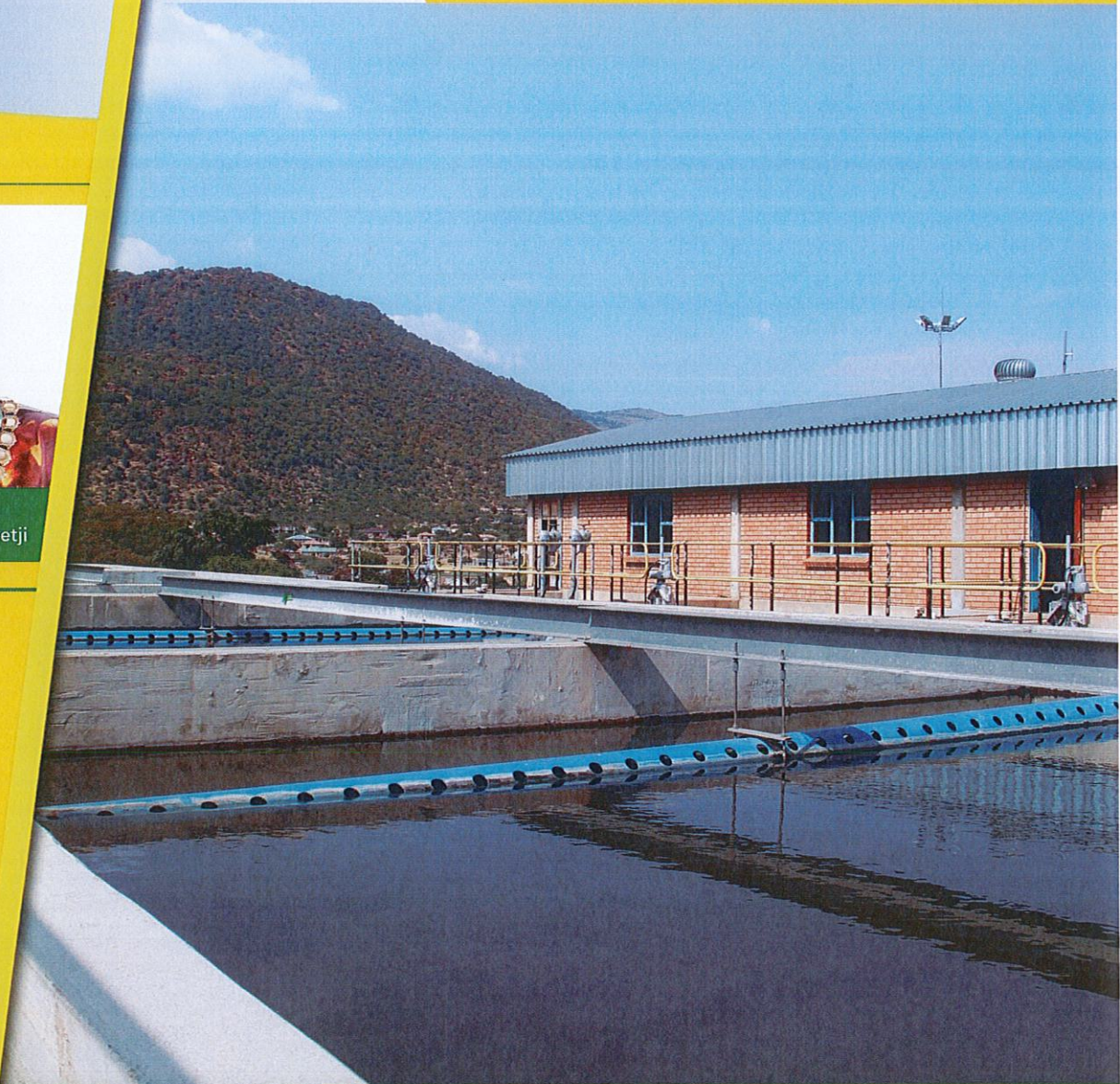


# Annual Report 2021/2022

Sekhukhune District Municipality



Executive Mayor  
Cllr Maleke Mokganyetji



**STAY  
SAFE**

VACCINATE TO SAVE SOUTH AFRICA

TOGETHER WE CAN BEAT CORONAVIRUS



**SEKHUKHUNE**  
District Municipality



## GENERAL INFORMATION

### 1. MEMBERS OF THE MAYORAL COMMITTEE (From 01 July 2021 to 01 November 2021)

NO.	SURNAME AND INITIALS	DESIGNATION
1.	Cllr. Ramaila K.S.	Executive Mayor
2.	Cllr. Nkosi M.S.	Member of the Mayoral Committee (MMC): Budget & Treasury
3.	Cllr. Mahlangu M.F.	1 <sup>st</sup> Member of the Mayoral Committee (MMC): Infrastructure & Water Services
4.	Cllr. Manganeng L.M.	2 <sup>nd</sup> Member of the Mayoral Committee (MMC): Infrastructure & Water Services
5.	Cllr. Matlala M.A.	Member of the Mayoral Committee (MMC): Corporate Services
6.	Cllr. Mafefe O.H.	Member of the Mayoral Committee (MMC): Planning & Economic Development
7.	Cllr. Mmakola MY	Member of the Mayoral Committee (MMC): Community Services
8.	Cllr. Mnisi SP	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes)
9	Cllr. Phaladi C	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes)

The Table below illustrates the Members of the Mayoral Committee as at 02 November 2021 to 30 June 2022

NO.	SURNAME AND INITIALS	DESIGNATION
1.	Cllr. Ramaila K.S.	Executive Mayor (02 November to 08 February 2022)
	Cllr. Ramaila K.S.	Member of the Mayoral Committee (MMC) Community Services (09 February 2022 to 30 June 2022)
2.	Cllr. Mathebe J.L.	Speaker ((02 November to 08 February 2022)
	Cllr. Mathebe J.L.	Executive Mayor (09 February 2022 to 30 June 2022)

		June 2022)
3.	Cllr. Mokganyetji M.J	Member of the Mayoral Committee (MMC): Planning & Economic Development (02 November 2021 to 08 February 2022)
	Cllr. Mokganyetji M.J	Member of the Mayoral Committee (MMC): Budget & Treasury (09 February 2022 to 30 June 2022)
4.	Cllr. Kupa C.R	Member of the Mayoral Committee (MMC): Community Services (02 November 2021 to 08 February 2022)
	Cllr. Kupa C.R	1 <sup>st</sup> Member of the Mayoral Committee (MMC): Infrastructure & Water Services (09 February 2022 to 30 June 2022)
5.	Cllr. Mohlala MJ	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes) (02 November 2021 to 08 February 2022)
	Cllr. Mohlala MJ	2 <sup>nd</sup> Member of the Mayoral Committee (MMC): Infrastructure & Water Services (09 February 2022 to 30 June 2022)
6.	Cllr. Malatji MN	3 <sup>rd</sup> Member of the Mayoral Committee (MMC): Infrastructure & Water Services (02 November 2021 to 30 June 2022)
7	Cllr. Ratau MF	Member of the Mayoral Committee (MMC): Budget & Treasury (02 November 2021 to 08 February 2022)
	Cllr. Ratau MF	Member of the Mayoral Committee (MMC): Corporate Services (09 February 2022 to 30 June 2022)
8.	Cllr. Leshaba MB	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes) (02 November 2021 to 08 February 2022)
	Cllr. Leshaba MB	Member of the Mayoral Committee (MMC): Planning & Economic Development (09 February 2022 to 30 June 2022)
8.	Cllr. Sefala KRE	1 <sup>st</sup> Member of the Mayoral Committee (MMC): Infrastructure & Water Services (02 November 2021 to 08 February 2022)

	Cllr. Sefela KRE	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes) (09 February 2022 to 30 June 2022)
9	Cllr. Mafefe OH	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes) (02 November 2021 to 30 June 2022)
	Cllr. Mafefe OH	Member of the Mayoral Committee (MMC): Corporate Services (02 November 2021 to 08 February 2022)

## 2. ADDRESS

Sekhukhune District Municipality

3 West Street

Groblersdal

0470

Tel: (013) 262 7300

Fax: 013 262 3688

Website: [www.sekhukhunedistrict.gov.za](http://www.sekhukhunedistrict.gov.za)

## 3. CONTACTS

Mr M.D Matumane : Acting Municipal Manager

013 262 7310



## 1. CRONYMS

NO.	ABBREVIATIONS	ABBREVIATION IN FULL
1.	AFS	Annual Financial Statement
2.	A.G.	Auditor General
3.	AGSA	Auditor General South Africa
4.	AIDS	Acquired Immune Deficiency Syndrome
5.	ANC	African National Congress
6.	AC	Audit Committee
7.	APR	Annual Performance Report
8.	AR	Annual Report
9.	BLSV	Bolshevic
10.	CAC	Child Advisory Council
11.	CDW	Community Development Worker
12.	CFO	Chief Financial Officer
13.	CLLR.	Councillor
14.	COGHSTA	Co-operative Governance, Human Settlement and Traditional Affairs
15.	CPMD	Certificate Programme in Management Development
16.	DA	Democratic Alliance
17.	DOE	Department of Energy
18.	DSAC	Department of Sport, Arts & Culture
19.	EFF	Economic Freedom Fighters
20.	EPWP	Expanded Public Works Programme
21.	ESKOM	Electricity Supply Commission
22.	FMG	Financial Management Grant
23.	GRAP	General Recognised Accounting Practice

24.	HIV	Human Immune Virus
25.	HH	Households
16.	ICT	Information Communication Technology
26.	IDP	Integrated Development Plan
27.	IGR	Integovernmental Relations
28.	INEP	Integrated National Electricity Programme
29.	Km	Kilometre
30.	KPA	Key Performance Area
31.	KPI	Key Performance Indicator
32.	LED	Local Economic Development
33.	LEDET	Limpopo Economic Development Environment Tourism
34.	LGSETA	Local Government Sector Education & Training Authority
35.	MEC	Member of Executive Council
36.	MFMA	Municipal Finance Management Act
37.	MIG	Municipal Infrastructure Grant
38.	MM	Municipal Manager
39.	MPAC	Municipal Public Accounts Committee
40.	MSA	Municipal Systems Act
41.	MTREF	Medium Term Revenue & Expenditure Framework
42.	N/A	Not Applicable
43.	No.	Number
44.	PMS	Performance Management System
45.	PMU	Project Management Unit
46.	PPP	Public Private Partnership
47.	PR	Proportional Representative
48.	OHS	Occupational Health & Safety

49.	R	Rand
50.	RBIG	Regional Infrastructure Grant
51.	RDP	Reconstruction & Development Plan
52.	RRMS	Rural Roads Assets Management System Grant
53.	RSA	Republic of South Africa
54.	SCM	Supply Chain Management
55.	SDBIP	Service Delivery & Budget Implementation Plan.
56.	SDM	Sekhukhune District Municipality
57.	SETA	Sector Education & Training Authority
58	SODA	State of the District Address
59.	STATSSA	Statistics South Africa
60	STI	Sexually Transmitted infection
61.	TB	Tuberculosis
62.	TOR	Terms of Reference
63.	TVR	Treasury Views and Recommendation
64..	WSP	Work Skills Plan
65.	VIP	Ventilated Improved pit
67.	WSIG	Water Services Infrastructure Grant



## Table of Contents

Chapters	Content	Page No.
<b>Chapter 1</b>	<b>1.1. EXECUTIVE MAYOR'S FOREWORD</b>	14 - 17
	<b>1.2. EXECUTIVE SUMMARY: MUNICIPAL MANAGER'S OVERVIEW</b>	18
	1.3. Structure of the Annual Report of Sekhukhune District Municipality	18
	1.4. Legislative framework for Annual Reporting	18 - 22
	1.5. Municipal powers and functions	22
	1.6. Demographic overview	22 – 24
	1.7. Service delivery overview	24 – 25
	1.8. Financial health overview	25 – 27
	1.9. Statutory Annual Report Process	27 – 28
	<b>Chapter 2</b>	<b>CHAPTER TWO: GOVERNANCE</b>
2.1. Introduction to governance		29
<b>COMPONENT A: Political and administrative governance</b>		29
2.2. Introduction to political & administrative governance		30
2.3. Political Governance		30
2.3.1. Introduction		30
2.3.2. Political Structures		30
2.3.2.1. The Executive Mayor		30 – 31
2.3.2.2. The Speaker		31 – 32
2.3.2.3. The Chief Whip		32
2.3.2.4. The Mayoral Committee		32 35

2.3.2.5. Directly Elected Councillors	35 – 36
2.3.2.6. Traditional Leaders in Council	36
2.3.2.7. Political Decision Making	36
2.3.3. SECTION - 79 standing committees of council	36 – 38
2.3.4. Special Committees of Council	38
2.3.5. Municipal Portfolio Committees	38 – 39
2.3.6 Municipal Public Account Committee (Oversight committee)	39
2.3.7. Meetings of committees	40 – 43
2.3.8. Attendance of Council meetings & MPAC meetings	44 – 54
2.4. Administrative Governance	55
2.4.1. Introduction	55
2.4.2. Top Administrative Structure	55 – 56
<b>COMPONENT B: Intergovernmental Relations</b>	56 – 58
2.5.1. District Intergovernmental Structure	59 - 60
2.5.2. Provincial Intergovernmental Structure	60
2.6. Relationships with municipal entities	60 – 63
<b>COMPONENT C: Public Accountability and participation</b>	63
2.7.1. Introduction	63
2.7.2. Public Participation meetings held	63 – 65
2.7.3. Ward Committees	65 – 66
<b>COMPONENT D: Corporative Governance</b>	66
2.8.1. Overview of corporate governance	66
2.8.2. Audit committee	66 – 68
2.8.3. Risk steering management Committee	68 - 69

	2.8.3.1. Strategic Values of Risk Management Committee	69 - 70
	2.8.3.2. Top ten risks in the municipality	70
	2.8.3.3. Liquidity Risk Management	70 – 71
	2.8.3.4. Fraud and anti-corruption strategy	71
	2.8.4. Supply Chain Management	71 – 101
	2.8.5. By-law	102
	2.8.6. Website	102 – 103
	2.8.7. Public satisfaction on municipal services	103 – 107
<b>State Chapter 3</b>	<b>SERVICE DELIVERY PERFORMANCE</b>	
	3.1. Introduction	108
	<b>COMPONENT A: Basic Service</b>	108
	3.2 Water Provision	108– 115
	3.3. Sanitation provision	115
	3.4. Municipal Health Services	116 – 121
	3.5. Emergency Management	122 – 123
	3.6. Disaster Management	123 – 129
	<b>COMPONENT B: Planning &amp; Economic Development</b>	
	<b>3.7. Local Economic Development</b>	129
	3.7.1. Introduction	129
	3.7.2. State of district economy	129 – 134
	3.7.3. Unemployment	134 – 137
	3.8 Local Economic Development Initiatives	137
	3.8.1 Tourism development	137 – 138
	3.8.2 Agricultural development	138 – 139
	3.8.3 Mining Development	139 – 140



	3.8.4 Infrastructure Development	140 – 141
	3.9 Jobs created through municipal projects and EPWP	142
	3.10 Spatial Planning	142
	3.10.1 Spatial Rationale and Land use Management Act	142 - 143
	3.10.2 Land for Municipal Offices	143
	3.10.3. Spatial Development Framework	144 – 145
	3.10.4. Spatial Development challenges	145
<b>Chapter 4</b>	<b>ORGANISATIONAL DEVELOPMENT PERFORMANCE</b>	
	Organisational Development Performance	146 – 149
	<b>COMPONENT A: Introduction to Municipal Personnel</b>	150
	4.1.1. Introduction to Municipal Personnel	150
	4.1.2. HR Vision and Mission	150
	4.1.3. Legal Framework	150
	4.2 Employees	151
	4.2.1. Total number of employees, staff turnover and vacancies.	152 – 152
	4.2.2 Total number of employees	152
	4.2.3 Senior Management post vacancy rate in comparison with local municipalities	152
	4.3 Human Resources Organisational policies	152 – 153
	4.4 Injuries on duty	153 – 155
	4.5 Labour Relations cases	155 – 156
	4.6 Skills Development and training	156
	4.7. Training spends	156
	4.8. Bursaries	156

<b>Chapter 5</b>	<b>FINANCIAL PERFORMANCE</b>	
	<b>COMPONENT A:</b>	15
	5.1. Statement of financial performance	
	5.2. Revenue	158
	5.3. Expenditure	158 – 159
	5.4. Asset Management	159 – 160
	5.5. Net asset position = Assets : Liabilities	160
	<b>COMPONENT B: SPENDING AGAINST CAPITAL BUDGET</b>	
	5.6. Grants received	160 – 162
	5.7. Grants spending of projects	162
	5.8. Unspent grants	162
	<b>COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENT</b>	
	5.9. Cash equivalent	162 – 163
	5.10. Borrowing and Investment	163
<b>COMPONENT D: OTHER FINANCIAL MATTER</b>		
5.11. Supply Chain Management	163	
5.12. Bid Committees	163	
5.13. Oversight role of Council	163	
5.14. GRAP Compliance	164	
<b>Chapter 6</b>	<b>AUDITOR GENERAL FINDINGS AND OPINION</b>	
	<b>COMPONENT A: 2021/2022 AUDITOR GENERAL SOUTH AFRICA REPORT OPINION &amp; FINDINGS</b>	165 – 167
	6.1. 2021/2022 AGSA opinion	
	<b>COMPONENT B: 2020/2021 AUDITOR GENERAL OPINION</b>	167

<b>6.2. Auditor General Report opinion for 2020/2021 financial year</b>	167
6.2. Progress on Auditor General SA findings of the 2020/2021	167
<b>Conclusions</b>	167
<b>Glossary</b>	167- 169
Annexure A: 2020/2021 Audited Annual Financial Statement: SDM & SDA	
Annexure B: 2020/2021 Audit Report : SDM and SDA	
Annexure C: 2020/2021 SDBIP Cumulative Report and Performance of Service Providers	
Annexure D: 2020/2021 Sekhukhune Development Agency Annual Report	
Annexure E: 2020/2021 Audit Committee Report – SDM and SDA	
Annexure F: 2020/2021 Audit Action Plan	
Annexure G: 2020/2021 Community Consultation Report	
ANNEXURE H: 2020/2021 Oversight Report	





**Executive Mayor**  
Cllr Maleke Mokganyetji



**SEKHUKHUNE**  
District Municipality

## CHAPTER ONE:

### 1.1. MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

It is my privilege to present the Sekhukhune District Municipality's Annual Report for the 2021/22 financial year. This Annual Report is a result of the implementation of the municipality's Integrated Development Plan (IDP), Annual Budget and Service Delivery and Budget Implementation Plan (SDBIP) as adopted by Council for the financial year 2021/2022. It is an account of the municipality's achievements and assists in identifying areas that need improvement.

#### **Our Vision remains focused and committed to the:**

"Sekhukhune District Municipality - a leader in integrated economic development and sustainable service delivery".

#### **Our Mission is to improve the quality of life for all communities through:**

- Provision of a democratic and accountable government
- Promotion of inclusive and egalitarian economic transformation
- Promotion of a safe and healthy environment
- Fostering of community involvement and stakeholder engagement
- Strengthening institutional capacity
- Promotion of social cohesion

This Annual Report sets out the financial performance highlights and financial position for the 2021/2022 financial year, along with the achieved milestones of its administration. As political leadership we aimed at all we could to work with an end in mind as we activate the operation "TLEMA TEKI RE NWE MEETSI" to ensure:

1. Provision of water and sanitation services in a sustainable manner.
2. Local economic development, growth and job creation through agrarian reform, mining, tourism, and repositioning of SDA,
3. Good governance and sound financial management,
4. Sustainable land use management and spatial transformation,
5. Community development, social cohesion, and nation building, and
6. Public participation, stakeholder engagements and partnerships.

### **Key Service Delivery Improvements**

As we all witnessed, we first have to acknowledge that the past year has been a painful one for many in our midst. Covid-19 inflicted too high a price on our communities; its effect haunts us to this day. But it cannot weigh more than the hefty resilience of our people.

It is for this reason that I would like to thank all those who kept their hands full at serving this district. Against all odds they showcased a possibility of a better and improved service delivery to our people.

We launched our campaign dubbed “**Operation tlema tekkie, renwe meetsi!**” which is a call to all-including government officials and members of the community to work together to realize the provision of clean drinkable water to our communities.

A Draft Turnaround Strategy for The Proposed Integrated and Aligned Delivery of Water Services, was presented to the Mayoral Committee. The draft strategy will soon be presented to Council, and we are confident that if properly implemented, it will change our trajectory.

An audit of all bulk Water Schemes and projects and list of delayed projects has been done. Turnaround strategy on how to unlock De Hoop Water Scheme has been presented in the Mayoral Committee.

We will soon handover the Mooi-hook project 4G2, this will be done once all the planned inspection on the final project has been completed. We will continue addressing sewage spillage in Leeuwfontein, Motetema and Praktiseer.

Sound financial management practices are the cornerstone of every municipality that wants to remain sustainable and continually provide services. A municipality that has weak financial management is open to corruption and the misdirection of financial resources.

The filling of senior managers vacancies of Director Infrastructure and Water Services, Director Corporate Services and Chief Financial Officer among others is concluded.

To capacitate administration, we have a newly designed organisational structure in which we have identified critical positions that are vacant. Critical and funded posts will be filled to manage and stabilise personnel costs and keep them to the 37% limit of total operating expenditure.

We have managed to reduce expenditure on non-priority spending including uncontrolled overtime, travelling costs, security, and fleet management.

For this municipality to remain sustainable and increase the scope of service delivery, it must reduce over-reliance on government subsidies and grants. We should be able to generate our own revenue.

Our governance challenges in the district municipality are a matter of public knowledge. We are working towards resolving all the issues that were raised by the Auditor-General, leading to us attaining a Qualified Audit opinion for the past financial year.

Our resolve to rooting out maladministration, corruption and attaining good governance remains fully intact. We instituted a Forensic Investigation into the affairs of our district municipality. Focal areas of this forensic investigation are:

1. Infrastructure and service delivery,
2. Governance and organisational capacity, and
3. Municipal finances.

We have also put in measures to root out corruption, maladministration, and nepotism. Anti-fraud and Corruption initiatives put in place.

The review of a credible and implementable revenue enhancement strategy is now underway and will be implemented in the next financial year. Our debt book by the end of April was at R335.3million which is the money owed to us. This strategy will empower us to recover these millions of rands that households, businesses, and government departments currently owing us. We want to achieve this proactively and timeously, to avoid a costly accumulation.

We clamped up Law Enforcement of section 56 notices for businesses. All Environmental Health Practitioners have been trained as peace officers in terms of section 56 of the criminal procedures Act. Section 56 fine notice book is in place, so business that does not comply with our regulations will be closed or fined.

Our Environmental Health Practitioners will continue to monitor all spaza shops to make sure that the goods being sold to our communities have not passed their sell by date.

We have developed Draft Terms of Reference for a Mining Multi-Stakeholders engagement forum; the mines operating in Sekhukhune are the mainstay of not only our district, but of the country's economy.

We have also reactivated the Fetakgomo - Tubatse SEZ (Special Economic Zone) political steering committee which will enhance a growth engine that has been earmarked to catalyse economic activities in pursuance of government's strategic objectives of industrialization, regional development, and employment creation.

Our flagship Learner Contractor development programme has been fast tracked. We held meeting with all learner contractors, ironed out some administration challenges and we happy to report that learner contractors on VIP toilets are on site.

We continued to acknowledge the mammoth task at hand of ensuring that government is reasonable to its citizens by striving to provide to our people with various service, including water and sanitation infrastructure, electricity, and roads etc. This conviction to serve must be based on the obligation to fulfil human rights.

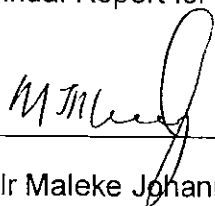
We operated under difficult macro – economic challenges which have constantly affected government's ability to allocate sufficient funding for social projects. In the main, this negative impact is felt by the poor.

The situation is worsened by a combination of factors, including that our revenue collection base is generally small, because a lot of people in our district are battling to make ends meet. We are also still reeling from the devastating effects of the COVID-19 pandemic on many fronts. Some of the businesses that went under, during the hard lockdown, have not been able to re-open.

Unemployment remains another headache for our country. A growing unemployment rate eats into tax revenue. This hampers government's ability to broaden the scope of services to communities.

In pursuit of meeting their constitutional obligations to developing local economies and job creation, our municipalities will focus on prioritizing the local economic development mandates, service delivery and most of all, we must never forget maintenance of the infrastructure and systems we have succeeded to build. Tlema Teki Re Nwe Meetse, we are soldiering on as Sekhukhune District municipality.

On behalf of the Sekhukhune District Municipality Council, I hereby present this Annual Report for the financial year 2021/2022



Cllr Maleke Johannah Mokganyetji

Executive Mayor



## **1.2. EXECUTIVE SUMMARY: MUNICIPAL MANAGER'S OVERVIEW**

Sekhukhune District Municipality (SDM) herein presents Annual Report for 2021/2022 financial year. The Annual Report is a statutory requirement for all municipalities in South Africa, primarily to report on performance during the year under review.

## **1.3. STRUCTURE OF THE ANNUAL REPORT OF SEKHUKHUNE DISTRICT MUNICIPALITY**

Guided by Municipal Finance Management Act (MFMA) Circular 63 of 2012, contents of this Annual Report are set out as below:

Chapter 1: Introduction

Chapter 2: Governance.

Chapter 3: Service Delivery Performance.

Chapter 4: Organisational Development Performance.

Chapter 5: Financial Performance.

Chapter 6: Auditor General's Findings.

Appendices; and

Volume II: Annual Financial Statements (AFS)

However, this introductory chapter begins by presenting the legislative background, powers and functions of SDM, overviews on demographic, service delivery and financial health, and a summary of the Annual Report process.

## **1.4. LEGISLATIVE FRAMEWORK FOR ANNUAL REPORTING**

### *Requirement for a Municipal Annual Report*

Section 46 (2) of the Local Government: Municipal Systems Act (MSA) 56 of 2000 recognizes that a municipality shall have an Annual Report as a component of performance management, which shall consist of annual performance report.

Section 121 of the Local Government: Municipal Finance Management Act (MFMA) 56 of 2003 requires that every municipality must prepare an Annual Report for each financial year. This section outlines the purposes of Annual Report, which are:

- To provide a record of activities of the municipality or its entity for that particular year
- To provide a report on performance against the budget of the municipality or entity for that year
- To promote accountability to the local community

The above section also specifies the contents of Annual Report in detail, which include annual financial statements, auditor general's audit report, annual performance report, and other issues.

