenue and debt collection and inter-alia improve the cashflow of the municipality.
- The municipality is implementing cost containment measures, by which unnecessary spending will be avoided to achieve savings, and thus reduce the municipality's burden towards its creditors.
- The municipality has implemented stricter measures in ensuring that funds for conditional grants are safeguarded in their own allocated investments accounts upon receipt of those funds and the withdrawal thereof will only be when to be spent for the purpose of the grant.

51. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

There were no adjusting events noted.

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52. Unauthorised expenditure		
Opening balance as previously reported	694,084,094	687,905,120
Add: Unauthorised expenditure - current	14,853,572	6,178,974
Less: Amount authorised - current	(687,905,120)	-
Closing balance	21,032,546	694,084,094

The unauthorise expenditure register of previous financial years was not kept and maintained, as a result, the opening balance previously disclosed could not be supported, which resulted in an unresolved qualification of unauthorised expenditure. To Resolve, this matter the MPACT Committee considered if there are available alternatives to resolve the matter other than reconstructing new registers with a different balance that the previously disclosed balance, and in an absence of non, a recommendation was made to council to write-off the unsupported balance and the municipality maintain and keep record of the new registers.

53. Fruitless and wasteful expenditure

Opening balance as previously reported	108,412,621	71,205,054
Add: Fruitless and wasteful expenditure identified - current	37,130,145	37,207,567
Closing balance	145,542,766	108,412,621

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53. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings			
Interest on overdue account	No steps taken, pending investigations outcome		37,130,145	37,135,926
SARS interest and penalties	No steps taken, pending investigations outcome		-	71,641
			37,130,145	37,207,567

54. Irregular expenditure

Opening balance as previously reported	265,571,693	254,583,526
Add: Irregular expenditure - current	14,077,404	10,988,167
Closing balance	279,649,097	265,571,693

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54. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Competitive bidding not invited	No steps taken, pending investigations outcome	-	10,988,167

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1,171,127	400,000
Current year subscription / fee	-	1,529,315
Amount paid - current year	-	(758,188)
	1,171,127	1,171,127

Distribution losses

Audit fees

Opening balance	4,418,490	5,031,275
Current year subscription / fee	1,191,741	3,953,969
Amount paid - current year	(6,503,335)	(4,566,754)
	(893,104)	4,418,490

PAYE and UIF

Current year subscription / fee	10,703,130	2,082,141
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55. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Opening balance	9,669,875	10,703,626
Current year subscription / fee	7,561,729	5,351,813
Amount paid - current year	(11,959,625)	-
Amount paid - previous years	-	(6,385,564)
	5,271,979	9,669,875
VAT		
VAT receivable	65,263,766	77,194,745
VAT payable	(16,988,052)	(12,079,722)
	48,275,714	65,115,023

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

56. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

57. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the Free State Province in three towns. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the boundaries of the municipality were sufficiently similar to warrant aggregation.

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57. Segment information (continued)

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Segment 1 - Technical services

Segment 2 - Governance and Administration

Goods and/or services

Municipal basic services

Administrative, ad-hoc and management services

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57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2024

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The nature and effect of any asymmetrical allocations to reportable segments

An municipality allocated depreciation expense to a segment without allocating the related depreciable assets to that segment.

Information about geographical areas

The municipality's operations are in the Western Free State Province.

58. Budget differences

Material differences between budget and actual amounts

58.1 - The variance is due to more revenue collected on prepaid electricity than anticipated.

58.2 - The municipality collected more rental revenue than anticipated due to an increased demand for rental of halls.

58.3 - The municipality anticipated to collect more revenue on interest from outstanding debtor's account, while the actual was lesser due to a slight improvement in the collection.

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58. Budget differences (continued)

58.4 - The municipality anticipated to receive less revenue on other income based on normal stream of income generation, however more income was received from the newly implemented prepaid vending system.

58.5 - The municipality did not budget for interest received in the current year due to cashflow challenges.

58.6 - The municipality anticipated lesser property rates revenue than actual.

58.7 - The municipality anticipated to collect more revenue on interest from outstanding debtor's account, while the actual was lesser due to a slight improvement in the collection.

58.8 - The municipality anticipated to spend more on Capital grants funded by DWA, however, there delays encountered in the implementation of some of the projects.

58.9 - The municipality collected more traffic fines revenue than anticipated.

58.10 - The municipality anticipated to spend more on employee costs as plans were underway to fill some of the vacant posts.

58.11 - The municipality anticipated to have less depreciation expense in the current year due to correction of errors in the asset register.

58.12 - The municipality did not budget for impairment losses.

58.13 - The budgeted finance cost expense excluded interest on landfill sites provisions.

58.14 - The municipality did not budget for lease rentals on operating lease.

58.15 - The municipality anticipated a lower debt impairment movement, as compared to actual.

58.16 - The municipality did not incur write-off of debtors yet it budgetted for them budget for the write-offs.

58.17 - The municipality anticipated a lesser expenditure on bulk purchases, due to load-shedding that has been implementd which causes interruptions in water supply.