#### *Submission and tabling of Annual Report.*

Section 127(2) of Local Government: Municipal Finance Management Act (MFMA) 56 of 2003 provides details on the requirements of submission and tabling of Annual Reports. The section requires that within 7 months after a financial year the mayor of a municipality must submit an Annual Report of that particular year to Council. In addition to this requirement, Circular 11 of MFMA states that Annual Report must be tabled on 31 January and considered by Council on 31 March of the following financial year.

However, MFMA Circular 63 of 2012 requires that the draft Annual Report must be prepared and submitted to internal auditing, combined audit/performance committee, Auditor General, and Council of the municipality whereas Council submits the unaudited Annual Report to MPAC. The latest MFMA circular of 2012 (No.63) provides the latest guidelines that should be followed.

Section 127 also says the Accounting Officer of the municipality must make public the Annual Report according to section 21A of the Municipal Systems Act and invite the local community to contribute towards the Annual Report. Finally, Section 127 of MFMA requires the Accounting Officer to submit the Annual Report to the Auditor General, Provincial Treasury and the Provincial Department of local government (Coghsta).

#### *Preparation of Annual Report*

There are two MFMA circulars which were made to guide preparation of Annual Reports of municipalities and their entities: Circular 11 of 2005 and Circular 63 of

2012. The two circulars are supposed to be read concurrently (in conjunction with each other).

MFMA Circular No.11 (2005) was made to provide guidance on preparation of Annual Report. The circular re-emphasise the requirements of Annual Report stated in the MFMA and the MSA, and supplements two documents which were produced earlier in the same year of 2003, namely the National Treasury "Budget Circular 2" and Annual Report Guidelines.

However, the circular goes further to describe the timelines required to produce the Annual Report, and accordingly states that the Annual Report must be tabled on 31 January and considered by Council on 31 March of the following financial year. At the same time the Council is required to adopt an oversight report over the Annual Report.

Circular 11 also prescribed the format which an Annual Report must have, namely:

Chapter 1: Introduction and Overview

Chapter 2: Performance Highlights

Chapter 3: Human Resource and other Organisational Management

Chapter 4: Audited Statements and Related Financial Information

Chapter 5: Functional Area Service Delivery Reporting

Also mentioned in the same circular 11 are the requirements on Annual Report according to Division of Revenue Act (DORA), which requires inclusion of certain issues in the Annual Report, including:

- How the municipality met the requirements of the use of conditional grants
- Use of donor funding.
- Information on long-term contracts

MFMA Circular No.63 of 2012 builds on Circular 11, and its main aim is to provide guidance to municipalities and municipal entities on new Annual Report Format and its contents. This particular circular state that over and above the purposes of Annual Report stated above, also aims to reduce the additional reporting requirements that

will otherwise arise from: Government Departments, monitoring agencies and financial institutions. The specific goals of the new Annual Report format are the following:

- Standardise reporting to enable municipalities / municipal entities to submit comparable Annual Reports.
- Align financial and non-financial reporting in the Annual Report.
- Create a standardised reporting structure that will enhance comprehensive oversight, meaningful evaluation and improved understanding of service delivery output;
- Ensure the standardisation of terminology used in Annual Reports; and
- Support the internal and external audit process.

Circular 63 of 2012 requests that the format of the Annual Report for municipalities and municipal entities be set out as below:

Chapter 1: Mayor's Foreword and Executive Summary;

Chapter 2: Governance;

Chapter 3: Service Delivery Performance;

Chapter 4: Organisational Development Performance.

Chapter 5: Financial Performance;

Chapter 6: Auditor General's Findings;

Appendices; and

Volume II: AFS

The format as prescribed by the latest MFMA circular (No.63) was used for preparation of the Annual Report for Sekhukhune District Municipality for 2021/2022 financial year.

Circular No. 104 of the Municipal Finance Management Act 56 of 2003 outlines the extension to timelines for the submission of the annual financial statements, Annual



Reports, audits, and related matters. The Annual Report will be tabled to Council by the 31<sup>st</sup> of March 2022.

### **1.5. MUNICIPAL POWERS AND FUNCTIONS**

The powers and functions of Sekhukhune District Municipality are determined in terms of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) Schedule 4 Part B as follows:

- Fire fighting
- Local Tourism
- Municipal Airports except for Ephraim Mogale and Elias Motsoaledi
- Municipal Planning
- Municipal Health Services
- Municipal Public Transport
- Markets
- Municipal Abattoirs
- Regional Land Fill Sites
- Water
- Sanitation

### **1.6. DEMOGRAPHIC OVERVIEW**

#### ***Population***

Statistics South Africa indicated during the 2016 Community Survey that the total population of Sekhukhune district is 1 169 762. In Census 2011, the population of Sekhukhune District Municipality stood at 1 076 830 persons. The SDM total population increased by 8, 6% over the past five years. The youth population, which consists of mostly unemployed persons, increased by 30% over the same five years. The table below displays the official numbers:

	2011		%	2016	
	Population	Population		Population	Population
Makhuduthamaga	274 358	283 956	24%	88 663	107 577
Bonhrami Mogale	120 643	127 468	1%	40 927	51 822
Elias Motsoaledi	249 363	268 256	23%	86 165	109 022
Sekhukhune	130 768	130 762	100%	378 205	491 542

Source: Census (2011), Community Survey (2016)

However, Statistics South Africa indicated during the 2011 census figures that the annual population growth rate in the district was at 1% per annum. Based on that statement, it can be seen that the population growth rate was projected to be slower as the district population was to reach 1, 130, and 670 in 2016. However, this projected number has been exceeded in 2016 community survey as demonstrated in the above table.

#### **Stats SA – Recent data available as per Source: Mid-year Population Estimates 2021: District Projections 2022 – 2026**

Population for Sekhukhune District in 2022 = 1 225 866

#### **Households**

Households in the district have also increased from a total of 263 802 in 2011 to 290 489 in 2016 according to the Community Survey of 2016. This is an increase of 10% over the last five years. It can thus be inferred that households have a possible average increase of 2% per annum. The table below presents the official numbers provided by Statistics South Africa through its normal studies:

Fetakgomo Tubatse	106 050	125 454	43%
Makhuduthamaga	65 217	64 769	22%
Elias Motsoaledi	60 251	66 330	23%
Ephraim Mogale	32 284	33 936	12%
<b>Sekhukhune</b>	<b>263 802</b>	<b>290 489</b>	<b>100%</b>

Source: Census (2011), Community Survey (2016)

The average growth rate of Sekhukhune population and households per annum (1, 7% and 2% respectively) imply that there will be a continual increase in demand for services in future, particularly water, sanitation, and electricity. Future resource allocation for these services by the SDM need to increase accordingly, which must be considered through its planning processes.

#### **Stats SA – latest available data**

Number of households for Sekhukhune District in 2022 = 313 509

**Source: Mid-year Population Estimates 2021: Household Estimates 2002 – 2032**

#### **SERVICE DELIVERY OVERVIEW**

Sekhukhune District Municipality (SDM) is a Water Services Authority (WSA) and Water Services Provider (WSP) in accordance with its powers and functions in terms of in terms of Water Services Act, Act 108 of 1997.

The Department of Infrastructure and Water Services is responsible for delivery of water and sanitation services in the entire SDM area. The municipality planned to review its Water Services Development Plan (WSDP) and Water & Sanitation Master Plan (WSMP) in the financial year (2022/2023). Both WSDP and WSMP are used as the guiding tool to ensure effective and efficient implementation of various water schemes and provide a blueprint of providing water sustainably in the district.

The Municipality is currently providing full water and sanitation services in the main towns such as Burgersfort (12 815 people), Marble Hall (4 025 people), Groblersdal

(6 312 people), Steelpoort (3 374 people) and Ohrigstad (1 520 people). These areas have access to other high-level services such as refuse removal and roads.

The most villages in the vast rural areas are being provided with ground water as alternative sources and water tankers where necessary. Most of the rural villages in the Flag Boshielo Water Scheme are receiving water services in a much more improved way than most rural other villages.

Under the Municipal Infrastructure Grant (MIG), we have managed to implement twelve (12) infrastructure projects and five (5) VIP sanitation projects.

The Water Services Infrastructure Grant (WSIG) enabled us to implement eight (08) water projects as we intervened in areas that required urgent attention.

Based on the Regional Bulk Infrastructure Grant (RBIG), twelve (12) bulk water projects were implemented.

The SDM is currently implementing a massive sanitation programme and providing Ventilated Improved Pit latrines (VIP's) to various households. From 2015/2016 to 2020/2021, financial year's 36 449 VIP Sanitation units were built across the district as part of providing communities with sanitation. In 2020/2021 4 936 VIP units were provided which add up to 41 385 VIP units provided to date. For 2021/2022 6 358 units were provided for which add up to 47 743 VIP units provided.

### **1.7. FINANCIAL HEALTH OVERVIEW**

Sekhukhune District Municipality has a number of assets in the form of water and sanitation infrastructure (immovable assets) as well as those assets that are movable (office furniture and vehicles). In the 2021/2022 financial year the municipal assets reported at R5 228 943 058 as compared to R4 840 560 250 in 2020/2021 financial year.

There was overall increase in the SDM assets as the most WIP project were completed in 2021/2022 financial year.

Furthermore, the total liabilities for the 2021/2022 financial year was reported at R638 385 896 as compared to R562 318 040 in the 2020/2021 financial year.

The net asset position of the municipality stands at R4 559 381166 in 2021/2022 compared to R4 251 947 789 in the 2020/2021 financial year.

### **Revenue**

The total revenue realised by the SDM for the financial year 2021/2022 stood at R137 187 794 as compared to total revenue of R194 026 654 in the 2020/21 financial year. Revenue from exchange items is summarised as follows:

- **Service charges** which is sale of water and sewer services stood at R94 213 108 for 2021/2022 financial year as compared to R85 340 370 in the 2020/2021 financial year.
- **Interest received - debtors** reported at R16 324 673 in 2021/2022 as compared to R12 936 559 in 2020/2021 financial year.

Whilst the total revenue from exchange items reported at R137 187 794 for 2021/2022 as compared to R194 026 654 in 2020/2021 financial year.

Total revenue from non-exchange items stood at R1 349 462 421 for 2021/2022 compared to R1 537 605 710 in 2020/2021 financial year.

The greater part of the revenue from non-exchange items is the government subsidies and grants which clearly indicate that we are a grant dependent municipality.

### **Expenditure**

The total expenditure for the municipality in 2021/2022 was R1 179 216 837 in contrast to R1 155 970 690 that was spent in 2020/2021 financial year. Personnel costs remain the largest item of expenditure in the 2021/2022 financial year to the payment of salaries and allowances for staff members in the district.

General expenses is the second biggest expenditure item at R212 862 344 at 18% compared to R196 273 759 for the 2020/2021 financial year. The top five general expense items relate to auditors' remuneration, fuel and lubricants, security (guarding of municipal property), electricity, laboratories, and chemicals and well as consulting professional services.

Bulk purchases become the third largest area in the expenditure items at R167 797 563 at 14% compared to R162 186 318 in the 2020/2021 financial year.

Depreciation and amortisation become the fourth largest expenditure at R116 366 974 at 10% as compared to R107 361 146 in the previous financial year.

Contracted services is the fifth largest area of expenditure at R91 994 045 at 8% compared to R76 969 790 in 2020/2021 financial year.

Lease rentals on operating lease becomes the sixth largest expenditure at R59 923 819 at 5% as compared to the previous year 2020/2021 at R63 123 780. Repairs and maintenance become the seventh largest expenditure at R49 861 345 at 4% as compared to R41 887 543 in the previous financial year. The municipality infrastructure has worn-out causing repairs and maintenance budget to increase.

### 1.9 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise 4 <sup>th</sup> quarter Report for previous financial year	
4	Submit draft Annual Performance Report to Internal Audit	
5	Municipal entities submit draft annual performance reports to MM	
6	Audit/Performance committee considers draft Annual Performance Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Performance Report	
9	Municipality submits draft Annual Performance Report including consolidated annual financial statements and performance report to Auditor General.	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General assesses draft Annual Performance Report including consolidated Annual Financial Statements and Performance data	

12	Municipalities receive and start to address the Auditor General's comments	November - December
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	January
14	Annual Report is made public, and representation is invited	February
15	Oversight Committee assesses Annual Report	March
16	Council adopts Oversight report	March - April
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.	January

## **CHAPTER TWO: GOVERNANCE**

### **2.1. INTRODUCTION TO GOVERNANCE**

Section 2 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) defines a municipality as follows.

“a municipality is-

an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government Municipal Demarcation Act, 1998.

Consists of –

The political structures and administration of the municipality; and

The community of the municipality”

Section 152 of the Constitution of the Republic of South Africa provides for the following as objectives of local government;

Section 152 (1) the objectives of local government are;

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

### **COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE**

In terms of the Municipal Structures Act, the Council of the Municipality is the highest decision-making body. The council appoints Accounting Officer who runs the day-to-day operations of the municipality on behalf of the Council.



## **2.2. INTRODUCTION TO POLITICAL GOVERNANCE**

In our resolve to enhance good governance and accountability, the Municipality adopted separation of powers model, marking a new dispensation in the history of Sekhukhune, which sees the legislative arm of council being separated from the executive arm. This is in line with the governance approach that seeks to put in place an independent oversight mechanism to ensure that democracy is deepened, and that effective public service delivery takes place to benefit the communities of Sekhukhune.

## **2.3. POLITICAL GOVERNANCE**

### **2.3.1. INTRODUCTION TO POLITICAL GOVERNANCE**

The district municipality is a category B municipality with an executive system of mayoral committee. The municipality has 20 councillors which are proportional representative councillors.

### **2.3.2. POLITICAL STRUCTURES**

#### **2.3.2.1. The Executive Mayor: Cllr. Johanna Maleke Mokganyetsi**

**Duties of the Executive Mayor as per section 56 of the Municipal Structures Act No 117 of 1998.**

- Identify the needs of the municipality
- Review and evaluate those need in order of priority
- Recommend to the municipal Council strategies, programmes, and services to address priority needs through the integrated development plan, and the estimates of revenue and expenditure, taking into account any applicable national and provincial development plans and,
- Recommend or determine the best way, including partnership and approaches, to deliver those strategies, programmes, and services to the maximum benefit of the community
- Evaluate progress against the key performance indicators
- Review the performance of the municipality in order to improve

- The economy, efficiency, and effectiveness of the municipality
- The efficiency of credit control and revenue and debt collection services and
- The implementation of the municipality's by-laws
- Monitor the management of the municipality's administration in accordance with the directions of the municipal council
- Oversee the provision of services to the communities in sustainable manner
- Perform such duties and exercise such powers as the council may delegate to the executive mayor in terms of section 59 of Local Government: Municipal Systems Act, 2000(Act 32 of 2000)
- Annually report on the involvement of communities and community organisations in the affairs of the municipality; and
- Ensure that regard is given to public views and report on the effect of consultation on the decisions of council

#### **2.3.2.2. The Speaker: Cllr. Kgwediebotse David Chego**

**Duties of the Speaker as per section 56 of the Municipal Structures Act No 117 of 1998.**

- Presides at meetings of the council
- Performs the duties and exercises the powers delegated to the speaker in terms of section 59 of Local Government: Municipal Systems Act, 2000(Act 32 of 2000)
- Must ensure that council meets at least quarterly.
- Must maintain order during meetings.
- Must ensure compliance in the council and council committees with the code of Conduct set out in Schedule 1 to the Local Government: Municipal Systems Act, 2000(Act 32 of 2000)

- Must ensure that council meetings are conducted in accordance with the rules and orders of the council.

### **2.3.2.3. The Chief Whip Cllr. Maudu Johannes Phokane**

#### **Duties of the Chief Whip**

- Informs councillors of Council and Mayoral Committee of meetings called by the Speaker and Executive Mayor respectively
- Ensures that the meetings of the Council and committees quorate
- Inform councillors of the Council and Mayoral Committee of the important items on the relevant agenda
- Advise the Speaker on the amount of time allocated to speakers and the order of such the speaker's in addressing Council
- Ensures that councillors' motions are prepared and timeously tabled in council in terms of Rules of Order
- Advises the Speaker and the Mayor on how to deal with important items not disposed of at a Council meeting pending its resolution
- Advises the Speaker and the Executive Mayor of agenda of Council
- Advises the Speaker and the Executive Mayor of urgent motions in writing prior the commencement of the meeting
- Assists the Speaker with counting of votes, and
- Prepare for special debates on the state of the municipality

### **2.3.2.4. The Mayoral Committee**

The Executive Mayor is the political head of the Institution and is assisted by Mayoral Committee. The Executive accounts to Council on a regular basis on the work of the municipality.

#### **1. MEMBERS OF THE MAYORAL COMMITTEE (From 01 July 2021 to 01 November 2021)**

NO.	SURNAME AND INITIALS	DESIGNATION
1.	Cllr. Ramaila K.S.	Executive Mayor
2.	Cllr. Nkosi M.S.	Member of the Mayoral Committee (MMC): Budget & Treasury
3.	Cllr. Mahlangu M.F.	1 <sup>st</sup> Member of the Mayoral Committee (MMC): Infrastructure & water Services
4.	Cllr. Manganeng L.M.	2 <sup>nd</sup> Member of the Mayoral Committee (MMC): Infrastructure & Water Services
5.	Cllr. Matlala M.A.	Member of the Mayoral Committee (MMC): Corporate Services
6.	Cllr. Mafefe O.H.	Member of the Mayoral Committee (MMC): Planning & Economic Development
7.	Cllr. Mmakola MY	Member of the Mayoral Committee (MMC): Community Services
8.	Cllr. Mnisi SP	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes)
9.	Cllr. Phaladi C	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes)

The Table below illustrates the Members of the Mayoral Committee as at 02 November 2021 to 30 June 2022

NO.	SURNAME AND INITIALS	DESIGNATION
1.	Cllr. Ramaila K.S.	Executive Mayor (02 November 2021 to 08 February 2022)
	Cllr. Ramaila K.S.	Member of the Mayoral Committee (MMC) Community Services (09 February 2022 to 30 June 2022)
2.	Cllr. Mathebe JL.	Speaker ((02 November to 08 February 2022)
	Cllr. Mathebe JL.	Executive Mayor (09 February 2022 to 30 June 2022)
3.	Cllr. Mokganyetji M.J	Member of the Mayoral Committee (MMC): Planning & Economic Development (02 November 2021 to 08 February 2022)

	Cllr. Mokganyetji M.J	Member of the Mayoral Committee (MMC): Budget & Treasury (09 February 2022 to 30 June 2022)
4.	Cllr. Kupa C.R	Member of the Mayoral Committee (MMC): Community Services (02 November 2021 to 08 February 2022)
	Cllr. Kupa C.R	1 <sup>st</sup> Member of the Mayoral Committee (MMC): Infrastructure & Water Services (09 February 2022 to 30 June 2022)
5.	Cllr. Mohlala MJ	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes) (02 November 2021 to 08 February 2022)
	Cllr. Mohlala MJ	2 <sup>nd</sup> Member of the Mayoral Committee (MMC): Infrastructure & Water Services (09 February 2022 to 30 June 2022)
6.	Cllr. Malatji MN	3 <sup>rd</sup> Member of the Mayoral Committee (MMC): Infrastructure & Water Services (02 November 2021 to 30 June 2022)
7	Cllr. Ratau MF	Member of the Mayoral Committee (MMC): Budget & Treasury (02 November 2021 to 08 February 2022)
	Cllr. Ratau MF	<i>Member of the Mayoral Committee (MMC): Corporate Services (09 February to 30 June 2022)</i>
8.	Cllr. Leshaba MB	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes) (02 November 2021 to 08 February 2022)
	Cllr. Leshaba MB	Member of the Mayoral Committee (MMC): Planning & Economic Development (09 February 2022 to 30 June 2022)
8.	Cllr. Sefala KRE	1 <sup>st</sup> Member of the Mayoral Committee (MMC): Infrastructure & Water Services (02 November 2021 to 08 February 2022)
	Cllr. Sefala KRE	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes) (09 February 2022 to 30 June 2022)

9	Cllr. Mafefe OH	Member of the Mayoral Committee (MMC): Corporate Services: (02 November 2021 to 08 February 2022)
	Cllr. Mafefe OH	Member of the Mayoral Committee (MMC): Office of the Executive Mayor (Special Programmes) (02 November 2021 to 30 June 2022)

### 2.3.2.5. Directly Elected Councillors

<b>DIRECTLY ELECTED COUNCILLORS</b>			
<b>Council Members</b>	<b>Full Time / Part Time (FT/PT)</b>	<b>Position held</b>	<b>Party Represented</b>
CLLR. Julia Lata Mathebe	FT	Executive Mayor	ANC
CLLR. Maudu Johannes Phokane	FT	Chief Whip	ANC
CLLR. Kgwediebotse David Chego	FT	Speaker	ANC
CLLR. Leshaba MB	P. T	MMC	ANC
CLLR. Moganyetji MJ	P.T	N/A	ANC
CLLR. Kupa CR	F. T	MMC	ANC
CLLR. Mohlala MJ	P. T	MMC	ANC
CLLR. Malatji MN	P. T	MMC	ANC
CLLR. Ratau MF	P. T	MMC	ANC
CLLR. Sefala KRE	P. T	MMC	ANC
CLLR. Mabatane MC	F. T	MPAC Chairperson	ANC
CLLR. Mafefe OH	P. T	MMC	ANC
CLLR. Ramaila KS	F. T	MMC	ANC
CLLR. Kgwedi JL	P. T	N/A	SADA

<b>DIRECTLY ELECTED COUNCILLORS</b>			
<b>Council Members</b>	<b>Full Time / Part Time (FT/PT)</b>	<b>Position held</b>	<b>Party Represented</b>
CLLR. Mogotsi FM	P. T	N/A	BOLSHEVIC
CLLR. Tshivhula MP	P. T	N/A	DA
CLLR. Matsetela ML	P. T	N/A	EFF
CLLR. Komane LM	P. T	N/A	EFF
CLLR. Senong MR	P. T	N/A	EFF
CLLR Mosotho MT	P. T	N/A	EFF

#### **2.3.2.6. Traditional Leaders in Council**

The district has 75 traditional leaders. In 2021/2022 financial year, there were no traditional leaders in council

#### **2.3.2.7. Political Decision Making**

The district municipality has adopted a separation of powers model wherein Council is vested with the legislative authority and plays an oversight role on the Executive. The Executive on the other hand led by the Executive Mayor is responsible for execution and accounts to Council on the implementation of council decisions.

#### **2.3.3. SECTION - 79 STANDING COMMITTEES OF COUNCIL**

##### **Section 79 committees**

Council established section 79 committees to play oversight role and monitor the work of the executive and administration. The established committees are aligned to administrative departments of the municipality and are chaired by non-executive councillors.

<b>BUDGET AND TREASURY (BTO) MEMBERS</b>	<b>COMMUNITY SERVICES (CMS) MEMBERS</b>
Cllr. Mosoane E.M (chairperson)	Cllr. Nkosi SB (chairperson)
Cllr. Magatla N.L	Cllr. Malau TS
Cllr. Ngwatle A.D	Cllr. Leokana MD
Cllr. Makutu T.S	Cllr. Kgwedi JL
Cllr. Mokgotho K.	Cllr. Mathipa MP
Cllr. Thobejane L.M	Cllr. Magatla LN
Cllr. Komane L.M	Cllr. mabelane JM
Cllr. Mosotho M.T	Cllr. Tshivhula MP
Cllr. Tshivhula M.P	Cllr. Maibelo LS
MMC Mokganyetji M.J	MMC Ramaila KS

<b>CORPORATE SERVICES (CPS) MEMBERS</b>	<b>INFRASTRUCTURE AND WATER SERVICES (IWS) MEMBERS</b>
Cllr. Thokwane T.Z (Chairperson) ANC	Cllr. Mashilo MS (chairperson)
Cllr. Leokana M.D	Cllr. Leokana MD
Cllr. Makofane T.	Cllr. Magabe MS
Cllr. Makutu T.	Cllr. Makofane T
Cllr. Magatla N.L	Cllr. Mathipa MP
Cllr. Makobe P.A	Cllr. Malau TS
Cllr. Tshivhula M.P	Cllr. Matsetela ML
Cllr. Maelane K.M	Cllr. Senong MR
Cllr. Maelane K.M	Cllr. Makofane IT
Cllr Mashegoana M.C	MMC Kupa CR
MMC Ratau M.F	Deputy MMC Mohlala MJ
	Deputy MMC Malatji MN



<b>PLANNING AND ECONOMIC DEVELOPMENT(PED) MEMBERS</b>
Cllr. Tlape M.M (Chairperson)
Cllr.Mogotji F.M
Cllr.Malau T.S
Cllr.Mathipa M.P
Cllr.Thobejane L.M
Cllr.Mokgotho K.
Cllr.Makofane I.T
Cllr.Machai M.J
Cllr Sithole M.E
MMC Leshaba M.B

#### 2.3.4. SPECIAL COMMITTEES OF COUNCIL

<b>COUNCIL WHIPPERY</b>
1. Cllr Chego DK ( Chairperson )
2. Cllr Makofane IT
3. Cllr.Matsetela ML
4. Cllr. Mogotji FM
5. Cllr. Kgwedi JL

#### 2.3.5. MUNICIPAL PORTFOLIO COMMITTEES

<b>MUNICIPAL PORTFOLIO COMMITTEES</b>	<b>FUNCTIONS OF COMMITTEES</b>
Corporate Services	Committee plays oversight and ensures department implements Human resources development strategy/policy and other related policies and that staff establishment is in line with IDP objectives
Community Services	Committee plays oversight and ensures that the department functions properly and implement core

	mandate such as disaster management and emergency services
Planning and Economic Development	Committee plays oversight and ensures that department deliver on its mandate of economic growth, job creation, poverty, and proper spatial planning
Budget and Treasury	Committee plays ensures that financial resources of the municipality are managed in line with legislation and accounting of fiancés takes place
Infrastructure and Water Services	Committee plays oversight and ensures that department provides basic services to communities and capital budget is spend in line with council priorities
<p>The Section 79 Committees are contributing effectively to the overall functioning of Council wherein they meet monthly. They receive reports from Members of the Mayoral Committee who make recommendations to Council for approval. Based on the Portfolio Committee recommendations Council is able to take decisions as the matter tabled by the Executive Mayor would have been reviewed by the Portfolio Committee to advice council appropriately.</p>	

### 2.3.6. Municipal Public Account Committee (MPAC) (Oversight committee)

In line with legislation the district has established an oversight committee made up of non-executive councillors to provide an opinion on the Annual Report before tabling to council. The oversight report will be published separately as per the MFMA guidance. The following are members of MPAC:

<b>Cllr. Mabatane MC (Chairperson)</b>
Cllr. Lekoatsipa LR.
Cllr. Mohlamonyane TE
Cllr. Mokomane ML
Cllr. Mgiba NP
Cllr. Magabe MS

Cllr. Lefela NS
Cllr. Masetela ML
Cllr. Molapo WS

### 2.3.7. Meetings held as per each committee

NAME OF THE COMMITTEE	NO OF MEETINGS HELD	DATE OF MEETINGS
<b>Mayoral Committee</b>	14	<ul style="list-style-type: none"> <li>• MC 21 July 2021</li> </ul>
<b>(MC = Mayoral Committee)</b>	09	<ul style="list-style-type: none"> <li>• (MC) 25 Aug &amp; 27 (SMC) 2021</li> </ul>
<b>(SMC=Special Mayoral Committee)</b>	04	<ul style="list-style-type: none"> <li>• 20 (MC) &amp; 23 (SMC) Sept 2021</li> <li>• 19 (MC) Oct 2021</li> <li>• 18 (MC) &amp; 24 (SMC) Jan 2022</li> <li>• 18 (SMC) Feb 2022</li> <li>• 17 (MC) &amp; 24 (SMC) Mar 2022</li> <li>• 12 (MC) Apr 2022</li> <li>• 13 (MC) &amp; 19 (SMC) May 2022</li> <li>• 10 (MC) June 2022</li> </ul>

SECTION 79 COMMITTEES		
<b>Infrastructure &amp; Water Services</b>	21	<ul style="list-style-type: none"> <li>• 15 July 2021</li> <li>• 20 July 2021</li> <li>• 23 July 2021</li> <li>• 27 July 2021</li> <li>• 10 August 2021</li> <li>• 20 August 2021</li> <li>• 24 August 2021</li> <li>• 14 September 2021</li> <li>• 21 September 2021</li> <li>• 27 September 2021</li> <li>• 15 October 2021</li> <li>• 14 January 2022</li> <li>• 22 March 2022</li> <li>• 20 April 2022</li> <li>• 23 May 2022</li> <li>• 06 June 2022</li> <li>• 17 June 2022</li> </ul>
<b>Corporate Services</b>	10	<ul style="list-style-type: none"> <li>• 14 July 2021</li> <li>• 16 August 2021</li> <li>• 15 September 2021</li> <li>• 15 October 2021</li> <li>• 14 January 2022</li> <li>• 15 February 2022</li> <li>• 22 March 2022</li> <li>• 20 April 22</li> <li>• 20 May 2022</li> <li>• 20 June 2022</li> </ul>
<b>Planning &amp; Economic Development</b>	13	<ul style="list-style-type: none"> <li>• 19 July 2021</li> <li>• 21 August 2021</li> <li>• 14 September 2021</li> <li>• 17 September 2021</li> <li>• 14 October 2021</li> <li>• 13 January 2022</li> <li>• 16 February 2022</li> <li>• 24 March 2022</li> <li>• 25 March 2022</li> <li>• 21 April 2022</li> </ul>

		<ul style="list-style-type: none"> <li>• 21 May 2022</li> <li>• 23 May 2022</li> <li>• 17 June 2022</li> </ul>
<b>Budget &amp; Treasury</b>	11	<ul style="list-style-type: none"> <li>• 15 July 2021</li> <li>• 25 August 2021</li> <li>• 20 September 2021</li> <li>• 14 October 2021</li> <li>• 21 October 2021</li> <li>• 19 January 2022</li> <li>• 15 February 2022</li> <li>• 22 March 2022</li> <li>• 21 April 2022</li> <li>• 23 May 2022</li> <li>• 20 June 2022</li> </ul>
<b>Community Services</b>	09	<ul style="list-style-type: none"> <li>• 15 July 2021</li> <li>• 30 August 2021</li> <li>• 15 September 2021</li> <li>• 18 October 2021</li> <li>• 13 January 2022</li> <li>• 24 March 2022</li> <li>• 13 April 2022</li> <li>• 20 May 2022</li> <li>• 20 June 2022</li> </ul>
<b>Council Meetings</b>	20	<ul style="list-style-type: none"> <li>• 29 July 2021</li> <li>• 30 August 2021</li> <li>• 29 September 2021</li> <li>• 26 October 2021</li> <li>• 25 November 2021</li> <li>• 02 December 2021</li> <li>• 15 December 2021</li> <li>• 27 January 2022</li> </ul>

		<ul style="list-style-type: none"><li>• 18 February 2022</li><li>• 09 February 2022</li><li>• 21 February 2022</li><li>• 30 March 2022</li><li>• 08 April 2022</li><li>• 13 April 2022</li><li>• 14 April 2022</li><li>• 19 April 2022</li><li>• 28 April 2022</li><li>• 25 May 2022</li><li>• 30 May 2022</li><li>• 29 June 2022</li></ul>
--	--	---

**2.3.8 COUNCILLORS ATTENDANCE OF COUNCIL MEETINGS FROM 01 JULY 2021 TO 01 NOVEMBER 2021**  
**Registry of Council Attendance 2021-2022**

Note:

P=Present

A= Absent

N/A= Not applicable

	Q1			Q2		Q3			Q4-	
	July - September			October - December		January - March			Apr- Jun	
	2021/07/29	2021/08/30	2021/09/29	2021/10/26						
Cllr. Manamela M.M	P	P	P	P						
Cllr Ramaila K. S		P	P	P						
Cllr Mahlangu M. F		P	P	P						
Cllr. Sefala R. E		P	P	P						
Cllr Nchabeleng T. L	N/A	N	N	N						
		/A	/A	A						
Cllr. Matlala M. A		A	P	P						
Cllr Mafefe O.H		P	P	P						
Cllr Manganeng L.M		P	P	P						
Cllr. Phaladi R.C		A	P	P						
Cllr. Mnisi S. P		P	P	P						
Cllr. Mmakola M. Y		A	P	P						
Cllr. Nkosi S.M		A	P	P						
Cllr. Mogofe M. E		P	P	P						

























## 2.4. ADMINISTRATIVE GOVERNANCE

### 2.4.1. Introduction

The Management of the institution is entrusted with role of advising Council as well as for the implementation of council resolutions. It is led by the Municipal Manager who is the overall Accounting Officer (AO). The Management is further complemented by line function Managers who are responsible for management of various municipal departments.

The Management functions as a collective through regular monthly management meetings and accounts to the Executive through Mayoral Committee meetings.

### 2.4.2. TOP ADMINISTRATIVE STRUCTURE

Position	Name	Comments
Municipal Manager	Ms. M.J. Ntshudisane	Served from 01 July 2021 to 30 June 2022
Chief Operations Officer	Vacant	01 July 2021 to 30 September 2021
Acting Chief Operation Officer	Ms K Robinson	Served from 01 October 2021 to 30 June 2022
Acting Chief Financial Officer	Mr H. Nkadimeng	Served from 01 July 2021 to 30 June 2022
Acting Director Corporate Services	Mr. L.J Kabini	Served 01 July 2021 to 30 June 2022
Director Planning and Economic Development	Mrs. M.S. Mabitsela	Served from 01 July 2021 to 30 June 2022
Director Community Services	Mr. S. Masemola	Served from 01 July 2021 to 30 June 2022
Director Infrastructure & Water Services	Mr. M. Matji	01 July 2021 to 31 August 2021

Acting Director Infrastructure & Water Services	Mr K Ramadje	01 September 2021 to 30 June 2022
Acting Chief Audit Executive	Ms. J. Makgolane	Served from 01 July 2021 to 30 June 2022

## 2.5. COMPONENT B: INTERGOVERNMENTAL RELATIONS

The Intergovernmental Relations and Framework Act make provision for establishment of intergovernmental structures. Moreover, it makes provision for establishment of Intergovernmental Technical Support structures. Sekhukhune District Municipality has established Mayor's Forum as an Intergovernmental Relations Structure to deal with issues of common interest within the district. The Mayor's Forum is chaired by the Executive Mayor of the district and also attended by Mayors of the four local municipalities.

There are also two technical support structures that have also been established to support the Mayor's Forum namely the Municipal Managers' Forum and Technical Clusters. There are four technical clusters dealing with key Local Government Key Performance Indicators

ITEM	Cluster	Focus areas	Chair
Resuscitation of clusters	Development planning	Development planning: Spatial /SPLUMA Economic Strategic planning Housing	Director Planning and Economic Development
	Corporate services	Job evaluation ICT Governance Framework	Director Corporate Services

		LLF Functionality Legal services Policy and by-law bench marking Political administrative interface Minimum competencies	
	Internal audit/Risk and performance	Risk assessment Performance auditing Internal audit	Chief Audit Executive
	Financial Services	Revenue enhancement Free basic services Financial statements Grant performance	Chief Financial Officer
	Basic services	Capital grant performance Disaster management Emergency services Refuse removal Operations and maintenance Municipal health services Roads and storm water Electricity Public transport Environmental	Director Infrastructure and Water Services

		management	
	Communication and public participation	Customer care Hotline issues Stakeholder engagement Council meetings calendar	Deputy Director Office of Executive Mayor

### 2.5.1. DISTRICT INTERGOVERNMENTAL STRUCTURE

Sekhukhune District Municipality as a custodian of inter-governmental relations structures in the district has facilitated the establishment of the following forums for better coordination with the four local municipalities

Mayors Forums which are a strategic political forum for all the five (05) mayors in the district and meets on a regular basis to provide overall governance leadership

Speakers Forum which is constituted by all speakers in the district to share information and knowledge on how to conduct council activities as well as develop common perspective around issues of governance

Chief Whip's Forum is a forum chaired by the district chief whip and includes all chief whips from local municipalities which meets on a regular basis to share experiences on developing common ground around issues of code of conduct for councillors and related issues

Municipal Managers Forum which is a platform for all five municipal managers in the district to interact on a regular basis and provide administrative leadership to all municipalities in the district

Inter-Governmental Relations Clusters which are inclusive of all the five municipalities in the district and meets on a regular basis to share experiences and strategies in various technical areas

The district working together with the four local municipalities have been able to derive the following benefits from coordinated IGR efforts

- Minimize duplication of resources
- Encouraged local horizontal learning
- Sharing of scarce resources
- Enhanced government cohesion
- For 2020/2021 the following IGR meetings were convened:

IGR STRUCTURE	NUMBER OF MEETINGS CONVENED	DATE OF THE MEETING
Speaker's Forum	3	08/09/2021, 09/03/2022, 10/12/2021
Mayor's Forum	3	21/12/2021 21/04/2021
Chief Whip's Forum	3	08/09/2021, 09/03/2022, 10/12/2021,
Municipal Manager's Forum	2	11/12/2021 19/05/2022
Economic Cluster (IDP, LED & Spatial)	2	16/09/2021 09/03/2022
CFO's Forum	3	27/09/2021 01/04/2022 17/06/2022
Basic Service Delivery Cluster	2	23/07/2021 26/05/2022

Public Participation Forum	3	20/08/2021, 20/01/2022, 07/05/2022
Secretariat	2	20/12/2021, 07/06/2022
MPAC Forum	2	13/09/2021, 25/05/2022

### 2.5.2. PROVINCIAL INTERGOVERNMENTAL STRUCTURE

In the year under review, Sekhukhune District Municipality participated in the following provincial Inter-Governmental Relations Structures

Premier Inter-Governmental Forum attended by the Executive Mayors and Municipal Managers which provides strategic direction in aligning the work of government in the province

Governance and Administration Cluster attended by the Municipal Manager which interfaces with the work of the Provincial Executive

Provincial Communicators Forum which focuses on enhancing communication between government, communities and social partners

The Sekhukhune District Municipality has benefited a lot from attending provincial IGR structures as it gives the municipality an opportunity to plan in line with provincial priorities and objectives. Some of the interventions have resulted in tangible programmes and projects on the ground.

### 2.6. RELATIONSHIPS WITH MUNICIPAL ENTITIES

Sekhukhune Development Agency (SDA) is wholly owned by the Sekhukhune District Municipality as a municipal entity according to Section 86B of the Municipal Systems Act 32 of 2000 on the establishments of municipal entities. The core mandate of SDA as outlined in the provincial gazette is to serve as the vehicle to identify, initiate and implement high impact economic projects and create sustainable job opportunities. Among its high its deliverables the SDA is leading the investment facilitation, business development and support services. SDA is also required to comply with the basic requirements of the Local Government Municipal Systems Act 32 of 2000 read together with the provision of the Local Government Municipal

Finance Management Act of 2003. The SDA prepares its annual performance report in terms of the same guidelines and provisions of the legislative framework.

Sekhukhune Development Agency does not have its own Performance Management Unit and Risk/Audit Management Units as such a Service Level Agreement was signed with the parent municipality to utilise the Audit/Risk and Performance Management Units for performance monitoring, management, and audit services.

**The current composition of the Board for 2021/2022 financial year is as follows:**

	<b>Names</b>	<b>Expertise</b>	<b>Portfolio</b>
1.	Mr. Landiwe Jackie Mahlangu	<ul style="list-style-type: none"> <li>• Business &amp; Planning development</li> <li>• Project management</li> <li>• Monitoring and Evaluation</li> <li>• Infrastructure Development Finance</li> </ul>	Board Chairperson and member of Economic Development Sub-Committee
2.	Ms Mantwa Makanyane	<ul style="list-style-type: none"> <li>• Business development</li> <li>• Project management</li> <li>• Skills development</li> <li>• Strategic Management</li> </ul>	Chairperson of Finance sub-committee till Dec 2021
3.	Ms Mercia Blake	<ul style="list-style-type: none"> <li>• Estate &amp; Land Planning</li> <li>• Business development</li> <li>• Project Management</li> </ul>	<ul style="list-style-type: none"> <li>• Member of Remuneration and Human resource sub-committee</li> <li>• Member of Finance sub-committee</li> </ul>



			Resigned in November 2021
4.	Mr Madulo Hlapi Mampuru	<ul style="list-style-type: none"> <li>Local Business Development</li> <li>Project management</li> <li>Skills growth development</li> </ul>	<ul style="list-style-type: none"> <li>Chairperson of Economic Development sub-committee</li> <li>Member of Remuneration and Human resource sub-committee</li> </ul>
5.	Mr Morwamokoena Stephen Masemola	<ul style="list-style-type: none"> <li>Agriculture &amp; Spatial planning</li> <li>Project Management</li> <li>Agricultural Development</li> </ul>	<ul style="list-style-type: none"> <li>Chairperson of Remuneration &amp; Human Resource sub-committee</li> <li>Member of Finance sub-committee</li> </ul>
6.	Mr. Kwanele Mkhwanazi	<ul style="list-style-type: none"> <li>Projects management</li> <li>Business management and strategic planning</li> <li>Financial Management</li> <li>Enterprise Development</li> </ul>	<ul style="list-style-type: none"> <li>Chairperson of Finance sub-committee with effect from April 2022.</li> <li>Member of Economic Development sub-committee</li> </ul>

<b>NO. OF BOARD SPECIAL MEETINGS HELD</b>	<b>DATES OF MEETINGS</b>
2	1. 08 July 2021 2. 25 Nov 2021
<b>NO. OF BOARD MEETINGS HELD</b>	<b>DATES OF MEETINGS</b>
3	1. 30 August 2021 2. 14 December 2021

	3. 25 January 2022
	4. 26 April 2022

## **2.7. COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION**

### **2.7.1. INTRODUCTION**

Municipalities are by law required to foster public participation and ensure its citizenry is engaged in matters of governance. Sekhukhune District Municipality places public participation and accountability at the centre of its work. The Municipality has adopted the following reviewed policies to ensure that public participation programmes are properly guided and effective;

- Communication strategy
- Public Participation Policy Framework
- Stakeholder Management Policy Framework
- Petitions Policy
- Incentive Policy Framework for Ward Committee Members

Communication channels that were used to engage communities include;

- Quarterly Mayoral Outreach Programs
- Council outreach – public consultation on 2020/2021 draft Annual Report and 2022/2023 IDP/Budget public consultations
- Regular interactions and stake-holders engagement such as Mining communities, business formations and Non-Governmental Organisations
- Monthly Internal newsletters and quarterly external newsletters publications
- Radio-Interviews with Executive Mayor and Members of the Mayoral Committee

### **2.7.2. PUBLIC PARTICIPATION MEETINGS HELD**

In the 2021/2022 financial year, the Municipality managed to arrange seven 2020/2021 Draft Annual Report and seven 2022/2023 Draft IDP/Budget public consultation meetings reaching out to many residents of our district and stakeholders.

Public consultation programmes for draft Annual Report and IDP/budget were conducted during the months of February and April 2022, the programmes are stated below:

### 2020/2021 ANNUAL REPORT PUBLIC PARTICIPATION

DATE	STAKEHOLDER	MUNICIPALITY/VENUE	TYPE OF MEETING
01/02/2022	SDM Staff	Sekhukhune • Zoom Video Conferencing Platform	Zoom Videoconference
04/02/2022	Magoshi	Sekhukhune • Jane Furse Comprehensive	Face to face.
08/02/2022	General Public	Elias Motsoaledi • Moutse Community Radio Station • Thabantshu Community Radio Station	Facebook live. MCRS live broadcast.
11/02/2022	General Public	Ephraim Mogale • MCRS • Sekhukhune Community Radio Station	Facebook live. MCRS and SKfm live broadcast.
16/02/2022	General Public	Makhuduthamaga • Masemola Community Radio Station • Sekhukhune Community Radio Station	Facebook live. Masemola and Sekhukhune Community Radio Stations live broadcast.
22/02/2022	General Public	Fetakgomo Tubatse • Tubatse Community Radio Station • Masemola Community Radio Station	Facebook live. Tubatse and Masemola Community Radio Stations live broadcast.
28/02/2022	Special Groups	Sekhukhune • Jane Furse Comprehensive	Face to face
28/02/2022	Rate Payers/Business	Sekhukhune • Zoom Videoconferencing Platform	Zoom Videoconferencing

### 2022/2023 DRAFT IDP/BUDGET PUBLIC CONSULTATION PROGRAMME

DATE	STAKEHOLDER	MUNICIPALITY	TYPE OF MEETING	VENUE
05/04/2022	Staff	Sekhukhune	Face to face	Fire Station
08/04/2022	Magoshi	Sekhukhune	Face to face	FTLM Council Chamber, GaNkwane
12/04/2022	General Public (Ward Committees)	Elias Motsoaledi	• Face to face • Radio Live broadcast (MCRS/Thabants hu FM)	Groblersdal Rugby Stadium, Groblersdal

20/04/2022	General Public (Ward Committees)	Ephraim Mogale	<ul style="list-style-type: none"> <li>• Face to face</li> <li>• Radio Live broadcast (MCRS/Masemola FM)</li> </ul>	Town Hall, Marble Hall
22/04/2022	General Public (Ward Committees)	Makhuduthamaga	<ul style="list-style-type: none"> <li>• Face to face</li> <li>• Radio Live broadcast (FK FM /Masemola FM)</li> </ul>	Jane Furse Comprehensive, Jane Furse
26/04/2022	General Public (Ward Committees)	Fetakgomo Tubatse	<ul style="list-style-type: none"> <li>• Face to face</li> <li>• Radio Live broadcast (Tubatse FM/Masemola FM)</li> <li>• Facebook live</li> </ul>	Moses Mabotha Civic Hall, GaNkwana
29/04/2022	Special Groups	Sekhukhune	<ul style="list-style-type: none"> <li>• Face to face</li> </ul>	Ngwaabe Community Hall, Ngwaabe
29/04/2022	Business/Rate payers	Sekhukhune	Face to face / Zoom Video Conferencing	SDM Council Chamber, Bareki, Groblersdal

The Municipality also arranged annual State of the District Address (SODA) and Budget Speech to provide a platform for the Council to account to the public on the affairs of the Municipality.

### 2.7.3. WARD COMMITTEES

In terms of the Municipal Structures Act 117 of 1998, Ward Committees are established to enhance participatory democracy in local government.

Working together with the district and local municipalities, 117 ward committees in the district are established and have been able to play a significant role in the following areas:

- Sensitising the municipality on developmental challenges and pressures within local communities.
- Communicated government messages to the communities.
- Participated in public participation programmes.

- Contributed inputs on shaping public participation policies.

## 2.8. COMPONENT D: CORPORATE GOVERNANCE

### 2.8.1. OVERVIEW OF CORPORATE GOVERNANCE

Section 165 and 166 of Municipal Finance Management Act no 56 of 2003 requires municipalities to establish Internal Audit unit and Audit Committee. The Internal Audit unit advises the accounting officer and reports to audit committee and prepares a risk-based audit plan and audit programme for each financial year.

The district municipality has appointed Audit Committee. Risk management committee was not in place for 3 quarters for the financial year under review. The reports of Risk were presented to Audit Committee.

### 2.8.2. AUDIT COMMITTEE

The Municipality has established an Audit Committee under the provision of **Municipal Finance Management Act No 56 of 2003** section 165 and **Municipal Planning and Performance Management Regulation of 2001** regulation 9. The Audit Committee of the municipality considers and makes recommendations on matters provided under section 165 and regulation 9 of the MFMA and MPPR respectively while among other matter advice Management and Council on matters pertaining to the Annual Financial Statements before submission to Auditor General of South Africa.

In terms of legislative prescripts, the Audit Committee members should meet at least 4 times per annum as per its approved charter. During the current financial year seven meetings were held.

The Members of the Audit Committee that served for the period 1<sup>st</sup> July 2021 to 30 June 2022, and their attendance were as follows:

Name of member	Status	Number of Meeting Held	Number of meetings attended
Mr. M Mokwele	Chairperson ( Resigned as the Audit	4	1

	Committee Member with effect from the 4th of January 2022)		
Ms. M Ndlovu	Member & Chairperson - Appointed as the chairperson with effect from the 1 <sup>st</sup> April 2022	4	2
Ms. T Mathabathe	Member	4	3
Ms. M Mothelesi	Member	4	4
Adv. L Thubakgale	Member	4	3

#### PERFORMANCE AUDIT COMMITTEE

The Members of Performance Audit Committee that served for the period 01 July 2021 to 30 June 2022, and their attendance were as follows:

Name of member	Status	Number of Meeting Held	Number of meetings attended
Ms. M Ndlovu	Chairperson & Member – Terminated as the Chairperson with effect from the 1st April 2022	4	2
Ms. M Mothelesi	Member	4	4
Ms. T Mathabathe	Member- Appointed as the Performance Audit Committee Chairperson with effect from the 1st April 2022	4	4

Mr. M Mokwele	Member – Resigned as the Performance Audit Committee member with effect from the 4 <sup>th</sup> of January 2022	4	1
Adv. L Thubakgale	Member	4	3

### 2.8.3. RISK MANAGEMENT COMMITTEE

Section 62(1)(c)(i) of the Local Government Municipal Financial Management Act (No. 56 of 2003) stipulates that the Accounting Officer is responsible for managing the municipality financial administration and for this purpose the Accounting Officer must take all reasonable steps to ensure amongst others that the municipality has and maintains effective, efficient, and transparent systems of financial and risk management and internal control. To give effect to the above the Accounting Officer (AO) in consultation with the Municipal Council has established the Risk Management Committee as an oversight structure to deal with the risk management responsibilities.

The Risk Management Committee (RMC) is an oversight committee responsible to the Accounting Officer (AO) for the monitoring of risk management which includes assisting in designing, implementing, and coordinating the institution's risk management initiatives. Its constitution is made up of both an independent member/chairperson appointed by the Municipal Manager as delegated by Council and members of Senior Management. It assists the AO in addressing its oversight requirements of managing, evaluating, and monitoring the organizational performance with regards to risk management.

#### 2.8.3.1. STRATEGIC VALUES OF RISK MANAGEMENT COMMITTEE (RMC)

The RMC must advise the municipal council, the political office-bearers, the accounting officer, and the management staff of the municipality on matters relating to-

- Risk management.
- Fraud and corruption
- Fraud Prevention and detection
- Effectiveness of proposed management interventions.
- Effectiveness of the internal control system relevant to risk identified
- Any other issues referred to it by the municipality

The role of the RMC is to formulate, promote and review the institution's Enterprise Risk Management (ERM) objective, strategy and policy and monitor the process at strategic, Management and operational levels.

The principles of King IV, customised to municipal environment advise that the audit committee should:

- Ensure that combined assurance model is applied to provide a coordinated approach to all assurance activities.
- Satisfy itself of the expertise, resources, and experience of the municipality's finance function.
- Be responsible for overseeing of risk management; and
- Be an integral component of the risk management process

All risk management reports are being processed quarterly meetings. The reports were presented to Audit Committee.

**NB.** The Committee planned four (04) sittings/meetings for the year of which three thereof got processed through the Audit Committee except the 4<sup>th</sup> Quarter one as the Committee did have an independent Chairperson appointed during 4<sup>th</sup> Quarter.

### **CURRENT STATUS**

#### *Strategic and Operational Risks*

The above risks are monitored and reviewed monthly to track the municipality's performance in respect of implementation of mitigations. The resultant reports culminate in the compilation of quarterly reports that get tabled at the Risk Management Committee and ultimately Audit Committee as the risk management oversight structures.



Set out in the below table is the municipality's Strategic Risk identified for the period 2021/2022FY.

Strategic risks are regarded as top risks.

### 2.8.3.2. TOP TEN STRATEGIC RISKS

KPA	RISK DESCRIPTION
Local Economic Development (LED)	Inadequate capacity (Infrastructure/financial & human) to support LED
Basic Service Delivery	<ol style="list-style-type: none"> <li>1. Inadequate water sources and infrastructure</li> <li>2. Insufficient operations and maintenance of existing infrastructure</li> </ol>
Spatial Rationale	1.Uncoordinated land use practices
Good Governance and Public Participation	<ol style="list-style-type: none"> <li>1.Ineffective leadership and Management</li> <li>2.Collusive practices and Fraud</li> </ol>
Financial Viability	Inability to meet financial obligation (Weak Liquidity position)
Institutional Development and Organisational Transformation	Limited Organisational capacity to materialise institutional mandate
Basic Service Delivery	Possible litigation and class action due to non-provision of mandatory services

### 2.8.3.3. LIQUIDITY RISK MANAGEMENT

Liquidity in Sekhukhune District Municipality is managed by senior management and Councillors (Executive Authority) through the Budget Steering Committee and the Mayoral Committee at pre-determined intervals.