58.18 - The municipality anticipated more expenditure on contracted services than actual.

58.19 - The municipality did not incur any expenditure on transfers and subsidies, though budget provisions were made for the expenditure.

58.20 - The municipality anticipated a decline in general expenses, due to cost cutting measures.

58.21 - The municipality did not budget for losses on disposal of assets.

58.22 - The municipality did not budget for fair value adjustments.

58.23 - The municipality did not budget for actuarial gains/losses.

58.24 - The municipality did not budget for inventories.

58.25 - The municipality did not budget for operating lease asset.

58.26 - The municipality did not budget for receivables from exchange transactions.

58.27 - The variance is due to impairment of debtors.

58.28 - The variance is due to outstanding creditors which VAT input cannot be claimed thereon.

58.29 - The variance is due to impairment of debtors.

58.30 - The variancce is due to unutilised grant funds on unspent grants which is still in the bank.

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58. Budget differences (continued)

58.31 - The variance was due to losses on fairvalue adjustments and disposals of biological assets due to death.

58.32 - The variance was due to fairvalue losses incurred on investment properties.

58.33 - The variance was due to additions on PPE.

58.34 - The municipality did not budget for finance lease liabilities.

58.35 - The municipality anticipated to settle most of its creditors hence the actual is more than the budgeted payables balances.

58.36 - The municipality did not have balances on payables from non-exchange transactions, though budget provisions were made for them.

58.37 - The municipality did not have balances on VAT payables, though budget provisions were made for them.

58.38 - The municipality did not budget for employee benefit obligations.

58.39 - The municipality did not budget for unspent conditional grants.

58.40 - The municipality did not budget for provisions.

58.41 - The municipality anticipated to retain more surpluses than actual.

58.42 - The variance on receipts on Cash flows from operating activities was due to more funds collected from the sale of goods and services, grants and other income than budgeted.

58.43 - The variance on payments on cash flows from operating activities due to lesser expenditure on employee costs than budgeted coupled by non-budgeting of payments to suppliers which had a significant actual amount.

58.44 - The variance on cashflows from investing activities was due to a lesser actual spending on the purchases of property, plant and equipment than anticipated.

58.45 -The variance on cash flows from financing activities was due to actual spending incurred finance lease repayments while there were no budget provisions made for them.

59. Accounting by principals and agents

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

Details of the arrangement(s) is|are as follows:

Mafumu sells pre-paid electricity on behalf of the municipality to its locals.

The municipality is the principal OR agent. Refer to note for significant judgements applied in making this assessment.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have been recognised by the agent in its financial statements.

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are nil.

60. Financial instruments disclosure

Categories of financial instruments

2025

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60. Financial instruments disclosure (continued)

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1,222,826	1,222,826
Consumer receivables from exchange transactions	12,505,726	12,505,726
Cash and cash equivalents	24,572,382	24,572,382
	38,300,934	38,300,934

Financial liabilities

	At amortised cost	At cost	Total
Payables from exchange transactions	603,819,505	-	603,819,505
Consumer deposits	-	529,709	529,709
Unspent conditional grants and receipts	39,425,954	-	39,425,954
	643,245,459	529,709	643,775,168

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1,183,776	1,183,776
Consumer receivables from exchange transactions	7,869,213	7,869,213
Cash and cash equivalents	781,281	781,281
	9,834,270	9,834,270

Financial liabilities

	At amortised cost	At cost	Total
Payables from exchange transactions	475,066,435	-	475,066,435
Consumer deposits	-	536,335	536,335
Unspent conditional grants and receipts	15,976,943	-	15,976,943
	491,043,378	536,335	491,579,713

VOLUME II

Tokologo Local Municipality

(Registration number FS182)

Annual Financial Statements for the year ended 30 June, 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
60. Financial instruments disclosure (continued)		
Financial instruments in Statement of financial performance		
2025		
	At amortised cost	Total
Interest received (trading)	42,387,505	42,387,505
Interest received - investment	241,894	241,894
Interest received	7,384,871	7,384,871
	50,014,270	50,014,270
2024		
	At amortised cost	Total
Interest received (trading)	39,081,470	39,081,470
Interest received - investment	674,742	674,742
Interest received	14,523,333	14,523,333
	54,279,545	54,279,545
61. Accounting by principals and agents		
The municipality is a party to a principal-agent arrangement(s).		
Details of the arrangement(s) is are as follows:		
Mafumu sells pre-paid electricity on behalf of the municipality to its locals.		
The municipality is the principal OR agent.		
Entity as principal		
Resources (including assets and liabilities) of the entity under the custodianship of the agent		
The resources have been recognised by the agent in its financial statements.		
Resource or cost implications for the entity if the principal-agent arrangement is terminated, are nil.		
Fee paid		
Fee paid as compensation to the agent	6,990,636	4,637,501
The following are fees paid to the agent:		
<ul style="list-style-type: none">• Revenue share• Commission fee• Interest on advance amount		
Revenue arising from the principal-agent agreement		
Sale of pre-paid electricity	22,873,419	15,821,434