The primary intention of management is to always review the short-term cash flow forecast, mid-term, and long-term financial plans.

The current liquidity ratio of **1.17:1** as of the 30<sup>th</sup> of June 2022 (2021/2022FY) signals a slight improvement despite the challenging financial position that the municipality find itself in as in comparison with the previous financial year (2020/2021FY) of which stood at **1.0:93**

Council has as of the previous financial year (2020/2021) put in place mechanisms to ensure that the situation improves, and the municipality remains a going concern.

#### **2.8.3.4. FRAUD AND CORRUPTION STRATEGY**

The municipality has a Council approved Anti-Fraud and Corruption, and Whistleblowing policies respectively which makes provision for strategies to counter fraud and corruption as well as providing platforms for reporting of allegations and protection of whistle blowers. The Fraud and Corruption Strategy have been developed because of the expressed commitment of government to fight corruption. It is also an important contribution to the National Anti-Corruption Strategy of the Republic of South Africa, and therefore supplements both the Public Service Anti-Corruption Strategy and the Local Government Anti-Corruption Strategy.

The administration has undertaken the following initiatives to raise awareness of fraud and corruption:

- Publicised an Anti-Fraud and Corruption article on the municipality's website.
- Conducted one (01) Anti-Fraud and Corruption workshop
- Publicised an Anti-Fraud and Corruption flyer internally through email facility to reach all employees with an email access.

#### **2.8.4. SUPPLY CHAIN MANAGEMENT**

Section 112 of the MFMA states that the supply chain management policy must be fair, equitable, transparent competitive, cost effective and comply with all SCM regulations. The district municipality has developed a policy that complies with the Constitution and MFMA.

For the financial year 2021/2022 the municipality has incurred the following deviations, irregular, fruitless, and wasteful expenditure

ANNUAL DEVIATION REPORT FOR THE YEAR ENDED 30 JUNE 2022

I. SOLE TRADER

DATE	DESCRIPTION OF SERVICES PROVIDED	REASON FOR DEVIATION	AMOUNT PAID	REASON FOR DEVIATION	REASON FOR DEVIATION
21 July 2021	Infrastructure and Water Services	Bulk water supply for Ohrigstad Town	R127 668.00	Sole Trader	The sole provider of the service within the area
27 July 2021	Municipal Manager's office	Renew of case ware licence	R199 190.35	Sole Trader	The sole provider of the service within the area
23 August 2021	Infrastructure & Water Services	Bulk water supply for the Ohrigstad town	R136 417.00	Sole Trader	The sole provider of the service within the area
23 August 2021	Infrastructure & Water Services	Bulk water supply for the Ohrigstad town	R117 408.00	Sole Trader	The sole provider of the service within the area
23 August 2021	Infrastructure & Water Services	Bulk water supply for the Ohrigstad town	R127 882.00	Sole Trader	The sole provider of the service within the area
05 November 2021	Infrastructure and Water Services	Bulk water supply for the Ohrigstad town	R246 515.00	Sole Trader	The sole provider of the service within the area
02 February	Infrastructure and Water	Supply of water to	R130 154.00	Sole Trader	The sole provider of the service within the area

2022	Services	Ohrigstad Town				processes	the area
11 February 2022	Infrastructure and Water Services	Supply of water to Ohrigstad Town	NJ Van der Wal	R166 298.00	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
15 February 2022	Infrastructure and Water Services	Supply of water to Ohrigstad Town	NJ Van der Wal	R109 954.00	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
17 May 2022	Infrastructure and Water Services	Supply of water to Ohrigstad Town	NJ Van der Wal	R99 958.00	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
23 June 2022	Infrastructure and Water Services	Supply of water to Ohrigstad Town	NJ Van der Wal	R133 197.00	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
27 August 2021	Infrastructure and Water Services	Supply of water to Burgersfort Town	Winterbach Family Trust	R302 218.15	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
27 August 2021	Infrastructure and Water Services	Supply of water to Burgersfort Town	Winterbach Family Trust	R279 230.57	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
20 October 2021	Infrastructure and Water Services	Supply of water to Burgersfort Town	Winterbach Family Trust	R253 706.83	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
26 November	Infrastructure and Water	Supply of water to Burgersfort Town	Winterbach Family Trust	R838 212.15	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area

2021	Services					processes	the area
01 February 2022	Infrastructure and Water Services	Supply of water to Burgersfort Town	Winterbach Family Trust	R300 932.63	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
10 February 2022	Infrastructure and Water Services	Supply of water to Burgersfort Town	Winterbach Family Trust	R303 595.98	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
07 March 2022	Infrastructure and Water Services	Supply of water to Burgersfort Town	Winterbach Family Trust	R332 374.52	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
07 April 2022	Infrastructure and Water Services	Supply of water to Burgersfort Town	Winterbach Family Trust	R261 974.96	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
06 June 2022	Infrastructure and Water Services	Supply of water to Burgersfort Town	Winterbach Family Trust	R263 185.26	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
07 June 2022	Infrastructure and Water Services	Supply of water to Burgersfort Town	Winterbach Family Trust	R282 874.58	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
23 June 2022	Infrastructure and Water Services	Supply of water to Burgersfort Town	Winterbach Family Trust	R325 354.78	Sole Trader	Impractical to follow SCM processes	The sole provider of the service within the area
			<b>Total</b>	<b>R5 338 301.76</b>			

ii. IMPRACTICAL TO FOLLOW SCM PROCESS

16 July 2021	Municipal Manager's office	Towing & repairs done on water tanker FFJ828L	Classiq Autobody Panel beaters	R157,927.61	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by insurer, who has been appointed through a competitive bidding process
25 August 2021	Municipal Manager's Office	Excess payment on insurance claim FCH105L	P.G.Glass	R2,599.38	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process
27 August 2021	Municipal Manager's Office	Payment for the storage of damaged vehicle NP300 Nissan DFZ435L	MJ Border Panelbeaters	R32,775.00	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a

02 September 2021	Municipal Manager's Office	Excess payment on insurance claim FCL 036L	Supreme Autobody	R4,411.70	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process	competitive bidding process
09 September 2021	Municipal Manager's Office	Excess payment on insurance claim FDK383L	Cas Truck and Trailer	R115,351.34	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by insurer, who has been appointed through a competitive bidding process	Vehicle get referred to the service provider by insurer, who has been appointed through a competitive bidding process
09 September 2021	Municipal Manager's Office	Excess payment on insurance claim FCH101L	Supreme Autobody	R5,000.00	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by insurer, who has been appointed through a competitive bidding process	Vehicle get referred to the service provider by insurer, who has been appointed through a competitive bidding process
20 October 2021	Municipal Manager's office	Payment of excess on insurance claim for repairing of damaged screen of	Platinum repairs	R2,500.00	Impractical	Impractical to follow SCM processes	Goods get referred to the service provider by the insurer, who has	Goods get referred to the service provider by the insurer, who has

09 November 2021	Municipal Manager's Office	Mahlakwana Isaac tablet	PG Glass	R661.61	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by insurer, who has been appointed through a competitive bidding process
01 December 2022	Municipal Manager's Office	Payment for assessor for settlement of emergency vehicles	Supreme Autobody	R29,004.12	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by insurer, who has been appointed through a competitive bidding process
07 December 2021	Municipal Manager's Office	Payment for the towing of the municipal owned tanker FDY265L	Supreme Autobody	R5,000.00	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by insurer, who has been appointed through a competitive bidding process
12 January 2022	Municipal Manager's office	Payment of towing of the municipal owned water tanker	Supreme Autobody	R13,100.00	Impractical	Impractical to follow SCM	Vehicle get referred to the service provider by the



									insurer, who has been appointed through a competitive bidding process
12 January 2022	Municipal Manager's office	Payment of repairs of the municipal owned water tanker FBR254L	Supreme Autobody	R49,253.41	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process		insurer, who has been appointed through a competitive bidding process
28 January 2022	Municipal Manager's office	Payment of excess on insurance claim FDY616L	PG Glass Groblersdal	R2,783.00	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process		insurer, who has been appointed through a competitive bidding process
25 February 2022	Municipal Manager's office	Payment of excess on insurance claim	Supreme Autobody	R5,000.00	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process		insurer, who has been appointed through a competitive bidding process

28 February 2022	Municipal Manager's office	Payment of excess on insurance claim	PG Glass Groblersdal	R4,669.00	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process
02 March 2022	Municipal Manager's office	Payment of excess on insurance claim	PG Glass Groblersdal	R3,920.32	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process
04 March 2022	Municipal Manager's office	Payment of excess on insurance claim FDP951L	Supreme Autobody	R7,500.00	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process
15 March 2022	Municipal Manager's office	Payment of excess on insurance claim	PG Glass Groblersdal	R1,391.50	Impractical	Impractical to follow SCM	Vehicle get referred to the service provider by the

15 March 2022	Municipal Manager's office	Payment of excess on insurance claim FDY657L	Supreme Autobody	R19,679.81	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process
15 March 2022	Municipal Manager's office	Payment of excess on insurance claim DNN293L	Supreme Autobody	R7,500.00	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process
15 March 2022	Municipal Manager's office	Payment of excess on insurance claim FCL035L	Supreme Autobody	R4,416.15	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process

15 March 2022	Municipal Manager's office	Payment of excess on insurance claim	Supreme Autobody	R7,500.00	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process
15 March 2022	Municipal Manager's office	Payment of excess on insurance claim	Supreme Autobody	R8,143.67	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process
18 March 2022	Municipal Manager's office	Payment of excess on insurance claim	Marce Fire Fighting	R32,597.91	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process
23 March 2022	Municipal Manager's office	Payment of excess on insurance claim	Marce Fire Fighting	R12,874.71	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process

07 April 2022	Municipal Manager's office	Payment of excess on insurance claim DNN 293L	Supreme Autobody	R7,500.00	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process	insurer, who has been appointed through a competitive bidding process
06 May 2022	Municipal Manager	Payment of excess on insurance claim	Cas Truck and Trailer	R47,475.36	Impractical	Impractical to follow SCM processes	Vehicle get referred to the service provider by the insurer, who has been appointed through a competitive bidding process	insurer, who has been appointed through a competitive bidding process
08 May 2022	Municipal Manager	Payment of excess on insurance claim HP Probook (Tjatji T)	Platinum Repairs	R2,500.00	Impractical	Impractical to follow SCM processes	Goods get referred to the service provider by the insurer, who has been appointed through a competitive bidding process	insurer, who has been appointed through a competitive bidding process

08 May 2022	Municipal Manager	Payment of excess on insurance claim HP Probook (Mamogobo J)	Platinum Repairs	R2,500.00	Impractical	Impractical to follow SCM processes	process	Goods get referred to the service provider by the insurer, who has been appointed through a competitive bidding process
			<b>Total</b>	R:595,535.60				

Total deviation as at 30 June 2022: R 338,301,76 + R595,535.60 = R 5,933,837.36

UIF

ANNEXURE A: Irregular Expenditure 2021/2022		[In Rand]												
Name of Supplier	Description of the Incident	July	August	September	October	November	December	January	February	March	April	May	June	Total
20 Elevation Construction and Landscaping	SCM evaluation processes not complied with.													
Nishiana Trading and Maunyatla Shawkana JV	SCM evaluation processes not complied with.												15,913,313.01	348,669.65
													15,913,313.01	348,669.65









**ANNEXURE B: Fruitless & Wasteful Expenditure 2021/2022**

Name of Supplier	Description of Incident	July	August	September	October	November	December	January	February	March	April	May	June	Total
Sunday Times	Erratum on EPWP advert for the removal of experience									1,325.37				1,325.37
COIDA	Penalties on late payment												207,643.00	207,643.00
H & E CONSTRUCTION - Dindela Reservoir	Impairment of expenditure amounts for Dindela Reservoir, the reservoir is to be demolished and reconstructed from scratch.												6,294,954.87	6,294,954.87
STAR MILLS CONSTRUCTION - Dindela Reservoir													3,248,437.90	3,248,437.90
BIG ROCK CONSTRUCTION - Dindela Reservoir													414,457.01	414,457.01
										1 325,37			10,165,492.78	10,166,818.15

**ANNEXURE C: Unauthorised Expenditure 2021/22**

Vote	Adjusted Budget	Annual Expenditure	Over/Under Expenditure	Unauthorized Expenditure
Vote 01 - Speakers Office	45,872,410.00	39,480,685.57	6,391,724.43	
Vote 02 - Executive Mayor's Office	37,959,087.00	34,608,457.57	3,350,629.43	
Vote 03 - Municipal Manager Office	80,048,111.00	80,553,722.04	- 505,611.04	- 505,611.04
Vote 04 - Budget and Treasury	195,867,707.00	194,436,125.71	1,431,581.29	
Vote 05 - Infrastructure and Water Services	956,110,381.00	879,717,957.92	76,392,423.08	
Vote 06 - Planning and Economic Development	16,011,395.00	9,682,350.38	6,329,044.62	
Vote 07 - Community Services	73,440,924.00	66,847,871.20	6,593,052.80	
Vote 08 - Sekhukhune Development Agency	5,487,799.00	3,149,475.18	2,338,323.82	
Vote 09 - Corporate Services	137,527,901.00	136,988,512.94	539,388.06	
	<b>1 548,325 715.00</b>	<b>1,445,465,158.51</b>		<b>- 505,611.04</b>





No.	Project No	Project Name	Date of Advertisement	Closing Date	Evaluation Date	Adjudication Date	Awarded	30% Sub-Contract of
8	SK8/3/1-03/2021/2022	Appointment of Service Provider for Repairs and Maintenance of White Vehicles for a Period of Three (03) Years	01/07/21	05/08/21	11/10/21		Re advert, the bid was advertised less than 30 days on the e-portal.	N/A
9	SK8/3//-04/2021/2022	Appointment of Service Provider to Support and Maintain Disaster Recovery IT Infrastructure for a Period of Three (03) Years	01/07/21	05/07/21	On Evaluation stage		Re advert, the bid was advertised less than 30 days on the e-portal.	N/A
10	SK8/3/1-02/2021/2022	Appointment of Service Provider for Repairs and Maintenance of Emergency Vehicles for a Period of Three (03) Years.	23/06/21	23/06/21	11/10/21		Re advert, the bid was advertised less than 30 days on the e-portal.	N/A

No	Project No	Project Name	Specification	Base of Award	Completion Date	Evaluation Date	On Adjudication	Completion Date	Awarded Bidder/Progress Details	50% Sub-Contract
11	SK8/3/1-05/2021/2022	Appointment of Service Providers for Events Management Contract for a Period of Three (03) Years	23/06/21	01/07/21	05/07/21	On Evaluation stage			Re advert, the bid was advertised less than 30 days on the e-portal.	N/A
12	SK8/3/1-09/2021/2022	Supply and Delivery of digital signature pads	06/08/21	13/08/21	30/08/21	11/10/2021	On Adjudication stage			N/A
13	SDA8/3/1-1/2021/2022	Appointment of Consultants for Sekhukhune Development Agency for proposals to source funding for 3 years	30/06/21	04/08/21	08/09/21	On Evaluation stage				N/A
14	SDA8/3/1-2/2021/2022	Appointment of Service Provider for the Preparation of Feasibility study and Business Plan for Erf 488 Groblersdal Ext 5 for the SDA	30/06/21	04/08/2021	08/09/21	11/10/21	On Adjudication stage			N/A

No	Project No	Project Name	Date of Specification	Date of Advert	Closing Date	Evaluation Date	Adjudication Date	Bid/Awarded Date	Bid Amount	Vendor/Bidder/Pro Bidder Details	30% Sub-Contract or
15	SK8/3/1/-7/2021/2022	Re -advert Appointment of Service Provider for the Provision of PPE for a period of three (3) years	07/07/21	02/08/21	08/09/21	On Evaluation stage					N/A
16	SK8/3/1/-6/2021/2022	Appointment of Service Provider for PMU Support for a period of three years	21/05/21	02/08/2021	03/09/21	On Evaluation stage					N/A
17	SK8/3/1-8/2021/2022	Appointment of service providers for backend and frontend solution for the period of three years	06/08/21	07/08/21	08/09/21	11/10/21	on Adjudication stage				N/A
No	Project No	Project Name	Date Of Specification	Date Of Advert	Closing Date	Evaluation Date	Adjudication Date	Bid/Awarded Date	Bid Amount	Vendor/Bidder/Pro Bidder Details	30% Sub-Contract or





No	Project No.	Project Name	Date of Specification	Date of Advert	Closing Date	Evaluation Date	On Adjudication	Awarded Date	Bid Amount	Awarded Bidder/Pro	30% Sub-Contract of
20	SK8/3/1-12/2021/22	Appointment of Professional Civil/Building Engineering company to provide contract administration and inspecting the works of Learner CDP for Ephraim Mogale LM VIP Toilets	30/08/21	17/09/21	11/10/21	20/10/21	On Adjudication stage				N/A
No	Project No.	Project Name	Date of Specification	Date of Advert	Closing Date	Evaluation Date	On Adjudication	Awarded Date	Bid Amount	Awarded Bidder/Pro	30% Sub-Contract of





No	Project No	Project Name	Date of Specification	Date of Advert	Closing Date	Available to Update	Application Date	Awarded	Contractor
26	SK8/3/1-18/2021/22	Re-advertisement Appointment of Term of Contractors for Hydrological Services, Drilling, Testing and Equipping of Boreholes for a period of 36 Months	07/10/21	03/10/21	16/11/21				N/A
27	SK8/3/1-19/2021/22	Re-advertisement Appointment of Term of Contractors for Water waste Treatment Chemicals for a period of 36 Months	07/10/21	03/10/21	17/11/21				N/A
28	8/3/1-22/2021/2022	Appointment of service provider to support and maintain technical access control and closed-circuit television systems	07/10/21	29/10/21	02/12/21			On-advert	N/A

No	Project No	Project Name	Date of Specification	Date of Advert	Closing Date	Evaluation Date	Adjudication Date	Awarded Date	Bid Amount	Awarded Bidder/Procress Details	30% Sub-Contract or
29	SK8/3/1-21/2021/2022	Appointment of a service provider for the supply of laptops	07/10/21	11/11/21	30/11/21						N/A
										On-advert	

No	Project No.	Project Name	Date of Signing	Date of Approval	Completion Date	Ward	Suburb	Contractor	Value	Contract Type
30	SK8/3/1-20/2021/2022	De hoop Malekana water scheme: Construction of water reticulation to Ga-Mpana, Ga Ratau and Ga Maepa	14/10/21	12/11/21 E-portal	13/12/21				Evaluation stage	N/A
31	SK8/3/1-23/2021/2022	De hoop Malekana water scheme: Reticulation to Ga-Rantho, Ga Masha and Ga - Malekana Contract D	02/11/21	12/11/21 E-portal	13/12/21				Evaluation stage	N/A

### 2.8.5. BY-LAW

For the year under review the municipality did not gazette any by-law.

### 2.8.6. WEBSITE

The website of the Municipality is functional ([www.sekhukhunedistrict.gov.za](http://www.sekhukhunedistrict.gov.za)) and updated on a regular basis especially the component where compliance issues must be adhered to such as publishing of Annual Report, tenders and vacancies.

The website for the financial year 2021/2022 was functional with mandatory updates having been done, namely, IDP, Budget, SDBIP, Annual Report. From content management point of view for general information dissemination, the communication Unit updated the website through posting of official statements and speeches. However challenges still remain for the website to function optimally, some of the challenges are regular updating of content. The following were published on the website:

- 2021/2022 SDBIP
- Quarterly SDBIP reports done every end of the quarter.
- 2021/2022 BUDGET
- Process Plan and Framework for IDP Review 2021/2022
- 2021/2022 MIDTERM Reports
- Performance agreements of senior managers.
- Quarterly SDBIP reports done every end of the quarter.
- 2021/2022 Annual Report
- Creating awareness for internal departments to provide information in a timely manner
- Marketing the use of the website for external audiences

Research has been done on products that will offer the following to the communities:-

- Touch-screen kiosks that can be used for inter alia the following:



- Customer Complaints
- Customer Compliments
- Customer Comments
- General Survey Interaction
- Information Centre.

### **2.8.7. PUBLIC SATISFACTION ON MUNICIPAL SERVICES**

The Sekhukhune District Municipality in her customer satisfaction survey conducted in 2015, revealed that majority of citizens in Sekhukhune (approximately 62%) is reasonably satisfied with provision of services by the municipality.

In between the year the municipality has a dedicated customer care unit which processes day to day community complaints and monitor adherence to Batho-Pele principles by municipal officials.

Batho Pele Forum as a platform to engage with government service points to assess the delivery of services. The Municipality through its council has adopted important policies and guidelines to guide Batho Pele and customer management processes. The policies include Batho-Pele service standards, Dingongorego/Complaints policy, and service charter.

The municipality has the following platforms to receive and manage queries from communities and stakeholders,

- Suggestion boxes in all offices
- 24-hour call centre
- Regular outreach for face-to-face interaction
- Premier hotline
- Presidential hotline
- Group what's up
- Emails

## **BATHO PELE PRINCIPLES**

### **1. COURTESY PRINCIPLE :**

- **Nametags**

Currently SDM employees utilises access cards to be identified.

- **Frontline:**

SDM frontline desk is operated by Receptionist in Bareki Mall (next to the Office of the MM), at West Street there is an intern placed at the Reception and Fire Station the Security Guards are assisting at the Reception.

- **Signage/Way finding**

There is no signage/way finding in the entrance of Groblersdal to SDM Offices

- **Suggestion boxes**

The boxes are available in our main entrances, the are monitored effectively

- **Monitoring of 3-rings (telecommunication/ Call Centre)**

The Office of the premier is monitoring the telephone rings of our call centre phones. Despite several unresolved problems of tools of trade, SDM call centre is steadily improving with an average calls per month of 60 for incidents and an average of 2000 calls for accounts as compared to an average of 40 calls for incidents in the previous financial year. Majority of our calls are related to water accounts, water related queries, motor vehicles accidents followed by structural fire wildfires and. The rest of the queries are special and general services.

### **Challenges**

Our call centre is still experiencing a serious challenge in terms of the ageing telephone system that is used and lack of tools of trade.

**Calls that manually recorded during the period 2021/22 are as follows:**

<b>INCIDENT</b>	<b>JUL</b>	<b>AUG</b>	<b>SEPT</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUN</b>
Motor Vehicle Accident	30	33		24	30	33	11	15	27	11	37	36
Structural	01	19		20	22	28	06	16	16	10	11	04

fire												
Special services	12	03		02	03	03	05	02	03	05	02	05
Veld fire	01	11		04	03	01	00	00	00	05	00	00
Water related	67	39		15	17	15	00	00	00	14	00	00

## 1. ACCESS PRINCIPLE

- **Accessibility to Municipal Buildings**

SDM buildings are accessible.

- **Thusong Service Centres**

SDM has 6 Thusong services centres that are in different municipalities. Thusong Centres to serve as centres for community events and democratic processes, Improve access of government services to communities in an integrated fashion. The strategic objectives of the Thusong service centre can be summarized as follows: -

- Ensure better communication between government and the people.
- Provide services to people at close proximity (reducing travel distance for people to access services)

Thusong Centres	Municipality	Services Providers	Launched	Centre Manager
Fetakgomo - Atok (Hub)	Fetakgomo	Tele Centre, Home affairs, SASSA, Social Development, SAPS, Agriculture, Victim Empowerment Centre and ANGLO-Zimela.	Yes	Mr. Silence Mahlatji (Appointed) 071 714 3934
Leboeng (Hub)	Tubatse	Home Affairs , SAPS, Labour, Health ,Social Development, Justice, Correctional services, Telecentre, SASSA and EMS	Yes	Captain Mogoane 082 565 7135

Kgautswana (Satellite)	Tubatse	SASSA, Health, social development, SAPS, Post Office (lobby box), Agriculture, Telecentre, Library services, Development and Tourism projects and ECD	Yes	Ms. Clara Masinga (NGO volunteer) 078 616 6796
Zamenkomst e (Cluster)	Ephraim Mogale	Water Affairs, SASSA, Home Affairs, Social Development, SAPS , Municipality Agriculture and Sekhukhune District Municipality	No	Mr. Manyaka (Municipal secondment) 082 456 7693
Tafelkop (Cluster)	Elias Motsoaledi	SASSA, Social Development, GCIS, Coghsta (operate in a cluster form within a walking distance)	No	Ms. Ntepane Mathunyane
Mapodile (Hub)	Tubatse	Social Development, SASSA, Agriculture, SAPS, Municipality (library services) ,Health, Community Work Programme, Sekhukhune District Water Affairs , Tele Centre & Coghsta	Yes	Mr. Lazarus Tau (Municipal secondment) 072 185 2031

## 2. CONSULTATION PRINCIPLE

### Mass Service Provision (Batho Pele build – ups)

Batho Pele Mass Service Provision has been the most effective consultation mechanism in districts. The rationale of these events is to popularize government services at district level, these types of events are rolled-out and budgeted for by respective Local Municipalities and the District municipality. Government departments, SOEs and business show case their services. The events are led by Mayors of the LM and Batho Pele Coordinators. For the year 2022/23 the events will take place on the second quarter.

## 3. SERVICE STANDARDS PRINCIPLE

Service standards are in place. They are in a process of being reviewed. The first workshop of District and Local Batho Pele committee took place from the 31<sup>st</sup> May – 2 June 2022.

#### **4. INFORMATION PRINCIPLE**

Our internet is up and running despite challenges at West Street. The website is updated regularly. We have continuous radio slots. Internal and external newsletters are distributed.

The following are the means of communication:

- **Newsletters**
- **Intranet**
- **Electronic mails (Emails)**
- **Meetings**

#### **5. OPENNESS AND TRANSPARENCY PRINCIPLE**

This principle allows citizens to have access to timely and reliable information about decisions and the performance of our municipality

- **Departmental Citizen's reports**
- **Hotlines /Toll-Free Lines**
- **Audit reports**

#### **6. REDRESS PRINCIPLE**

If the promised standard of service is not delivered, our customers/community members should be offered an apology, a full explanation, and a speedy and effective remedy. When complaints are made, a complainant should receive a sympathetic, positive response.

#### **7. VALUE FOR MONEY**

Management through Operation Clean Audit enforces expenditure controls and better quality of services at lower costs which will have a better Return on investment.

#### **PRESIDENT'S AND PREMIER'S HOTLINES**

#### **TRENDS ANALYSIS FOR BOTH THE HOTLINES**

**1205**

**Resolved: 1153**

**Outstanding: 52**

Month/Quarter	Total number of queries received	Total number of queries resolved	Total number of queries pending
1 <sup>st</sup> Quarter	1156	1124	32
2 <sup>nd</sup> Quarter	1156	1124	32
3 <sup>rd</sup> Quarter	1205	1153	52
4 <sup>th</sup> Quarter	1680	1678	02

1. Higher percentage of water and sanitation related complaints were reported and resolved.
2. Cases that are pending were wrongly directed to SDM. Those are cases related to roads, electricity etc.
3. There is also a trend that is continuing where one person reports same cases using different names or different people reporting the same case.

#### VALUE FOR MONEY PRINCIPLE

- Signing of Statement of Public Service Commitment
- Customer Satisfaction Survey
- Audit reports
- Walk-ins

#### CHALLENGES

- A notable disjuncture in terms of recording water and sanitation related queries is still a challenge with multiple reporting lines and lack of integrated approach which will enable proper and reliable reporting.
- Manual, Outdated and ageing system of recording and processing queries due to lack of modern technology system and modern call centre facility
- Both Presidential and Premier hotline's reports are now analysed and reported in arrears (once per quarter) that makes it difficult to align our reporting with the monthly Portfolio and Mayoral Committee

## **CHAPTER THREE: SERVICE DELIVERY PERFORMANCE**

### **3.1. INTRODUCTION**

The district municipality as per section 152 (1) (b) of the Constitution of the Republic of South Africa mandates local government to ensure provision of services to communities in a sustainable manner. Municipalities are expected to strive within its financial and administrative capacity to achieve the objectives as set in the section 152 (2) of the Constitution of the Republic of South Africa. The district municipality is WSA (Water Service Authority) and WSP (Water Service Provider) as per the Water

### **COMPONENT A: BASIC SERVICES**

### **3.2. WATER SERVICES PROVISION**

The Department of Infrastructure and Water Services is responsible for delivery of water and sanitation services in the entire SDM area. The municipality planned to review its Water Services Development Plan (WSDP) and Water & Sanitation Master Plan in the current financial year (2021/2022). Both WSDP and BWSMP are used as the guiding tool to ensure effective and efficient implementation of various water schemes and provide a blue-print of providing water sustainably in the district.

The Municipality is currently providing full water and sanitation services in the main towns such as Burgersfort (12 815 people), Marble Hall (4 025 people), Groblersdal (6 312 people), Steelpoort (3 374 people) and Ohrigstad (1 520 people). These areas have access to other high-level services such as refuse removal and roads.

The most villages in the vast rural areas are being provided with ground water as alternative sources and water tankers where necessary. Most of the rural villages in the Flag Boshielo Water Scheme are receiving water services in a much more improved way than most rural other villages.

Several villages are currently benefitting from water provided by a main pipe from De Hoop dam, namely: Mpelegane, Maepa, Ratau, Maphopha, Rantho, Masha, Malekana and Maseven. This is a notable progress as De Hoop dam's provision is beginning to reach villages.

### 3.2.1. INVESTMENTS ON INFRASTRUCTURE DEVELOPMENT DURING 2021/2022 FINANCIAL YEARS:

During 2021/2022 Financial Year, the following infrastructure grants were spent on water and sanitation projects:

Municipal Infrastructure Grant (GRANT): R 460,140,845.00 million

- The SDM has implemented 12 water infrastructure project and 5 VIP sanitation projects during 2020/21 financial year.
- Water Services Infrastructure Grant (WSIG): R29,027,423.00 The SDM has implemented 8 intervention water projects during 2020/21 financial year
- Regional Bulk Infrastructure Grant (RBIG): R 58,643,774.00
- The SDM has implemented 12 bulk water projects during 2020/21 financial year

### BACKLOG IN ACCESS TO WATER AND SANITATION IN 2020/21 AS COMPARED TO 2019/20

The Sekhukhune District Municipality has the total population of 1 169 762 with 194 962 number of households.

The Sanitation -Ventilated Pit-latrines (VIP) infrastructure backlog was at 155 238 in 2015/16 financial year and reduced by 17 481 in 2016/17, reduced by 4919 in 2017/18, reduced by 5254 in 2018/19, reduced by 10 194 in 2019/20 and further reduced by 4936 in 2020/21 financial year.

The sanitation backlog is currently at 112 454.

The Water infrastructure backlog was at 39% in 2015/16 financial year and reduced by 4% in 2016/17, reduced by 5% in 2017/18, reduced by 3% 2018/19, reduced by 2% in 2019/20 and in 2020/21 the infrastructure is still under implementation. The water backlog is currently at 25%.

The water services backlogs fluctuate based on the availability of water & new residential developments without water provisions.

The operation & maintenance patterns on the existing water infrastructure also affect the water services backlog.



### KEY WATER INFRASTRUCTURE DEVELOPMENT SCHEMES IMPLEMENTED DURING 2020/21 TO DATE

- The SDM continued with the implementation of Nkadimeng Bulk Water Supply Scheme, which is currently at Phase 11 to complete the water pipeline and reticulation network
- The conditional assessment for commissioning and testing of Bulk pipeline from Malekana Water Treatment Works to Jane Furse command reservoir under (Nebo Plateau Bulk Water Scheme) will be done 2022/2023
- The implementation of phase 4 for Mooihoek-Tubatse Bulk Water Scheme is continuing in the current financial, which includes the bulk pipelines and concrete reservoirs. These projects will be completed in the next two financial years of 2021/22 to 2022/23
- The Lebalelo South Connector pipes and reticulation commenced with construction in the financial year 2018/2019 and to be completed by June 2023.
- The Lebalelo South Phase 3 (Ga-Maroga and Motlolo) commenced in 2018/19 financial year and to be completed in June 2023
- Moutse East and West Bulk Water supply is currently under implementation and will be completed in 2022/23.

#### The following projects were implemented in the 2022-2023 financial year

PROJECT NAME	LOCATION/VILLAGE	PROJECT VALUE	EXPENDITURE	PROGRESS TO DATE
De Hoop/Nebo Plateau/Schoonoord Water Scheme Villages: Ga – Mogashoa (Senkapudi) and Ga-Mogashoa (Manamane)	Ga–Mogashoa (Senkapudi) and Ga-Mogashoa (Manamane)	R4,762,404.00	R3,412,863.76	4km of water reticulation pipeline constructed

NSD07 Regional Water Scheme Construction of Concrete Reservoirs	Schooncord	R1,912,865.00	R21,307,077.51	0,1 Kilometres of bulk pipeline constructed; 0 reservoirs completed
<b>PROJECT NAME</b>	<b>LOCATION/VILLAGE</b>	<b>PROJECT VALUE</b>	<b>EXPENDITURE</b>	<b>PROGRESS TO DATE</b>
De Hoop/Nebo Plateau/Scho onoord Water Scheme Villages: Makgeru, Ga Ratau & Matekane	Makgeru, Matekane and Ga-Ratau	R105,472,953.00	R97,099,010.60	6 Kilometres of bulk pipeline constructed. 76.890 kilometres of Reticulation. 1285 Standpipes constructed. 1285 Water Meters Installed Equipping of two boreholes.
Carbonitites to Zaaiplaas PH4(Dindela Reservoir)	Dindela	R8,000,000.00	R0,00	None
Motlailana, Makgemeng Water Supply	Motlailana, Makgemeng	R29,409,971.00	R16,524,931.60	0.5 Kilometres for bulk line constructed 44.6Kilometers of reticulation constructed. 0-yard connection. 1x steel tank erected. 0 x concrete reservoirs constructed. 4 pumphouses constructed. 4 boreholes refurbished)
Malekana Regional Water Scheme	Malekana, Maphopha Ga-Masha Ga-Maepa Ga-Rantho Ga-Ratau Kutollo Maseven Ga- Mpana	R67,458,474.00	R31,523,671.26	11.61 kilometres of water pipeline constructed, and 0 reservoirs completed
Lebalelo South connector pipes and reticulations	GaRiba, Rivercross, Driekop	R32,748,439.00	R18,629,987.82	11 steel tanks erected
Lebalelo South: Phase 3 (Ga- Maroga and Motlolo Bulk	Ga-Maroga Motlolo	R76,801,860.00	R81,226,939.94	4.2 Kilometres of bulk line constructed. 24.294 Kilometres reticulation pipeline constructed. 0 WTW Constructed. 0

PROJECT NAME	LOCATION/VILLAGE	PROJECT VALUE	EXPENDITURE	PROGRESS TO DATE
and Reticulation Infrastructure				borehole refurbished.
Ga Maphopha Command reservoir	Maphopha	R400,000.00	R0.00	Testing and commissioning of the command reservoir not done
Legolaneng Water Supply	Legolaneng	R27,284,034.02	R5,884,900.05	0 borehole drilled and equipped
Brooklyn water supply	Brooklyn			0 steel tank installed
Polaseng Water Intervetion	Polaseng (Tukakgomo)			1 borehole installed and equipped
Mahlokwenwa (Malaeneng) water intervention	Mahlokwenwa (Malaeneng)			0 borehole equipped and 0 pipeline distribution installed
Kgotlopong water intervention	Kgotlopong			0 borehole equipped and 0 pipeline distribution installed
Tshikanoshi Water Supply	Tshikanoshi			0 borehole equipped and 0 pipeline distribution installed
Sephaku Water Supply	Sephaku			0 borehole equipped and 0 pipeline distribution installed
Eenzaam water supply	Eenzaam			0 borehole equipped and 0 pipeline distribution installed
Mooihoek bulk water supply phase 4F1				R94,645,000.00
Construction of Mooihoek bulk water supply phase G1.1				Procurement of service provider not done
Construction of Mooihoek bulk water				1.88 Kilometers of bulk water supply pipeline constructed

supply phase G1.2				
Construction of Mooihoek bulk water supply phase G2				Construction of 4.9 Kilometres of bulk water supply pipeline. Construction of 500KL Reinforced Concrete Reservoir
Construction of Mooihoek Reservoirs phase 4H1				0 Reservoir constructed
Construction of Mooihoek Reservoirs phase 4H2				0 Reservoir constructed
Nebo BWS Commission Jane Furse Pipeline		R50,000,000.00	R3,316,177.56	0km of bulk water supply pipeline tested and commissioned
Nebo BWS Jane Furse to Lobethal Bulk Water Supply	Apel Cross Apel Cross Low-Cost Housing Diphagane Ga-Maloo Ga-Marishane Ga-Masemola Ga-Mashabela Ga-Phaahla Ga-Tisane Kanaan A Kanaan B Kapaneng Kgwaripe Lobethal Magolapong Mahlolwaneng Mampe Maseshegwane Mmotwaneng Mogorwane Nkotokwane Mohwelere Molebeledi Moripane Phelindaba Phushulang Polaseng Sekwati Thabampshe Tswaing			0km of bulk water supply pipeline assessed

	Vlakplaas A			
Nebo BWS Makgeru to Schoonoord BWS	-Makgeru -Matekane -Magane -Ga-Ratau -Ga-Mogashoa (Senggapudi) -Ga-Mogashoa (Manamane) -Kotsiri -Schoonoord -Ga-Maloma -Tsopaneng -Ga-Sekele -Emkhondweni			0Km of bulk water supply pipeline constructed
Moutse BWS Project 13 & 14		R80,000,000.00	R7,934,692.00	0 Mechanical and Electrical (M & E) Groblersdal Water Treatment Work 0 clarifiers and 0 Filters refurbished
Moutse BWS Project (7 to 12)				15 Kilometre of bulk water supply pipeline installed, tested & commissioned
Moutse BWS construction bulk water pipeline project(2-4)				0 km of bulk water supply pipelines assessed and refurbished
Maebe Drilling and Equipping of Borehole	Maebe	R13,000,000.00	R0.00	0 Pump station constructed, and 0 Reverse Osmosis Water Treatment Package Plant and 0 storage tank installed
Tukagomo RDP Section Borehole	Tukagomo	R9,000,000.00	R0.00	1823m of water distribution network completed and 668 water meters installed
Nkosini Water Supply & Package Plant	Nkosini	R8,000,000.00	R0.00	0km of pipeline constructed and 0 protection of abstraction done, and 0 reservoir sealed
Laersdrift Water Supply Intervention	Laersdrift	R9,000,000.00	R0.00	0 km reticulation network constructed, 0 communal standpipes and 0 storage tank installed
- Phokwane/Br ooklyn Water Supply	Brooklyn	R4,000,000.00	R0.00	0km of rising main constructed and 0 elevated tank constructed

Legolaneng VDIP	Legolaneng	R7,000,000.00	R0.00	0 VDIP completed
-----------------	------------	---------------	-------	------------------

### 3.3. SANITATION SERVICES PROVISION

The SDM is currently implementing a massive sanitation programme and providing Ventilated Improved Pit latrines (VIP's) to various households. In the 2018-2019 to 2021/2022, financial year's 25 491 VIP Sanitation units were built across the district as part of providing communities with sanitation.

The following sanitation projects were implemented in the 2021-2022 financial year

NUMBER OF VIP TO CONSTRUCT	MUNICIPALITY	PROJECT VALUE	EXPENDITURE	PROGRESS TO DATE
958 VIP units to be constructed	Ephraim Mogale	R13,000,000.00	R7,517,524.98	747 VIP units completed
2300 VIP sanitation units to be constructed	Makhuduthamaga	R32,500,000.00	R20,309,025.53	1535 VIP units completed
2000 VIP sanitation units to be constructed	Tubatse	R28,000,000.00	R16,766,992.60	1731 VIP Constructed
500 VIP units to be constructed	Fetakgomo	R8,100,000.00	R2,761,759.75	279 units constructed
2100 VIP sanitation units to be constructed	Elias Motsoaledi	R30,500,000.00	R26,085,773.40	2066 VIIP units constructed

**Grant spending of projects**

	<b>NUMBER OF PROJECTS IMPLEMENTED</b>	<b>EXPENDITURE AS AT 30 JUNE 2022</b>
Municipal Infrastructure Grant <b>(MIG)</b>	22 projects and 5 VIP sanitation projects	R 413,027,095.00
Water Services Infrastructure Grant <b>(WSIG)</b>	6 intervention projects	<b>R8,621,171.00</b>
Regional Bulk Infrastructure <b>(RBIG)</b>	12 bulk projects	R36,898,058.00
<b>Expanded Public Works Programme (EPWP)</b>	Various projects(Process controllers,general workers, fire fighters)	R8,180,000.00
<b>Finance Management Grant(FMG)</b>	6 Finance Interns funded	R2,300,000.00

**3.4. MUNICIPAL HEALTH SERVICES 2021/ 2022 SUMMATIVE STATISTICS**

Section 24 of the Constitution of RSA Act 108 of 1996, states that everyone has a right to an environment that is not harmful to their health or well-being. The Constitution allocates Municipal Health Services (MHS) as a Local Government function under section 156(1) (a) and Part B of Schedule 4. Section 237 provides that all Constitutional obligations must be performed diligently and without delay.

MHS functions are performed by professionals who register with the Health Professions Council of South Africa (HPCSA). The Health Professions Act, 1974 (Act no 56 of 1974) states that:

All health professionals required to register as provided for in section 17 of the Act, should register to be able to practice.

Only Environmental Health Practitioners registered with HPCSA and in good standing can be appointed to serve a Municipality in section 80 of the National Health Act of 2003.

No	Component	Activities	Challenges	Remedial Action
1	Food safety control	1531 food premises were evaluated. 968 compliant 563 non-compliant.	Premises contravening compliance & prohibitory orders	Issuing of fine notices to deter non-compliance
		NSNP was monitored in 32 schools	School kitchens and food storage facilities not complying with Health Standards	Continuous engagement with the Provincial Department of Education & School governing bodies to improve non-compliance
		51 certificates were issued to compliant premises	None	None
		2904.11 kg and 3.75 l of foodstuff was seized for safe disposal	Not fit for human consumption.	Safe disposal.
		6 events were monitored	Provision of toilets	Issuing of fine notices to deter non-compliance
2	Health Surveillance of Premises	1536 premises were evaluated for compliance with minimum health requirements. 1223 were complaint and 313 were non-compliant.	Premises contravening compliance & prohibitory orders.	Serving fine notices to non-compliant premises
		69 Health Certificate were issued to facilities that comply	None	None



2	Surveillance and prevention of contagious diseases	26 Awareness for prevention of Communicable diseases. Conducted awareness campaigns on Food Safety, COVID-19 and Hand washing	Lack of information to make informed decisions.	Continuous health education
		42 cases of food poisoning were investigated and controlled.	Contravention of health and hygiene practices.	Continuous health education.
3	Vector control	1526 Premises inspected for effective abatement and control of vectors. 770 were complaint and 756 deemed non complaint.	Premises lacked vector control programmes.	All non-complying premises were issued with notices.
4	Disposal of the dead	104 funeral undertakers' premises were evaluated and were compliant.	None	None
		04 cemeteries were evaluated and were non-compliant	Lack of water and sanitary facilities	Notices issued to facility managers
		29 graves were exhumed	None	None
		2 COC were issued to complying facilities	None	None
		10 funerals were monitored	Not observing COVID 19 regulations	Notices issued
6	Chemical Safety	193 Premises were fumigated	To prevent the spread of Covid-19. To ensure proper management of Chemicals.	Continuous decontamination in facilities.

		347 Chemical handling facilities were inspected and all complied.	None	None
7	Water quality	322 water samples were taken for microbiological analysis (265 E.coli, plate count and 57 for salmonella typhi).	Water borne diseases	Continuous monitoring of water quality

### 3.4.1. Environmental management report

No	Category	Activities	Findings	Recommendations
1	Atmospheric Emission Licence (AEL)	6 AELs applications on the system 1 Econ Oil issued 3 sent back (Duho drying, Loge Asphalt and Tubatse Chrome) 2 Issued administrative permits (Tubatse Alloy and Annesley)	Facilities not returning applications in time after being sent back for amendment	Follow-up all the facilities where applications were sent back
2	Awareness Campaigns and community outreach	30 Awareness were conducted on dust control and Air Quality	None	Ongoing awareness campaign
		2 Awareness campaign on safe disposal and transportation of sewage was held at Pelangwe and thirty people attended and in Kgobokwane. 5 Clean-up campaign was conducted at Mohwaduba high school as education to discourage littering Marble Hall, Mohalalesti, Apel and Nchabeleng villages. 501 trees were also planted. Environmental awareness campaign on waste	Poor disposal of sewage effluent  Waste dumping.	Educate the public on waste disposal  Eradicate waste dumps

		separation and recycling were held at Tafelkop, 2 Awareness on waste separation for recycling held at Madibong and Phaahlamanoge.	3X drums were handed Refilwe school to separate waste. 13 X schools were awarded indigenous trees, certificates of recognition and winners trophies for participating in the programme in 2021.	Burning of waste
3	Ambient Air Quality Monitoring station	22 station visits conducted. 3 analysers and the UPS have been delivered.  Calibrator and zero Air generator procured and received	Analysers are old and constantly need to be taken out for repairs	Received repaired analysers and a new UPS.
4	Monitoring of medical waste management	105 health care premises generating risk waste were evaluated for safe management & disposal of HCRW.	None	None
5	Waste management Monitoring	Waste paper is separated for recycling at Bareki Mall and 2176 kilograms processed.  Schuunsdraai Nature Reserve and Lodge was assessed for proper management of waste and availability of bins. Mixing of waste and littering	Shortage of waste bins for other waste streams.  Mixing of waste and littering	Extend waste separation to other offices.  Advised to separate waste for recycling and involve recycler for collection.
		18 Landfill sites namely 4xBurgersfort, 5xMalogeng, 3xMarble Hall, 2x	Poor management of landfill sites	Issue compliance notices

		Groblersdal, Rossenekal and 4xJane Furse were inspected for compliance with permit conditions.		
		8x recycling premises were inspected and found complying. 3 x schools namely Mamolobe, Moepadira and Mohwaduba were evaluated for waste separation and recycling. 6 drums given to schools for waste separation at source.	Inspection of premises to monitor compliance.  To encourage schools to separate waste for recycling	Continuous Inspection of recycling premises. To encourage schools to separate waste for recycling
6	Monitoring of Air Quality industrial facilities	1 x compliance monitoring was conducted at Super Oil Mills Marble Hall	Appointments clashing with other activities of the facility thereby resulting in postponement	Ensure compliance with environmental regulations.
7	Waste permits	31 waste permits for transportation of sewage were issued	effluent disposed off improperly	Inspect transportation of waste
8	Complaints	A complaint on waste discharged by Senate's mine	A farrow for channelling storm water comprising of silt from the mine had burst and such waste was washed into the yards and swept-away toilets.	To engage DMR for addressing the issue with concerned mine.

### 3.5. EMERGENCY MANAGEMENT SERVICES 2021 / 2022 SUMMATIVE STATISTICS

#### 3.5.1. FIRE AND RESCUE OPERATIONS

INCIDENT	NUMBER
Structural Fire	162
Commercial Fire	0
Motor Vehicle Accident	275
Veld Fire	81
Vehicle Fire	11
Special Service	30
Hazmat Response	0
Water Rescue	1

#### 3.5.2. EMERGENCY MANAGEMENT SERVICES TRAINING ACADEMY 2021/2022

##### TRAININGS

- a. During the period under review, Firefighter 1 Course; registered with SAESI with the no: SDM/FF/60/2021 for external candidates and
- b. Instructor Course (1041); registered with SAESI with the no: SDM/FSI1/09/2021 and
- c. Firefighter 1 Challenge course registration no: SDM/FF1/29C/2022 to align Local Government Sector Education and Training Authority (LGSETA) personnel qualifications with SAESI.

#### 3.5.3. FIRE SAFETY AND PREVENTION 2021 / 2022 SUMMATIVE STATISTICS

The annual fire safety and prevention unit summative stats on the table below cover all the twelve months proactive approaches to ensure compliance prior construction, during construction and to existing constructions.

## 2021/2022 stats

SECTION	CATEGORY	Mid Term	3 <sup>rd</sup> Term	4 <sup>th</sup> Term	Total
Inspections					
Meetings		58	32	23	113
Reports generated	Yes(1)N/A(0)	50	32	41	123
Number of inspections	Request	40	27	30	97
	Compliant	2	5	08	15
	Routine	3	3	19	25
Type of inspection	F/L	19	19	12	50
	Gas	6	6	21	33
	Building	23	19	16	58
	Transport Dangerous Goods	13	1	0	14
	2nd hand	0	0	0	0
	Fire investigation	2	0	01	3
	F/Works	0	0	0	0
	Warnings	0	3	03	6
	COC	3	7	0	10
Plan review					
Reports	Yes(1)N/A(0)	23	17	19	59
Type of plan	F/L	8	4	02	14
	Gas	3	2	0	5
	Building	25	16	19	60
	F/Works	0	3	0	3
Approved	C(1) NYC (0)	10	6	10	26
<b>TOTAL</b>		<b>288</b>	<b>202</b>	<b>224</b>	<b>714</b>

### 3.6. DISASTER MANAGEMENT SERVICES 2020 / 2021SUMMATIVE STATISTICS

Disaster Management is an integrated and coordinated function, that focuses on preventing and reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters, and post disaster recovery and rehabilitation.

Disaster Management is further guided by the disaster management Act 57 of 2002 as amended, as well as the disaster management framework of 2005 under the four KPA's and three enablers, namely:

**KPA 1 : Institutional Capacity**

The main objective is to establish integrated institutional capacity within the district to enable the effective implementation of disaster risk management policies and legislations.

**KPA 2 : Disaster Risk Assessment**

The objective is to establish a uniform approach to assessing and monitoring disaster risks that will inform disaster risk management planning and reduction undertaken by disaster management within the Sekhukhune district and other role players.

District disaster risk assessment is conducted as and when disaster incident is reported and it is through these assessments that relief is provided to the assessed disaster victims.

**KPA 3 : Disaster Risk reduction**

Disaster Management plans for Sekhukhune District Municipality were reviewed and adopted by council structures, and are implemented as per each local municipality to prevent and mitigate disaster risks. The plan is serving as the guiding and coordinating policy instrument for insuring an integrated and uniform approach to disaster risk management by all organs of state and other institutional role players.

**KPA 4 : Response and Recovery**

The key objective is to ensure effective and appropriate disaster response and recovery such as:

- Implementing a uniform approach to the dissemination of early warnings and implementing immediate integrated and appropriate response and relief measures when disasters occur or threatening to occur.

**Enabler 1 : Information Management and communication**

Objective: to guide the development of a comprehensive information management, communication management and communication system as well as establishing integrated communication links with all disaster management role players.

Sekhukhune district disaster management centre currently does not have communication systems in place to provide an institutional resource database, facilitate information, and provide risk analysis for disaster risk assessments and mapping for the district.

**Enabler 2 : Education, Training, Public awareness and Research.**

Objective– to promote a culture of risk avoidance among stakeholders by capacitating role players through awareness campaigns.

**Enabler 3 : Funding Arrangements**

Objective– To establish mechanisms for the funding of disaster risk management.

District and its Local Municipalities conducted preliminary impact assessment in respect of **191** Disaster incidents reported which were due to structural fire and storm as per attached list below.

ITEM	Number	Relief provided by Local Municipality	Relief provided by District Municipality	Cost	Total
Blankets	605	402	203	R220.00	R133,100.00
Sponges	305	214	91	R150.00	R45,750.00
Food Parcel	19 food parcels donated by Department of Social Development and 16 supplied by Elias Motsoaledi Local Municipality				
Temporary shelters	7 Temporary shelters donated by COGHSTA				



	4 Temporary shelters supplied by Makhuduthamaga Local Municipality				
--	--	--	--	--	--

### 3.6.1. AWARENESS CAMPAIGNS

Forty (40) awareness campaigns were conducted on disaster mitigation strategies, Crime, road safety, drug and alcohol abuse.

NO	VENUE	MUNICIPALITY	PROGRAMME	DATE
1.	Mohlaetsi Taxi Rank	Fetakgomo Tubatse	joint road safety awareness campaign- Mobile promotion and education	10/07/2021
2.	Apel Cross Four Ways	Makhuduthamaga	joint road safety awareness campaign- adult pedestrian safety education	11/07/2021
3.	Leeuwfontein Junction	Ephraim Mogale Local	District Joint road safety Campaign- NDAZI operation	16/07/2021
4.	CIVIC Hall ward 36	Fetakgomo Tubatse	Monitoring & Compliance o COVID-19 Vaccination	17/07/2021
5.	Modiadie High School (Ward 32)	Fetakgomo Tubatse Local Municipality	Cyber bullying campaign	04/08/2021
6.	Ngwanatshwaane high school (ward 20)	Makhuduthamaga Local Municipality	Debate on road safety competition awareness campaign-	08/08/2021
7.	Matlala Ramoshebo Moshate	Ephraim Mogale LM	joint road safety awareness campaign- Mobile promotion and education	03/09/2021
8.	Dilokong Traffic Station	Fetakgomo Tubatse	District Participatory in Education and Training	04/09/2021

			(PET)	
9.	Moses Mabothe Hall	Fetakgomo Tubatse	Career Expo	10/09/2021
10.	Swartkop Road Along N11/D4190/R25	Ephraim Mogale LM	Joint road safety awareness campaign	08/10/2021
11.	Ephraim Mogale Local/Testing Station	Ephraim Mogale	District Drivers Competition/ October Transport Months	07/10/2021
12.	Marble Hall Road N11/R25	Ephraim Mogale LM	Joint road safety awareness campaign	05/11/2021
13.	Madibong Clinic (Ward 19)	Makhuduthamaga LM	Disaster Risk Reduction Awareness Campaign	26/11/2021
14.	Masemola SAPS	Makhuduthamaga Local Municipality	Joint road safety awareness campaign	09/12/2021
15.	Bordershook and Steelpoort Points	Fetakgomo Tubatse Local Municipality	Joint road safety awareness campaign	24/12/2021
16.	Ephraim Mogale Town	Ephraim Mogale Local Municipality	Joint road safety awareness campaign	21/01/2022
17.	Masemola High School	Makhuduthamaga Local Municipality	Back to school campaign	26/01/2022
18.	Tshehlwaneng Junction	Fetakgomo Tubatse	joint road safety awareness campaign on Public transport operation	04/02/2022
19.	Steelpoort Junction	Fetakgomo Tubatse	joint road safety awareness campaign- Operational road safety outreach on drivers education	11/02/2022
20.	Department of Public Works– Apel	Fetakgomo Tubatse	Joint awareness outreach campaign on fire safety	14/02/2022
21.	Manganeng Clinic	Makhuduthamaga	Basic fire fighting Training and emergency evacuation plan	16/02/2022
22.	Moomane SASSA	Ephraim Mogale	Disaster risk awareness	10/03/2022

	pay point		campaign	
23.	Nebo Police station	Makhuduthamaga	Career Expo by Minister of Mineral resources and Energy	11/03/2022
24.	Maandagshoek Health Centre	Fetakgomo Tubatse	Basic fire fighting training and Emergency Evacuation plan	16/03/2022
25.	Tsimanyane	Ephraim Mogale	Disaster risk awareness campaign	22/03/2022
26.	Slovo sports ground	Elias Motsoaledi	Disaster risk awareness campaign	23/03/2022
27.	Burgersfort Clinic	Fetakgomo Tubatse	Basic fire fighting training and Emergency evacuation plan	23/03/2022
28.	Schoonhoord Clinic	Makhuduthamaga	Basic fire fighting training and Emergency evacuation plan	30/03/2022
29.	Phokoane Clinic	Makhuduthamaga	Basic fire fighting training and Emergency evacuation plan	31/03/2022
30.	Apel Cross	Makhuduthamaga	Easter Road Safety Awareness Campaign	15/04/2022
31.	Atok	Fetakgomo Tubatse	Easter Road Safety Awareness Campaign	16/04/2022
32.	Eskom Park	Elias Motsoaledi	Easter Road Safety Awareness Campaign	17/04/2022
33.	Marble hall Town	Ephraim Mogale	Easter road safety awareness campaign	18/04/2022
34.	Sekhukhune TVET College	Elias Motsoaledi	Earth Day Celebration and Awareness campaign	22/04/2022
35.	Driefontein Community hall.	Ephraim Mogale	Disaster management awareness campaign on crime, drugs and alcohol abuse	24/05/2022

36.	Bothashoek Clinic	Fetakgomo Tubatse	Basic fire fighting training and disaster management	25/05/2022
37.	Driekop Clinic	Fetakgomo Tubatse	Basic fire fighting training and disaster management	27/05/2022
38.	Mogalatjane	Ephraim Mogale	Disaster management awareness campaign on crime, drugs and alcohol abuse.	09/06/2022
39.	Penge Clinic	Fetakgomo Tubatse	Basic fire fighting training and disaster management	10/06/2022
40.	Ga- Riba Clinic	Fetakgomo Tubatse	Basic fire fighting awareness campaign and disaster management	15/06/2022

## **COMPONENT B: PLANNING AND DEVELOPMENT**

### **3.7. LOCAL ECONOMIC DEVELOPMENT**

#### **3.7.1. INTRODUCTION**

Sekhukhune District Municipality (SDM) is responsible for facilitation and coordination of Local Economic Development (LED) in the district as a whole as provided for in the legislation. Section 26 (c) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) which provides core components of integrated development plans, states that an Integrated Development Plan must reflect Council's development priorities and objectives for its elected term, including its local economic development aims and its internal transformation needs. Council's LED priorities and objectives are packaged in the form of LED Strategy. SDM LED Strategy was developed and approved by Council in 2019, it is currently under implementation and is due for review in 2024/2025 financial year.

#### **3.7.2. STATE OF THE DISTRICT ECONOMY**

Economic growth is one of the main indicators of a progressing and developing district. The main sectors of Sekhukhune District that contribute to the growth of the

economy in the district are Mining and Community Services and Finance. Mining is the biggest contributor in the economy of the district. Tourism although it has not reached its full potential and needs to be fully developed is however identified together with Agriculture and Mining as the main pillars of the economy of Sekhukhune.

#### GROSS DOMESTIC PRODUCT BY REGION (GDP-R)

The Gross Domestic Product (GDP), an important indicator of economic performance, is used to compare economies and economic states.

#### GROSS DOMESTIC PRODUCT (GDP) - SEKHUKHUNE, LIMPOPO AND NATIONAL TOTAL, 2010-2020 [R BILLIONS, CURRENT PRICES]

2010	24.2	202.2	2,748.0	12.0%	0.88%
2011	26.9	222.2	3,023.7	12.1%	0.89%
2012	28.6	238.5	3,253.9	12.0%	0.88%
2013	30.5	258.2	3,540.0	11.8%	0.86%
2014	31.8	273.3	3,805.3	11.6%	0.84%
2015	33.1	289.1	4,049.9	11.4%	0.82%
2016	35.7	315.9	4,359.1	11.3%	0.82%
2017	38.3	340.6	4,653.6	11.3%	0.82%
2018	39.9	359.7	4,873.9	11.1%	0.82%
2019	41.4	374.2	5,077.6	11.1%	0.82%
2020	40.3	367.9	4,973.0	11.0%	0.81%

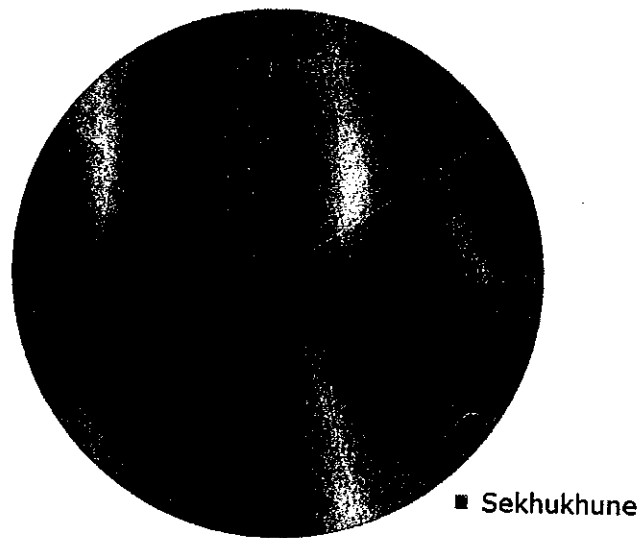
Source: IHS Markit Regional explorer version 2142

With a GDP of R 40.3 billion in 2020 (up from R 24.2 billion in 2010), the Sekhukhune District Municipality (SDM) contributed 10.96% to the Limpopo Province GDP of R 368 billion in 2020. The SDM contributes 0.81% to the GDP of South Africa which had a total GDP of R 4.97 trillion in 2020 (as measured in nominal or current prices).SDM's contribution to the national economy stayed similar in

importance from 2010 when it contributed 0.88% to South Africa, but it is lower than the peak of 0.89% in 2011.

GROSS DOMESTIC PRODUCT (GDP) - SEKHUKHUNE DISTRICT MUNICIPALITY  
AND THE REST OF LIMPOPO, 2020 [PERCENTAGE]

**Gross Domestic Product (GDP)**  
Limpopo Province, 2020



*Source: IHS Markit Regional eXplorer version 2142*

The Sekhukhune District Municipality had a total GDP of R 40.3 billion and in terms of total contribution towards Limpopo Province the Sekhukhune District Municipality ranked lowest relative to all the regional economies to total Limpopo Province GDP. This ranking in terms of size compared to other regions of Limpopo Province remained the same since 2010. In terms of its share, it was in 2020 (11.0%) slightly smaller compared to what it was in 2010 (12.0%). For the period 2010 to 2020, the average annual growth rate of -0.7% of Sekhukhune was the fourth relative to its peers in terms of growth in constant 2010 prices.

GDP CONTRIBUTION - LOCAL MUNICIPALITIES OF SEKHUKHUNE DISTRICT MUNICIPALITY, 2020 [CURRENT PRICES, PERCENTAGE]

**Gross Domestic Product (GDP)**  
Sekhukhune District Municipality, 2020



Source: IHS Markit Regional eXplorer version 2142

The greatest contributor to the SDM economy is the Greater Tubatse/Fetakgomo Local Municipality with a share of 43.86% or R 17.7 billion, increasing from R 11.3 billion in 2010. The economy with the lowest contribution is the Ephraim Mogale Local Municipality with R 4.61 billion growing from R 2.53 billion in 2010.

**ECONOMIC GROWTH FORECAST**

It is expected that SDM will grow at an average annual rate of 5.52% from 2020 to 2025. The average annual growth rate of Limpopo Province and South Africa is expected to grow at 3.88% and 2.69% respectively.

**GROSS VALUE ADDED BY REGION (GVA-R)**

The SDM's economy is made up of various industries. The GVA-R variable provides a sector breakdown, where each sector is measured in terms of its *value added* produced in the local economy.

The summary table below puts the Gross Value Added (GVA) of all the regions in perspective to that of the SDM.

**GROSS VALUE ADDED (GVA) BY BROAD ECONOMIC SECTOR - SEKHUKHUNE DISTRICT MUNICIPALITY, 2020 [R BILLIONS, CURRENT PRICES]**

Agriculture	0.8	10.1	119.6	8.4%	0.70%
Mining	15.9	92.7	371.9	17.2%	4.29%
Manufacturing	0.8	8.3	573.4	10.1%	0.15%
Electricity	1.0	14.6	167.2	7.0%	0.61%
Construction	0.5	7.8	140.2	6.4%	0.36%
Trade	4.3	49.6	655.2	8.6%	0.65%
Transport	1.1	15.2	396.4	7.5%	0.29%
Finance	5.0	47.3	879.5	10.5%	0.57%
Community services	6.5	82.2	1,125.3	7.9%	0.58%
<b>Total</b>	<b>36.1</b>	<b>327.7</b>	<b>4,428.7</b>	<b>11.0%</b>	<b>0.81%</b>
<b>Industries</b>					

Source: IHS Markit Regional eXplorer version 2142

In 2020, the mining sector is the largest within SDM accounting for R 15.9 billion or 44.2% of the total GVA in the district municipality's economy. The sector that contributes the second most to the GVA of the SDM is the community services sector at 18.1%, followed by the finance sector with 13.8%. The sector that contributes the least to the economy of SDM is the construction sector with a contribution of R 501 million or 1.39% of the total GVA.

#### TOTAL EMPLOYMENT

**Definition:** Total employment consists of two parts: employment in the formal sector, and employment in the informal sector



TOTAL EMPLOYMENT - SEKHUKHUNE, LIMPOPO AND NATIONAL TOTAL,  
2010-2020 [NUMBERS]

2010	103,000	881,000	13,500,000
2011	107,000	906,000	13,700,000
2012	115,000	963,000	14,000,000
2013	122,000	1,030,000	14,500,000
2014	132,000	1,120,000	15,100,000
2015	141,000	1,200,000	15,600,000
2016	144,000	1,260,000	15,900,000
2017	147,000	1,310,000	16,100,000
2018	148,000	1,330,000	16,300,000
2019	146,000	1,330,000	16,300,000
2020	134,000	1,250,000	15,600,000
Average Annual growth 2010-2020	<b>2.71%</b>	<b>3.55%</b>	<b>1.42%</b>

Source: IHS Markit Regional eXplorer version 2142

In 2020, Sekhukhune employed 134 000 people which is 10.74% of the total employment in Limpopo Province (1.25 million), 0.86% of total employment in South Africa (15.6 million). Employment within Sekhukhune increased annually at an average rate of 2.71% from 2010 to 2020.

### 3.7.3. UNEMPLOYMENT

In 2020, there were a total number of 114 000 people unemployed in Sekhukhune, which is an increase of 41 100 from 72 300 in 2010. The total number of unemployed people within Sekhukhune constitutes 27.67% of the total number of unemployed people in Limpopo Province. The Sekhukhune District Municipality experienced an average annual increase of 4.60% in the number of unemployed people, which is worse than that of the Limpopo Province which had an average annual increase in unemployment of 3.10%.

UNEMPLOYMENT RATE (OFFICIAL DEFINITION) - SEKHUKHUNE, LIMPOPO  
AND NATIONAL TOTAL, 2010-2020 [PERCENTAGE]

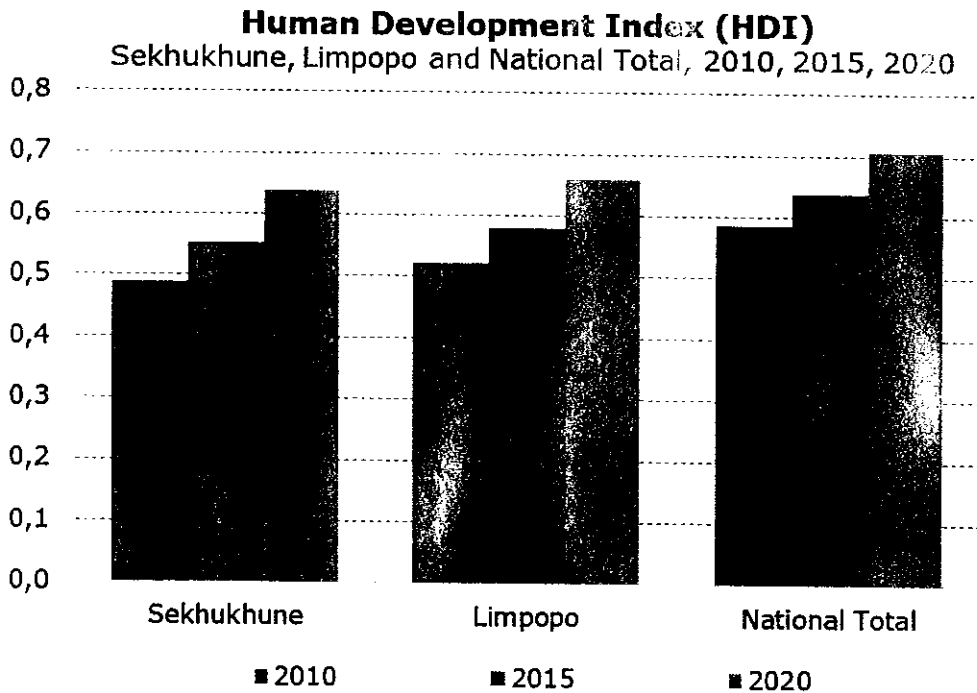
2010	35.3%	24.6%	24.9%
2011	32.3%	22.3%	25.1%
2012	30.7%	20.8%	25.1%
2013	29.2%	19.3%	25.2%
2014	28.2%	18.2%	25.2%
2015	29.1%	18.6%	25.5%
2016	32.1%	19.7%	26.4%
2017	33.1%	20.0%	27.2%
2018	33.2%	19.7%	27.4%
2019	35.6%	21.0%	28.4%
2020	40.0%	24.0%	29.9%

*Source: IHS Markit Regional eXplorer version 2142*

In 2020, the unemployment rate in Sekhukhune District Municipality (based on the official definition of unemployment) was 39.99%, which is an increase of 4.69 percentage points. The unemployment rate in Sekhukhune District Municipality is higher than that of Limpopo. The unemployment rate for South Africa was 29.93% in 2020, which is a increase of 5 percent from 24.93% in 2010.

## HUMAN DEVELOPMENT INDEX (HDI)

HUMAN DEVELOPMENT INDEX (HDI) - SEKHUKHUNE, LIMPOPO AND NATIONAL TOTAL, 2010, 2015, 2020 [NUMBER]

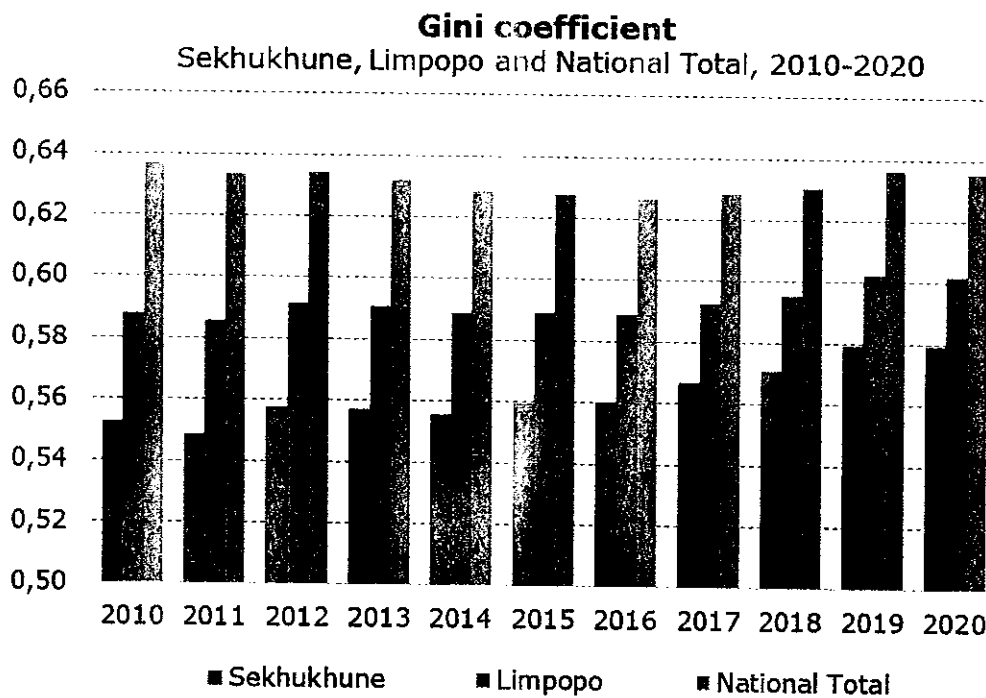


Source: IHS Markit Regional eXplorer version 2142

In 2020 Sekhukhune District Municipality had an HDI of 0.637 compared to the Limpopo with a HDI of 0.66 and 0.706 of National Total as a whole. Seeing that South Africa recorded a higher HDI in 2020 when compared to Sekhukhune District Municipality which translates to worse human development for Sekhukhune District Municipality compared to South Africa. South Africa's HDI increased at an average annual growth rate of 1.88% and this increase is lower than that of Sekhukhune District Municipality (2.71%).

### 3.7.4. GINI COEFFICIENT

GINI COEFFICIENT - SEKHUKHUNE, LIMPOPO AND NATIONAL TOTAL, 2010-2020 [NUMBER]



*Source: IHS Markit Regional Explorer version 2142*

In 2020, the Gini coefficient in Sekhukhune District Municipality was at 0.579, which reflects an increase in the number over the ten-year period from 2010 to 2020. The Limpopo Province and South Africa, both had a more unequal spread of income amongst their residents (at 0.602 and 0.635 respectively) when compared to Sekhukhune District Municipality.

## 3.8. LOCAL ECONOMIC DEVELOPMENT INITIATIVES

The following is progress made in terms of coordination and facilitation of local economic development from 01 July 2021 to 30 June 2022:

### 3.8.1. TOURISM DEVELOPMENT

#### 3.8.1.1. 2021 Provincial Tourism Month Launch

LEDET in collaboration with LTA, SDM and Ephraim Mogale Local Municipality launched Provincial Tourism month in Sekhukhune District on the 03<sup>rd</sup> and 4<sup>th</sup>

September 2021 and closed it on the 29<sup>th</sup> and 30<sup>th</sup> September 2021 in Burgersfort with ± 50 Tourism Establishment and Products owners benefiting from marketing exposure and selling of the products. The theme of the Tourism Month was "Re-igniting Domestic Travel".

### **3.8.1.2. Establishment of Sekhukhune District Tourism Association**

The Municipality managed to establish Sekhukhune District Tourism Association with the Executive Committee elected on the 12<sup>th</sup> November 2021 after the 4 local municipalities established local Tourism Associations. The association developed its constitution on the 9<sup>th</sup> December 2021. The municipality planned to launch the association in September 2022 for the launch to coincide with the Tourism Month.

## **3.8.2. AGRICULTURE DEVELOPMENT**

### **3.8.2.1. Agri Park Programme**

#### **Development of Agri Hub Site**

DALRRD fenced the Agri-Hub site with 1.8 High Steel Palisade fence and the project value was R2,993,373.23. The construction work was completed on the 20 of December 2021. The project managed to create 11 work opportunities for a period of 3 months

### **3.8.2.2. Farmers Support through the FPSU**

Department of Agriculture Land Reform and Rural Development (DALRRD) supported 797 farmers/projects around the Vleeschboom Farmer Production Support Unit (FPSU) with production inputs for 1 hectare each during October 2021. This is an effort to promote cultivation of grains around the FPSU to make farmers ready to utilise the services which the FPSU will provide when operationalised.

### **3.8.2.3. Farmers Support**

As part of farmers support, Limpopo Department of Agriculture and Rural Development (LDARD) supported the following projects:

- ✓ **Magadimana Project (Budget R3,500,000.00)**  
**Activates** - 20 ha Debushing & land preparation, 4 km fence, 20 ha irrigation system, upgrade pump station, citrus establishment, storage shed, ablution facilities.
- ✓ **Ditsebe Ngwana Mobu Project (Budget R2,424,000.00)**

**Activities** - Reservoir, centre pivot of 6 ha, 2 ha shade net & package shed/cooler.

✓ **Mogalatjane irrigation Scheme (Budget R3,000,000.00)**

**Activities** - Installation of irrigation system on 132 ha , fence repair and pump house repair.

#### 3.8.2.4. Farmer Support through Fetsa Tlala Programme.

LDARD Budgeted R15,180,000.00 for Fetsa Tlala Programme and managed to supply production inputs to crops and animal farmers and rendering of mechanization services. **Progress made**-1289 farmers were supported with production inputs and mechanisation for 1 hectare each during the financial year.

Department of Agriculture, Land Reform and Rural Development (DALRRD) supported the following projects:

**Grootboom** -R9,184,550.00 (agricultural support fund); The project was supported with a tractor, farm implements and livestock (61 Bonsmara Cows & 4 bulls). Expenditure to date is R1,477,520.00.

**Vleeschboom FPSU**-R5,400,000.00. The fund is for completion of outstanding infrastructure work at the Vleeschboom FPSU. An engineer to design the work was appointed and the designs were completed as at the end of the financial year.

#### 3.8.2.5. MINING DEVELOPMENT

##### 3.8.2.6. Fetakgomo Tubatse Special Economic Zone (FTSEZ)

The following milestones have been achieved in the facilitation of FTSEZ:

- LEDA has through its service provider Enviroexcellence submitted an Environmental Impact Assessment Report to LEDET and is awaiting for a decision.
- The Deputy Minister of the Department of Trade, Industry and Competition visited the SEZ project on the 28<sup>th</sup> October 2021 to consolidate support for the facilitation of FTSEZ.
- Sekhukhune District Municipality seconded 2 officials (Engineer and Senior Town Planner) to augment FTSEZ Project Management Unit.
- A tender for appointment of Professional Service Provider (PSP) for the

design and implementation of integrated security infrastructure as in perimeter fence, fire breaks, security guard house, access gate and CCTV system phase 1a was closed on the 25<sup>th</sup> February 2022 and a contractor was appointed.

- A tender for appointment of PSP to conduct the Township Establishment for FTSEZ was closed on the 25<sup>th</sup> February 2022 and a contractor was appointed.
- A tender for appointment of PSP for the development of Regional Industrial Development Master Plan for the region and FTSEZ was closed on the 3<sup>rd</sup> February 2022 and a contractor was appointed.
- A Professional Service Provider (Mahube Training and Development) to conduct Skills Audit in the entire Sekhukhune District was appointed.
- FTSEZ Political Steering Committee was resuscitated and held on the 23<sup>rd</sup> February 2022 and reviewed the Steering Committee draft Terms of Reference.
- Community and Stakeholders engagement plan has been developed and it is ready to be rolled out.
- A Quadripartite Agreement between DTIC, LEDET, Fetakgomo Tubatse Local Municipality and Sekhukhune District Municipality (SDM) has been finalised and it was submitted to DTIC for finalisation.
- 5 companies ready to locate in the SEZ site was under due diligence & final commitments to be secured soon
- Integration of Mining Input Supplier Park into the FTSEZ is in the pipeline.

### **3.8.3. INFRASTRUCTURE DEVELOPMENT**

#### **Malekana Steel Bridge Replacement Project**

Department of Mineral Resources and Energy (DMRE) facilitated an initiative to replace Malekana Steel Bridge. The initiative is a joint collaboration of DMRE, Mining Companies operating in Sekhukhune District, Sekhukhune District Municipality (SDM), Sekhukhune Development Agency (SDA), Fetakgomo Tubatse Local Municipality (FTLM), Limpopo Department of Public Works, Roads and Infrastructure (LDPWRI) and Road Agency Limpopo (RAL). The project includes construction of a new bridge and refurbishment of the old bridge as a pedestrian bridge and a

monument. According to the preliminary designs and financial projections, construction of the new bridge will cost R69,600,000.00 and refurbishment of the steel bridge as a monument will cost R 10,000,000.00 with the overall amount of R 79,600,000.00.

The project obtained financial assistance from mining companies and the following mining companies contributed towards the Steel Bridge Replacement Project fund:

- Dwarsrivier Chrome Mine (Pty) Ltd
- Rakhoma Mining Resources (Pty) Ltd
- Glencore South Africa (Pty) Ltd
- Rustenburg Platinum Mines (De Brochen) (Pty) Ltd
- Samancor Chrome (Pty) Ltd
- Samancor Chrome (Pty) Ltd
- Booyendal Platinum (Pty) Ltd
- Tjate Platinum Corporation (Pty) Ltd
- Two Rivers Platinum
- Road Agency Limpopo (RAL)

Road Agency Limpopo is the implementing agent of the project starting from design, procurement of service providers to monitoring and evaluation of the construction process. Available Budget allocated towards cost of design and construction of the new bridge with associated roadworks and rehabilitation of the existing was R80,100,000.00. The project was at design stage and according to the preliminary plan the project was planned to be completed by December 2023.

#### **3.8.4. FACILITATION OF ECONOMIC DEVELOPMENT FORUMS**

Section 4 of the Intergovernmental Relations Framework Act 2005 (Act No.13 of 2005) read together with Chapter 3 of the Constitution of the Republic of South Africa provides for the establishment of Intergovernmental Relations (IGR) Forums. Departments of Planning and Economic Development in the local government sphere quarterly hold technical IGR Forum meetings. The municipality successfully facilitated 3(Agriculture, Tourism and LED) Economic Development Forums out of 4 planned.



### **3.9. 2021/2022 FINANCIAL YEAR JOB CREATION THROUGH VARIOUS PROJECTS AND EXPANDED PUBLIC WORKS PROGRAMME (EPWP)**

National Department of Public Works (NDPW) annually incentivize implementing bodies with incentive grant allocation to augment job creation efforts. The municipality was allocated a total incentive grant amounting to R 8,180,000.00 for 2021/2022 financial year. The municipality through its various projects and programmes including EPWP incentive grant managed to create 2540 job opportunities. Out of the 2540 jobs that were created, 1394 were males and 1146 females. Youth comprised 1200 job opportunities and there were only 09 people living with disabilities that were employed during the financial year.

### **3.10. SPATIAL RATIONALE**

#### **3.10.1. SPATIAL PLANNING AND LAND USE MANAGEMENT ACT (SPLUMA) IMPLEMENTATION**

##### **JOINT DISTRICT MUNICIPAL PLANNING TRIBUNAL (JDMPT)**

The Sekhukhune JDMPT lapsed in March 2021 and contract was extended in August 2021 to allow the smoothing running of the tribunal while busy with re-establishment process as approved by Council of Sekhukhune District Municipality to conclude. The reestablishment processes for the JDMPT were done in terms of section 34 (1, 2 & 3) and 36 (1) (b) of the Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013) read together with regulation 7 (1, 4 & 5) of the Spatial Planning and Land Use Management and General Matters, 2013.

District Municipality further approved the signing of new Modalities on the agreement of the re-establishment of the Joint District Municipal Planning Tribunal by all its four local municipalities and the appointment of Tribunal members by calling for the nominations in terms of SPLUMA sub regulation 6 for a period of three (3) years. Agreement on the Modalities for the establishment of a Joint District Municipal Planning Tribunal and the appointment of the Tribunal members was prepared in terms of section 34 (1, 2 & 3) and 36 (1) (b) of the Spatial Planning and Land Use Management Act, 2013 (Act No.16 of 2013) read together with regulation 7 (1, 4 & 5) of the Spatial Planning and Land Use Management and General Matters, 2013.

The process of appointing new JDMPT members were concluded on the 1<sup>st</sup> May 2022, where new modalities were signed by all four local municipalities within the district.

The following development applications were administered by the JDMPT per local municipality during the financial year:

<b>Name of Municipality</b>	<b>Applications received</b>	<b>Approved / Not approved</b>
1. Elias Motsoaledi Local Municipality	6 applications received	4 Applications approved and 2 referred
2. Ephraim Mogale Local Municipality	5 applications received	4 Applications approved and 1 referred
3. Fetakgomo Tubatse Local Municipality	5 applications received	3 Applications approved and 2 referred
4. Makhuduthamaga Local Municipality	No applications were received	None
<b>Total applications in Sekhukhune</b>	<b>16 applications received</b>	<b>11 Applications approved and 5 referred</b>

### 3.10.2.3. LAND FOR MUNICIPAL OFFICES

The formal workshop which was planned for August 2021 did not take place. The National and Provincial Treasury were supposed to present different options available, which will also provide clarity to 30% and the PPP benefits requested by Pedi Mamone. Makhuduthamaga, Sekhukhune District and LDPWRI managed to sign the confirmation for acceptance of hectors issued by Pedi Mamone. Makhuduthamaga also committed in writing to appoint the land surveyor for the respective land. The Sketch diagrams for District offices and municipalities by CoGHSTA were finalized and forwarded to LDPWRI for valuation.

On the 11<sup>th</sup> December 2021 pre-community resolution meeting was held at Pedi Mamone Tribal Authority, where a 21 days' notice for signing final community resolution was issued on the 13<sup>th</sup> December 2021. The meeting for issuing final community resolution took place on the 5<sup>th</sup> February 2022, where Pedi Mamone Tribal Authority obtained three community resolutions for the development of municipal and districts offices, the construction of Mall and private hospital. The resolutions were signed off separately by various community members.

### 3.10.3. SPATIAL DEVELOPMENT FRAMEWORK (SDF)

- The Spatial Development Framework (SDF) is a core component of the Municipality's economic, sectorial, spatial, social, institutional, and environmental vision.
- SDM has in the 2017/18 financial year reviewed the SDF in terms of Chapter 4, section 12 & 20 of Spatial Planning and Land Use Management Act, 2013 (SPLUMA) (Act No.16 of 2013) stipulating that Municipal Spatial Development Framework must be prepared as part of a Municipality's Integrated Development Plan.
- Sekhukhune District Municipal Council has on resolution OC 04/03/19 adopted the municipal Spatial Development Framework and place a notice in the Provincial Gazette.
- The SDF for Sekhukhune was prepared with the alignment of the Limpopo Development Plan (2015-2020) which was built on the Limpopo Provincial Growth and Development Strategy (PGDS) and the Limpopo Economic Growth and Development Plan (2009-2014) which are aligned to the National Development Plan.
- The vision is to fulfil the potential for prosperity of the District in a socially cohesive, sustainable, prosperous, and peaceful manner. This was attained by emphasising participatory leadership aimed at promoting excellence and an entrepreneurial spirit, improved service delivery, facilitation of decent job creation and systematic poverty reduction.
- For the Financial year under review, a total of 6 Development Applications were approved in line with the Spatial Development Framework. Due to the consistent covid 19 protocols, the development applications were not submitted in large numbers.
- The District Municipality facilitated the Spatial Development workshop for Traditional Leaders and Councillors during 2017/18 and 2018/19. The Traditional Leaders requested that further workshops be on hold until their

national SPLUMA concerns are addressed by the Minister of Rural Development and Land Reform.

#### **3.10.4. CHALLENGES ON SPATIAL DEVELOPMENT**

- Unresolved and competing land claims in the area threaten to destabilize future development.
- Growing of Informal settlements and housing backlog as mining activities intensify.
- Competing land uses (i.e., the mining and agriculture, Commercial, etc.) cause spatial, social, environmental, and economic constraints.
- Poor implementation of sector plans (SDF, LUS) and Polices by the municipalities

## CHAPTER FOUR: ORGANISATIONAL DEVELOPMENT PERFORMANCE

### 4.1. ORGANISATIONAL DEVELOPMENT PERFORMANCE

Sekhukhune District Municipality through its Performance Management System developed the Service Delivery and Budget Implementation Plan (SDBIP) for 2021/2022 financial year.

The District Municipality had planned to achieve a total of **186** targets for the 2021/2022 financial year. The Municipality managed to achieve **110** of the **186** set targets which is an equivalence of **59%** and **76** set targets were not achieved.

However, the municipality has declined with 4% from the previous financial year. The Department of Infrastructure and Water Services [as the key Department of the district] with **47** targets and only achieved **8** targets at **17%**. Due to poor provision of water services to communities, the Municipality faces challenges of community unrest.

The Department is constantly experiencing challenges relating to slow procurement processes, lack of source developments, poor performance by contractors and inability of ESKOM to provide electricity to water sources.

**Table 1** below is an executive summary of the performance per the Key Performance Areas for the 2021/2022 financial year:

**Table 1:**

KEY PERFORMANCE AREAS	2020/2021 PERFORMANCE	2021/2022 PERFORMANCE			
	% ACHIEVED	NUMBER OF SET TARGETS	NUMBER OF ACHIEVED TARGETS	NUMBER OF TARGETS NOT ACHIEVED	% ACHIEVED
<b>BASIC SERVICE DELIVERY AND INFRASTRUCTURE</b>					
Infrastructure & Water Services	29%	47	08	39	17%
Community Services	100%	18	18	-	100%
<b>TOTAL</b>	<b>45%</b>	<b>65</b>	<b>26</b>	<b>39</b>	<b>40%</b>
<b>GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>					
Office of the Speaker	83%	13	10	03	76%
Office of the Executive Mayor	75%	22	16	06	72%

Office of the Municipal Manager	70%	18	15	03	83%
<b>TOTAL</b>	<b>75%</b>	<b>53</b>	<b>41</b>	<b>12</b>	<b>77%</b>
<b>INSTITUTIONAL DEVELOPMENT AND ORGANISATIONAL DEVELOPMENT</b>					
Corporate Services	80%	26	18	08	69%
IDP, PMS & Legal Services	93%	13	10	04	76%
<b>TOTAL</b>	<b>84%</b>	<b>39</b>	<b>27</b>	<b>12</b>	<b>71%</b>
<b>FINANCIAL MANAGEMENT AND VIABILITY</b>					
<b>TOTAL</b>	<b>55%</b>	<b>15</b>	<b>08</b>	<b>07</b>	<b>53%</b>
<b>SPATIAL RATIONALE</b>					
<b>TOTAL</b>	<b>75%</b>	<b>04</b>	<b>04</b>	<b>-</b>	<b>100%</b>
<b>LOCAL ECONOMIC DEVELOPMENT</b>					
<b>TOTAL</b>	<b>60%</b>	<b>10</b>	<b>04</b>	<b>06</b>	<b>40%</b>
<b>TOTAL Performance</b>	<b>63%</b>	<b>186</b>	<b>110</b>	<b>76</b>	<b>59%</b>
<b>SEKHUKHUNE DEVELOPMENT AGENCY</b>	<b>53%</b>	<b>11</b>	<b>04</b>	<b>07</b>	<b>36%</b>

TABLE 2: ANNUAL PERFORMANCE AS PER DEPARTMENTS

DEPARTMENT	NO. OF TARGETS	TARGETS ACHIEVED	TARGETS NOT ACHIEVED	% ACHIEVED
Infrastructure & Water Services	47	08	39	17%
Community Services	18	18	-	100%
Corporate Services	26	18	08	69%
Municipal Manager's Office	27	22	5	81%
Office of the Executive Mayor	22	16	06	72%
Office of the Speaker	13	10	03	76%
Budget & Treasury Office	15	08	07	53%

Planning & Economic Development	18	10	8	55%
<b>Total</b>	<b>186</b>	<b>110</b>	<b>76</b>	<b>59%</b>

A full excel report outlining set targets, achieved targets and targets not achieved with reasons for non-achievements is attached as **Annexure APR1**.

Below is a graphical depiction of the overall performance of the Municipality in the financial year 2021/2022:

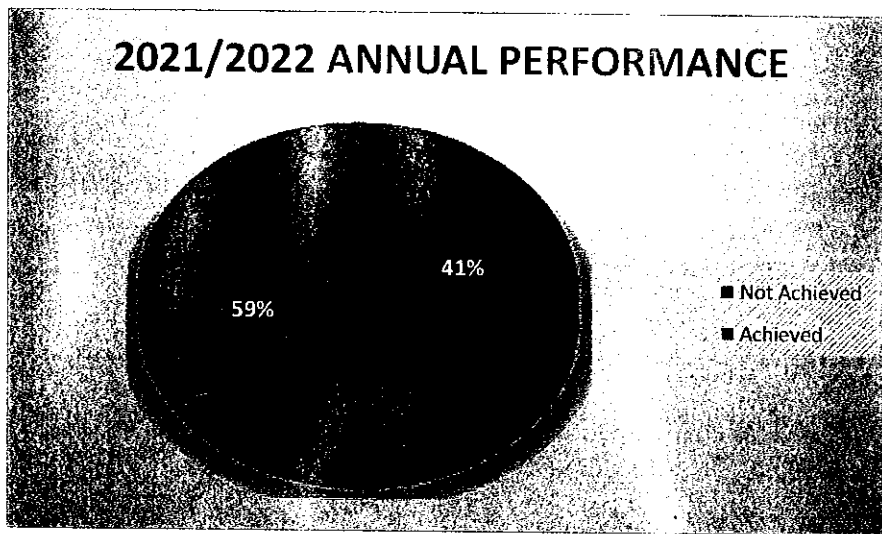


Figure 1

There are number of challenges as to why some targets could not be achieved by the municipality. The challenges are outlined in the Annual Performance Report per KPA. These can be summarised as follows:

**Measures to improve performance**

Challenge	Measures to improve performance
The poor quality of technical reports due to lack of technical capacity within the Municipality	Experienced PSP’s to be appointed and monitored, The existing design committee to be strengthened for reviewing technical reports prior to submission to Department of Water & Sanitation (DWS) & Bid Specification Committee (BSC). MISA has deployed officials to support the Municipality.
Poor planning due to lack of capacity within the planning department of the municipality	MISA has deployed professional engineers to support the Municipality
Lack of alignment in terms of (knowledge, experience and qualifications) against the functions &	Technical skills audit, structured skills development & training for technical personnel by MISA

organisational structure	
Inadequate application of Project Management Techniques in Planning & Implementation of projects	Continuous technical skills training & development through SAICE training programme. MISA is providing training combined with on-the-job training.
Disagreement between Traditional Leaders on land where projects are to be implemented. One village does not agree to share with neighbouring community.	Extensive consultation before the approval of the project by DWS. Obtain prior approval of Traditional Leaders for the projects to continue.
Lack of water source within the region. Sometimes the quality of water cannot be used for consumption which compels the Municipality to stall the projects. Additional funding will therefore be required to build a package plant. This funding acquisition process takes time.	At planning stage, the quality and quantity of underground water must be determined before the technical report to drill a borehole is submitted for funding.
Delays by ESKOM to energise completed projects for commissioning	Submit application for connection to ESKOM grid at the planning stage of the projects to accommodate their sourcing period.
Structuring of the RBIG to be paid to the Municipality via DWS whereas the DORA allocates it directly to the Municipality. DWS delays the payment of service providers funded from this grant.	Engage the National Treasury to transfer the RBIG grant directly to the municipality

## 2021/2022 AUDITOR'S GENERAL OPINION ON AUDIT OF PERFORMANCE

The Auditor General of South Africa audited the performance for the Key Performance Area of Basic Service Delivery. The opinion expressed was **qualified** and the following were the basis for the opinion.

### REPORT ON THE ANNUAL PERFORMANCE REPORT (APR)

1. Supporting evidence differ from the reported achievements-**Recurring**
2. Performance indicators were not well defined ,targets were not specific and measurable -**New**
3. Reported target were not consistent when compared with the planned target - **Recurring**
4. Achievement reported in the annual performance report materially differed from the supporting evidence-**Recurring**



## **COMPONENT A: INTRODUCTION TO MUNICIPAL PERSONNEL**

### **4.1.1 INTRODUCTION**

In terms of the White Paper on Human Resource Management in the Public Service, HR management will result in diverse competent and well-managed workforce; capable of and committed to delivering the high-quality services to the people of South Africa. It should be a model of excellence in which service to society stems from individual commitment instead of compulsion. The mission of the White Paper also emphasises that the management of people should be regarded as a significant task for those who have been charged with the responsibility and should be conducted in a professional manner. In the same breath, Section 57 of the Municipal Systems Act, 32 of 2000 requires the municipalities to develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration. The above legislations direct Municipalities to put in place HR policies, procedures, practices and strategies that will enable the attainment of the organizational strategic objectives. Human Resource is an important role player and an enabler in this regard. In order to succeed the mission and vision of Human Resource unit should be aligned to those of SDM and the IDP.

### **4.1.2. Human Resource Vision and Mission**

#### **4.1.2.1. HR Vision**

To be a unit that champions effective, efficient and economic human resource support service

#### **4.1.2.2. HR Mission Statement**

To provide human resource service through high impact, sustainable and strategic objectives to attain shared growth and productivity through:

- Provision of recruitment, selection and appointment of staff
- Provide staff retention and terminations
- Provision of leave administration
- Provision of employees benefits administration
- Provision of HR policies and procedures development
- Implementation of Employment equity Act
- Provision of training and development
- Provision of performance management system
- Provision of employee database

### **4.1.3. Legal Framework**

Human resource derives its mandate from, inter-alia, the following legislative prescriptions:

- The Constitution of RSA ( Act, 108 of 1996)

- The Basic Conditions of Employment Act, 75 of 1997
- Employment Equity Act, 55 of 1998
- Skills Development Act, 97 of 1998
- Labour Relations Act, 66 of 1995
- Municipal Systems Act, 32 of 2000
- The White Paper on Human Resource Management in the Public Service.

## 4.2. EMPLOYEES

### 4.2.1. TOTAL NUMBER OF EMPLOYEES, STAFF TURN-OVER AND VACANCIES

- As per Organizational structure of the 2021 / 2022, **810** posts were filled. This means that the total number of personnel was **810 at the end of June 2022**. As at the end of **June 2022**, there were 253 Community Volunteers, which does not form part of the 810 number of employees. The following positions were vacant at the end of June 2022; Chief Financial Officer, Director Corporate Services and Director IWS.
- A breakdown of the posts in the organization is reflected in the table below:

### 4.2.2. Total Number of Employees

Executive Mayors Office	38	19	19
Office of the Speakers	18	8	10
MM's Office	15	7	8
CPS	59	33	26
BTO	55	35	20
PED	8	5	3
Bareki Mall	6	2	4
AB Skhosana	35	13	22
Disaster Management	5	1	4
Ephraim Mogale	11	5	6
Makhuduthamaga	19	3	16
Tubatse	10	2	8
Mashilabela	8	4	4
Community Services Health	20	14	6
Bareki Mall	39	17	22
Fetakgomo	45	18	27
Makhuduthamaga	90	22	68
Elias Motsoaledi	135	48	87

Tubatse	135	36	99
Ephraim Mogale	45	8	37
Workshop	14	2	12
EPWP (COMMUNITY VOLUNTEERS)	253	124	129

#### 4.2.3. Senior management posts' vacancy rate in comparison with the SDM local municipalities for 2021-2022

Municipality	Number of posts	Filled	Vacant	Vacancy rate
Fetakgomo Tubatse	8	6	2	25%
Makhuduthamaga	6	6	6	100%
Ephraim Mogale	6	5	1	17%
Elias Motsoaledi	7	3	4	57%
Sekhukhune	8	3	5	71%
<b>Total</b>	<b>35</b>	<b>23</b>	<b>17</b>	<b>48%</b>

#### 4.3. HR ORGANISATIONAL POLICIES

A policy is defined as a system of principles to guide decision making and achieve rational outcomes. In order for human resource practices to be fair, transparent, effective, efficient, consistent and economic, the policies, guidelines and Standard Operating Procedures should be developed in line with the applicable legislations for attainment of the organizational imperatives as enshrined in the IDP. In compliance with the above, the following CPS policies were developed/reviewed:

- Individual Performance Management Policy
- Training and Development Policy
- Standby and Overtime Policy
- Substance Abuse Policy
- Sexual Harassment Policy
- Job Evaluation Policy
- Recruitment and Selection Policy
- Bursary Policy
- Local Labour Forum Policy
- Scarce Skills Policy

- Secondment Policy
- Acting Policy
- Cost Containment Policy
- Succession Planning Policy
- Employee Assistance Programme Policy
- ICT Firewall Policy
- ICT Disaster Recovery Policy
- ICT Data Backup and Recovery Policy
- Data Centre Access Control and Environment Policy
- Subsistence and Travelling Allowance
- Human Resource Unit has identified policies that are necessary in the practice and are considered for development and also the Standard Operating Procedures for all the developed/reviewed:
  - Official Working Hours
  - Business Code of Ethics Policy
  - Human Resource Development Strategy
  - Personal Clothing and Equipment Policy
  - Remuneration Policy
  - Managing Underperformance Policy
  - Fraud and Bribery Policy
  - Equality and Diversity Policy
  - Fleet Management Policy
  - Facility Management Policy
  - Personal File Access Policy
  - Bereavement and Funeral Policy
  - Gift Policy

NB Human Resource Unit has developed the HR Strategic Plan and it is on the consultation process

#### **4.4. INJURY ON DUTY REPORT**

##### **Injury On Duty Report**

The following is the Injury on duty report (Occupational Health and Safety - accidents/ incidents) from July 2021 until June 2022. This is done as per Compensation for Occupational Injuries and Diseases Act no 130 of 1993. The report is categorized as follows: (a) name of the employee, (b) claim number, (c) employee identity number, (d) date of the injury, and (e) case progress. Below is the table that illustrates the above-mentioned report:

NAME OF THE EMPLOYEE	CLAIM NUMBER	ID NUMBER	DATE OF INCIDENT /DIAGNOSIS	PROGRESS
Mashiye SS	11662271	6404105605081	15.12.2021	Final medical report indicating permanent disablement was submitted to Compensation Fund. Employee was recommended for compensation. Bank details of the employee were requested and submitted to for payment of compensation.
Makola AK	11640988	6609125773087	08.11.2021	Final medical report depicting no Permanent disablement of the employee was submitted to Compensation Fund. Claim finalisation letter issued with no Permanent Disablement.
Matlou BR	11602594	7605160789086	18.08.2021	Claim was finalized on 12.01.2022. Employee suffered no Permanent Disablement.
Maponya MS	11600906	7904195393063	21.07.2021	The employee is still receiving medical treatment as an outpatient
Phala MM	11606550	8410210369081	11.05.2021	Awaiting progress/final medical reports from the employee so that they can be submitted to Compensation fund
Dhlamini MJ	11630256	8408105367087	17.08.2021	The employee is receiving medical treatment as an outpatient

Matemane KM	1163024	83091516400	11.11.2021	Progress medical reports outstanding.
Ditshego WM		7708185529089	27.05.2022	Employee is receiving treatment as outpatient
Maseko AN	11721965	6812050770082	31.05.2022	Employee is receiving treatment as outpatient
Maunatlala R	11720698	7310170330084	27.05.2022	Awaiting progress/final medical report. Employee is receiving treatment as outpatient.
Mahlare MS	11727712	85102005774086	10.05.2022	Employee is receiving medical treatment as outpatient

#### 4.5. LABOUR RELATIONS CASES

In the year under review (2021-2022) the municipality had to contend with the following cases affecting its employees.

Misconduct cases are dealt with in terms of s23 of the Constitution, Labour Relations Act, and Disciplinary Procedure Collective Agreement, Municipal Systems Act (code of conduct for municipal staff members), SDM policies, SDM Circulars and other labour legislations.

**One (01) misconduct case was facilitated and not finalized.**

**Warning/s issued**

**No warning employees issued with a final written warnings Three** in terms of the Schedule 8 of the Labour Relations Act and Disciplinary procedure collective agreement.

**Grievance cases**

Grievance cases are dealt with in terms of s23 of the Constitution and Section C, Clause 13 of the SALGBC Main Collective Agreement.

**Three (03) grievances was lodged and facilitated during the period under review.**

**Dispute resolution**

Dispute resolutions are dealt with in terms of the Labour Relations Act, SALGBC

Main Collective Agreement, Commission for Conciliation, Mediation & Arbitration (CCMA) rules and other labour legislations.

**Three (03) labour disputes received and facilitated.**

#### 4.6. SKILLS DEVELOPMENT AND TRAINING

The following table indicates various programmes as well as budget commitments undertaken by the Municipality to address the skills of its employees as well as the general communities

#### 4.7. TRAINING SPEND IN 2021/2022

External bursaries	664,396.00	664,396.00
Staff bursaries	569,482.00	569,482.00
WSP Implementation	474,569.00	474,569.00
Experiential learning	None	None
Internship	124,800.00	124,800.00

#### 4.8. BURSARIES

In the 2021/2022 financial year Sekhukhune District Municipality has been supporting students financially to study for various programmes at Universities.

The municipality is currently providing financial assistance to needy students who are attending various tertiary institutions. There are **thirty two (32)** students that are currently in the programme through the internal bursary scheme that we provide. These employees study in the various fields. There three students who are catered through external bursaries.

## **CHAPTER FIVE: FINANCIAL PERFORMANCE**

### **COMPONENT A**

#### **5.1. STATEMENT OF FINANCIAL PERFORMANCE**

The total revenue realised by the SDM for the 2021/2022 financial year reported at R1 486 650 215 as compared to R1,731,632,364.00 for the 2020/2021 financial year. Revenue from exchange items is summarised as follows:

Service charges which are sale of water and sewer services stood at R94,213,108.00 as compared to R85,340,370.00 in the 2020/2021 financial year.

Interest from receivables stood at R16,324,673.00 as compared to R12,936,559.00 in the 2020/2021 financial year. Other sources of revenue such as sale of tender documents contributed R996,456.00 as compared to R80,746,670.00 in the 2020/2021 financial year.

Interest on investments reported at R21,517,320.00 as compared to R15,003,055.00 in the 2020/2021 financial year. Actuarial gains stood at R4,136,237.00 while previous year we have actuarial losses.

Revenue from non-exchange items reported at R1,486,650,215.00 as compared to R1,731,632,364.00 in the 2020/2020 financial year. The bulk of the revenue from non-exchange items is the government subsidies and grants which clearly indicate that we are a grant dependent municipality.

#### **5.2. Revenue sources**

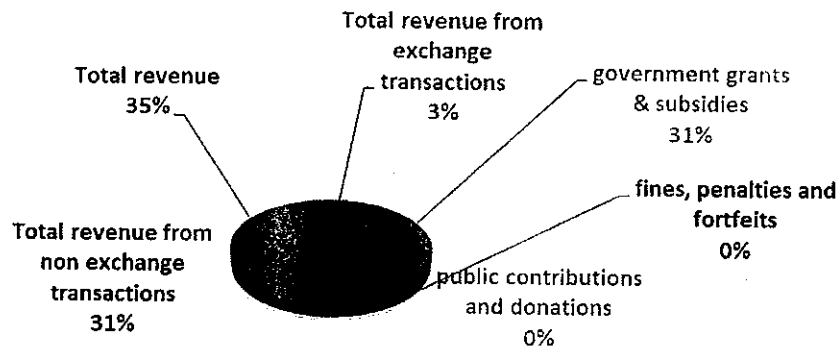
The chart below shows the proportions of revenue for 2021/2022 amount to R1 486 650 215. The chart indicates that the municipality is still receiving a large chunk of its revenue from government subsidies and grants at 89% R1 349 458 204. Service charges had increased by -10%, which represent R94 213 108 compared to the R85 340 370 of the previous financial year and Interest received from debtors which is at -26% amounting to R16 324 673 compared to R12 936 559 of the previous financial year. Furthermore, interest on investment is stated at -43% which represent R21,517,320.00 as compared to previous year at R15,003,055.00.



**TABLE 1: 2020/2021 REVENUE**

REVENUE FROM EXCHANGE TRANSACTIONS		2022 CHANGE IN %	2021 RESTATED
Service Charges	94 213 108,00	-10%	85 340 370,00
Interest received-Debtors	16 324 673,00	-26%	12 936 559,00
Actual Gains	4 136 237,00	0%	
Other Income	996 456,00	98%	80 746 670,00
Interest received -Investments	21 517 320,00	-43%	15 003 055,00
<b>Total Revenus From exchange transactions</b>	<b>137 187 794,00</b>		<b>194 026 654,00</b>
Government grants & subsidies	1 349 458 204,00	91%	1 515 621 876,00
Public contributio & donations		0%	21 980 000,00
Fines, penalties & forfeits	4 217,00	-10%	3 834,00
<b>Total Revenue from non exchanged transactios</b>	<b>1 349 462 421,00</b>		<b>1 537 605 710,00</b>
<b>Total Revenue</b>	<b>1 486 650 215,00</b>		<b>1 731 632 364,00</b>

### REVENUE FROM EXCHANGE TRANSACTIONS AND NON-EXCHANGE TRANSACTIONS



### 5.3. Expenditure Management

The total expenditure for the municipality in 2021/2022 was at R1,179,216,837.00 as compared to R1,155,970,690.00 in 2020/2021 financial year. The personnel costs remain the largest item of expenditure in the 2021/2022 financial year at R403,875,608.00 at 36% as compared to R407,232,659.00 in 2020/2021 financial year. This relates to the payment of salaries and allowances for staff members in the district.

General expenses are the second biggest expenditure item at R212,862,344.00 at 17% compared to R196,273,759.00 for the 2020/2021 financial year. The top five general expense items relate to provision of security, lease rental and operating

lease, fuel and lubricants, laboratories, and chemicals and well as consulting professional services.

Bulk purchases become the third largest area in the expenditure items at R167,797,563.00 at 8% compared to R162,186,318.00 in the 2020/2021 financial year. Bulk purchases relate to purchase of electricity for water operations as well as purchase of water from various service providers for provision to communities.

Depreciation and amortisation become the fourth largest expenditure at R116,366,974.00 at 8% as compared to R107,763,146.00 in the previous financial year.

Lease rentals on operating lease becomes the sixth largest expenditure at R59,923,819.00 at 6% as compared to the previous year 2019/2020 at R63,123,780.00.

Repairs and maintenance become the seventh largest expenditure at R49,861,345.00 at 2% as compared to R41,887,543.00 in the previous financial year. The municipality infrastructure has worn out causing repairs and maintenance budget to increase.

#### **5.4. Asset management**

The Municipality has during 2021/2022 financial year used the appointed service provider to deal with asset management matters over the 12 months. During 2021/2022 all the movable assets have been dealt with, 100% of immovable assets were verified and accounted for. The municipality is continuing the process to clean-up immovable assets during 2021/2022 and beyond. It must be emphasised that these immovable assets are mainly the water services infrastructure that were transferred to the district municipality during the establishment of water services authority and provider functions.

Thus, the municipality has several assets in the form of water and sanitation infrastructure (immovable assets) as well as those assets that are movable (office furniture and vehicles). In the 2020/2021 financial year the assets were at R5,228,943,258.00 as compared to the 2020/2021 financial year at R4,840,560,250.00 There was overall increase in the SDM assets. The total

liabilities for the 2021/2022 financial year were at R669,561,891.00 compared to 2020/2021 financial year which stood at R588,612,462.00.

### **5.5. Net asset position = Assets: Liabilities**

The Municipality has during 2021/2022 financial year used the appointed service provider to deal with asset management matters on a three (3) years contract. During 2021/22 all the movable assets have been dealt with, 80% of immovable assets were verified and accounted for. The municipality is continuing the process to clean-up immovable assets during 2022/2023 and beyond. 100% review of the 2020/21 Fixed Asset Register has been performed. It must be emphasised that these immovable assets are mainly the water services infrastructure that were adopted from DWA and transferred to the district municipality during the establishment of water services authority and provider functions.

Thus far the municipality has number of assets in the form of water and sanitation infrastructure (immovable assets) as well as those assets that are movable (office furniture and vehicles). In the 2021/22 financial year the assets were at R4,616,094,238.00 as compared to the 2020/2021 financial year at R4,401,776,450.00. There was overall increase in the SDM assets. The 2021/22 Fixed Asset Register has been loaded on the Solar System for MSCOA Compliance and Additions for 2021/22 will be updated monthly on the system

## **COMPONENT B: SPENDING AGAINST CAPITAL BUDGET**

### **5.6. Grants received**

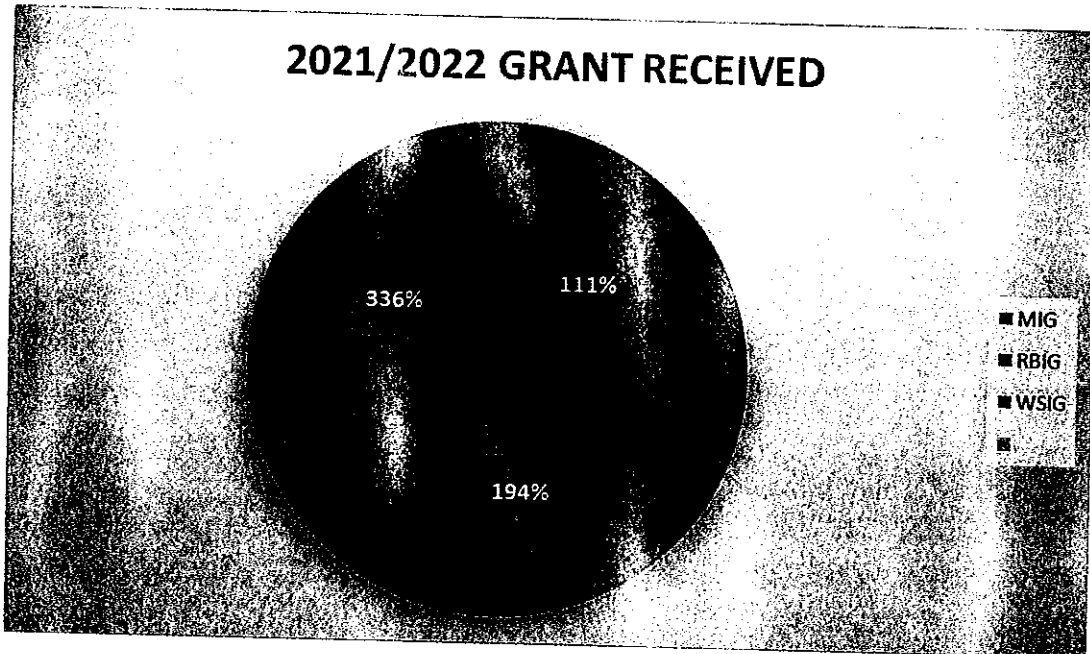
- Sekhukhune District Municipality received an amount of R1,349,458,204.00 for 2021/2022 financial year as compared to R1,515,621,876.00 for 2020/2021 financial year. The grants were received as follows:
- Municipal Infrastructure grant (MIG) to the tune of R413,027,095.00 for financial year 2021/2022 as compared to R460,140,845.00 for 2020/2021 financial year.
- Rural Bulk Infrastructure Grant (RBIG) to the tune of R36,898,058.00 for financial year 2021/2022 as compared to R71 616 837 for 2020/2021 financial year.

- Water Services Infrastructure Grant (WSIG) to the tune of R8: 21,171.00 for 2021/2022 financial year as compared to the R29,027,423.00 received in 2020/2022 financial year.
- The operating grants received was an amount of R890,911,880.00 for the year 2021/2022 as compared with R954,830,271.00 for the 2020/2021 financial year. The operating grants were received as follows:
  - Equitable share received was R878,833,464.00 for 2021/2022 financial year as compared to R942,825,416.00 for 2020/2022 financial year.
  - Rural Roads Assets Management Grant (RRAMS) we received zero for financial year 2021/2022 as compared to R2,309,332.00 for the 2020/2021 financial year.
  - Expanded Public Works Programme (EPWP) to the tune of R8,180,000.00 for 2021/2022 financial year as compared to R6,294,000.00 for the 2020/2021 financial year.
  - Finance Management Grant (FMG) to the tune of R2,200,000.00 for the 2021/2022 financial year as compared to R2,300,000.00 for the 2020/2021 financial year.

### 5.7. Sources of finance for capital funding

TABLE 3

Revenue source	Receipts 2021/2022 in million)	As percentage	Receipts 2020/2021 in million)
Municipal Infrastructure Grant (MIG)	413,027,095.00	90%	460,140,845.00
Regional Bulk Infrastructure Grant (RBIG)	36,898,058.00	8%	71,616,837.00
Water Services Infrastructure Grant (WSIG)	8,621,171.00	2%	29,027,423.00
<b>TOTAL</b>	<b>458,544,324.00</b>	<b>100%</b>	<b>560,791,605.00</b>



Municipal Infrastructure Grant (MIG) is the main source of funding for capital projects at 90% in the 2021/2022 financial year as depicted in the table above. The second highest is Regional Bulk Infrastructure Grant (RBIG) at 194% and Water Services Infrastructure Grant (WSIG) as the third which stood at 336% of the total capital funding in the 2021/2022 financial year.

**5.8. UNSPENT GRANTS FOR**

GRANT	AMOUNT NOT SPENT IN 2021/2022	AMOUNT NOT SPENT IN 2020/2021
MIG	5,874,155.00	47,086,615.00

**COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENT**

**5.9. Cash equivalents**

By the end of the financial year 2021/2022 Sekhukhune District Municipality closed cash and cash equivalents of R398,717,988.00 as compared to R239,198,175.00 in 2020/2021 financial year.

Cash flow from investing activities (purchase of plant and equipment) stood at R333,302,495.00 financial year 2021/2022 as compared to R457,253,342.00 financial year 2020/2021 financial year.

#### **5.10. Investments**

By the end of the 2021/2022 financial year the municipality has short term investment of R237,402,088.00 compared to R62 380 477 in 2020/2021 financial year.

### **COMPONENT D: OTHER FINANCIAL MATTERS**

#### **5.11. Supply Chain Management**

Procurement of goods and services done during the year were following supply chain management policy and regulations. All SCM issues reported under corporative governance.

#### **5.12. Bid Committees**

It is the competency of the Municipal Manager to appoint bid committees in the municipality. All bid committees were established and functioned well. The following committees were established:

- Specification
- Quotation
- Evaluation
- Adjudication

#### **5.13. Oversight role of Council**

The municipality has the following committees to play oversight role to Council and its committees:

- Rules committee enforces council rules during council meetings.
- Petition committee attend to petitions submitted to the municipality and reports to council.

- Ethics committee investigates the conduct of councillors.
- Municipal Public Account Committee (MPAC) ensures accountability of administration to council and Audit committee which advise the municipal council, the political office bearers the accounting officer and the management staff of the municipality as reflected in section 166(2) of MFMA.

#### **5.14. GRAP Compliance**

The annual financial statements (AFS) have been prepared according to GRAP standards as required by the Municipal Finance Management Act, of 2003.

## **CHAPTER SIX: AUDITOR GENERAL FINDINGS AND OPINION**

### **COMPONENT A: 2021/2022 AUDITOR GENERAL OPINION AND FINDINGS**

#### **6.1. 2021/2022 financial year Auditor General South Africa (AGSA) Report and findings**

During the 2021/2022 financial year the Auditor General of South Africa issued a Qualified Audit opinion. The municipality did not improve on the opinion as it is the same as the previous year. **The following were the basis for qualified opinion**

1. Property, Plant and Equipment. (PPE)-Recurring
2. Prior Year Adjustments -Recurring
3. Commitments-Recurring
4. Receivables from non-exchange transactions-Recurring
5. Receivable from exchange transactions-New
6. Net Cash flows from operating activities-Recurring
7. Irregular expenditure-New
8. Statement of changes in net assets-New
9. Contingent assets -New
10. Expenditure-New
11. Provisions-New

#### **EMPHASIS OF MATTERS**

1. Contingent liabilities -Recurring
2. Material losses -Recurring

#### **REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION**

1. Financial Statement, performance Report and Annual Report- Recurring
2. Expenditure Management-Recurring
3. Consequences Management-Recurring
4. Procurement and Contract Management-Recurring



### **REPORT ON THE ANNUAL PERFORMANCE REPORT (APR)**

1. Performance indicators were not well defined ,targets were not specific and measurable -New
2. Reported target were not consistent when compared with the planned target  
Recurring
3. Achievement reported in the annual performance report materially differed from the supporting evidence-Recurring

The municipality has developed an action plan to address the issued raised by the AGSA.

### **COMPONENT B: 2020/2021 AUDITOR GENERAL OPINION**

#### **6.2. Auditor General South Africa (AGSA) Report 2020/2021 financial year**

During the 2021/2022 financial year the Auditor General of South Africa issued a Qualified Audit opinion. **In terms of the audit report there were five (5) matters for basis for qualified opinion**

1. Contingent liability
2. Material losses
3. Irregular expenditure
4. Fruitless expenditure
5. Unauthorised expenditure

**In terms of the audit report there were 8 matters that the district municipality has to address which have material impact to the opinion (Emphasis of matter paragraphs). The following emphasis of matters were raised**

1. Commitments
2. Inventory
3. Employee related Cost
4. Bulk Purchases
5. Revenue from non-exchange transaction
6. Prior year adjustment
7. Net cash from operating activity
8. Property, Plant and Equipment

Further the auditor general reported the **five (5)** additional important matters on Audit of Performance Objectives which the municipality should also address to achieve clean audit report. **Issues on AOPO are more on Consistency, Verifiable, Accuracy, Completeness and Validity.** They have also reported five (5) important matters on compliance matters **1. Annual financial statements, Performance and Annual Report 2. Expenditure management, 3. Procurement and contract management 4. Consequences management and strategic planning and Performance Management**

### **6.3. Auditor General South Africa Report progress on findings for 2020/2021 financial year**

During the 2020/2021 financial year the Auditor General of South Africa issued a Qualified Audit opinion with 5 matters for basis for qualified opinion and 8 matters that had material impact. The municipality had 73 matters inclusive of management report. Out of 73, 69 were addressed as at end of June 2022 at 95%. 4 of the issues not addressed will be addressed in the coming financial year of 2022/2023.

In terms of audit of performance information only Basic Service Delivery key performance area was audited. Qualified Audit Opinion was issued. The challenges of accurate evidence, consistency, verifiable and completeness were recorded and led to the municipality to maintain the Qualified Audit Opinion.

### **CONCLUSIONS**

The Annual Report for 2021/2022 financial year is hereby presented to reflect the performance of the municipality during the period under review. Many challenges remain to be resolved and it requires the collaboration of all stakeholders to put their shoulders behind the wheel to ensure that service delivery is achieved whilst at the same time proper administrative systems and processes are also put in place to comply with best practices.

This Annual Report must not be read in isolation, the annexures to the Annual Report as stated below are also central towards overall understanding of the Annual Report namely:

Annexure A: Audited Annual Financial Statement 2021/2022

Annexure B: Audit Report SDM & SDA

Annexure C: SDBIP Cumulative Performance Report 2021/2022

: Performance of Service Providers Report 2021/2022

Annexure D: Sekhukhune Development Agency Annual Report 2021/2022

Annexure E: Audit Committee Report 2021/2022

Annexure F: Audit Action Plan 2021/2022

Annexure G: Community consultation Report 2021/2022

Annexure H: Oversight Report 2021/2022

## Glossary

**Annual Financial Statement:** the statement that reflects the financial position of the municipality regarding the revenue and expenditures, the statement also shows whether the municipality will be able to operate in the next twelve months based on its assets and liabilities using a formula on financial ratio to determine health.

**Annual Report:** report that is compiled by the municipality indicating overall performance of the organisation in all key areas of service delivery and institutional performance, the report is compiled in terms of Local Government Municipal Finance Management Act, 2003 and submitted in the beginning of the third quarter of the municipal financial year to Council and other legally established structures for review and consideration

**Governance:** refers to establishment and implementation of systems, processes, and procedures to ensure that the municipality and/or organisation complies with the laws, protocols, codes, standards for the purposes of managing risk and internal controls which applies here in South Africa and internationally

**Integrated Development Plan (IDP):** A five-year strategic plan undertaken by a municipality outlining the key projects and programmes to be implemented by the Council which is prepared in accordance with the Local Government Municipal Systems Act, 2000 (Act 32 of 2000). The IDP can be reviewed annually in accordance with a prescribed process.

**Risk Assessment:** overall process of risk identification, risk quantification and risk evaluation in order to identify potential opportunities and minimise loss

**Risk management:** the identification and evaluation of actual and potential risk areas as they pertain to the organisation as a total entity, followed by a process of either avoidance, termination and transfer, tolerance, exploitation, or mitigation of each risk, or a response that is a combination or *integration*.

**Service Delivery and Budget Implementation Plan (SDBIP):** this refers to a detailed plan compiled by a municipality indicating the processes, measurement, indicators and targets that will be followed in implementing the IDP.

**Supply Chain Management:** known and recorded systems and procedures for procurement of goods and services that are being followed by the municipality in line with the Preferential Procurement Framework Act

**ANNEXURE A: 2021/2022**  
**Audited Annual Financial**  
**Statement: SDM & SDA**

# **SDM Audited Annual Financial Statement**



**SEKHUKHUNE**  
District Municipality

Sekhukhune District Municipality  
Financial statements  
for the year ended 30 June 2022  
Auditor General (SA)  
Chartered Accountants (S.A.)  
Registered Auditors

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### General Information

---

<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 11 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
<b>Nature of business and principal activities</b>	The provision of services (water and sanitation) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
<b>Mayoral committee</b>	
Executive Mayor	Clr Ramaila KS
	Clr Mathebe JL
<b>Councillors</b>	Clr Manamela MM (Council speaker)
	Clr Chego KS (Council speaker)
	Clr Mokganyetji M (Chief Whip of council)
	Clr Phokane K (Chief whip of council)
	MMC Manamela M
	MMC Mahlangu MF
	MMC Nchabeleng TL
	MMC Matlala MA
	MMC Mogofe M
	MMC Mnisi SP
	MMC Makola MY
	MMC Nkosi SM
	MMC Manganeng M
	MMC Mmakola SM
	MMC Kupa CR
	MMC Mokganyetji MJ
	MMC Ratau MF
	MMC Mabatane E
	MMC Leshaba MB
	MMC Sefala RE
<b>Grading of local authority</b>	Grade 4 Municipality
<b>Accounting Officer</b>	Ms Ntshudisane MJ
<b>Chief Finance Officer (CFO)</b>	Mr Nkadimeng HL (Acting)
<b>Registered office</b>	03 West Street Groblersdal 0470
<b>Postal address</b>	Private Bag X8611 Groblersdal 0470
<b>Bankers</b>	Standard Bank
<b>Auditors</b>	Auditor General (SA) Chartered Accountants (S.A.) Registered Auditors



# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

## Index

---

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	3
Audit Committee Report	4
Accounting Officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	9 - 14
Appropriation Statement	15 - 14
Accounting Policies	15 - 33
Notes to the Financial Statements	34 - 77

### Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
SALGA	South African Local Government Association
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
RBIG	Regional Bulk Infrastructure Grant

## **Sekhukhune District Municipality**

Financial Statements for the year ended 30 June 2022

### **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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and were given unrestricted access to all financial records and related data.

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

The accounting officer acknowledges that she 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

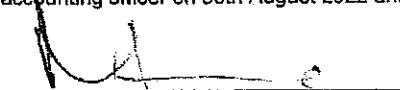
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors. 5.

The financial statements set out on page 5 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 30th August 2022 and were signed on its behalf by:



**Accounting Officer  
Municipal Manager**

## Sekhukhuni District Municipality

Financial Statements for the year ended 30 June 2022

### Audit Committee Report

---

We are pleased to present our report for the financial year ended 30 June 2022.

#### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 ordinary and 2 special audit committee meetings were held.

Name of member	Number of meetings attended
Mr Mokwele M (Chairperson)	4
Ms Ndlovu M CA(SA) - Member	4
Ms Mothelesi M - Member	6
Mr Mathabathe M - Member	6
Mr Thubakgale - Member	5

#### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the Municipal Finance Management Act.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

#### The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

#### Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

#### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

#### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

---

Chairperson of the Audit Committee

Date: \_\_\_\_\_

**Sekhukhune District Municipality**

Financial Statements for the year ended 30 June 2022

**Accounting Officer's Report**

---

The accounting officer submits her report for the year ended 30 June 2022.

The financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 01 March 2022 and were signed on its behalf by:

---

**Accounting Officer**  
**Municipal Manager**

## Sehukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
Current Assets			
Inventories	8	18 898 982	20 698 423
Other financial assets	3	1 000	1 000
Receivables from non-exchange transactions	10	45 749 649	43 291 823
VAT receivable	11	96 497 333	94 178 733
Prepayments	7	4 481 840	3 977 058
Receivables from exchange transactions	12	48 502 028	39 234 675
Cash and cash equivalents	13	398 717 988	237 402 088
		<b>612 848 820</b>	<b>438 783 800</b>
Non-Current Assets			
Property, plant and equipment	2	4 616 094 238	4 401 776 450
<b>Total Assets</b>		<b>5 228 943 058</b>	<b>4 840 560 250</b>
<b>Liabilities</b>			
Current Liabilities			
Operating lease liability	4	419 703	37 587
Payables from exchange transactions	5	563 428 035	502 776 756
Consumer deposits	6	4 876 358	4 624 379
Unspent conditional grants and receipts	14	48 759 800	30 315 359
Provisions	15	20 902 000	24 563 959
		<b>638 385 896</b>	<b>562 318 040</b>
Non-Current Liabilities			
Provisions	15	31 176 000	26 294 422
<b>Total Liabilities</b>		<b>669 561 896</b>	<b>588 612 462</b>
<b>Net Assets</b>		<b>4 559 381 162</b>	<b>4 251 947 788</b>
Accumulated surplus		4 559 381 166	4 251 947 789
<b>Total Net Assets</b>		<b>4 559 381 166</b>	<b>4 251 947 789</b>

\* See Note 44 & 43

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	94 213 108	85 340 370
Interest received - Debtors		16 324 673	12 936 559
Other income		996 456	80 746 670
Interest - Investments	22	21 517 320	15 003 055
Actuarial gains		4 136 237	-
<b>Total revenue from exchange transactions</b>		<b>137 187 794</b>	<b>194 026 654</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	24	1 349 458 204	1 515 621 876
Public contributions and donations	25	-	21 980 000
Fines, Penalties and Forfeits	19	4 217	3 834
<b>Total revenue from non-exchange transactions</b>		<b>1 349 462 421</b>	<b>1 537 605 710</b>
<b>Total revenue</b>	<b>16</b>	<b>1 486 650 215</b>	<b>1 731 632 364</b>
<b>Expenditure</b>			
Employee related costs	26	(403 875 608)	(407 232 659)
Remuneration of councillors	27	(15 631 493)	(15 042 796)
Depreciation and amortisation	29	(116 366 974)	(107 763 146)
Impairment loss	30	(1 495 919)	(39 654 158)
Finance costs	31	(4 546 324)	(3 618 972)
Lease rentals on operating lease	20	(59 923 819)	(63 123 780)
Debt Impairment	33	(47 918 557)	(33 444 880)
Bulk purchases	35	(167 797 563)	(162 186 318)
Contracted services	36	(91 994 045)	(76 969 790)
Transfers and Subsidies	23	(3 219 346)	(2 556 298)
Loss on disposal of assets and liabilities		(1 121 813)	(998 642)
Actuarial losses		-	(5 151 036)
Inventories losses/write-downs		(2 601 687)	-
Bad debts written off		-	(66 913)
General Expenses	34	(212 862 344)	(196 273 759)
Repairs and maintenance		(49 861 345)	(41 887 543)
<b>Total expenditure</b>		<b>(1 179 216 837)</b>	<b>(1 155 970 690)</b>
<b>Surplus for the year</b>		<b>307 433 378</b>	<b>575 661 674</b>

\* See Note 44 & 43

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	3 359 482 146	3 359 482 146
Adjustments		
Prior year adjustments 44	316 803 969	316 803 969
<b>Balance at 01 July 2020 as restated*</b>	<b>3 676 286 115</b>	<b>3 676 286 115</b>
Changes in net assets		
Surplus for the year	575 661 674	575 661 674
Total changes	575 661 674	575 661 674
Opening balance as previously reported	4 217 676 889	4 217 676 889
Adjustments		
Correction of errors 43	34 270 899	34 270 899
<b>Restated* Balance at 01 July 2021 as restated*</b>	<b>4 251 947 788</b>	<b>4 251 947 788</b>
Changes in net assets		
Surplus for the year	307 433 378	307 433 378
Total changes	307 433 378	307 433 378
<b>Balance at 30 June 2022</b>	<b>4 559 381 166</b>	<b>4 559 381 166</b>
Note(s)		

\* See Note 44 & 43

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		45 621 253	65 142 814
Grants		1 367 902 645	1 464 029 796
Interest income		21 517 320	15 003 055
Other receipts		996 456	-
		<b>1 436 037 674</b>	<b>1 544 175 665</b>
<b>Payments</b>			
Suppliers		(941 419 279)	(911 900 712)
<b>Net cash flows from operating activities</b>	<b>37</b>	<b>494 618 395</b>	<b>632 274 953</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(333 302 495)	(457 253 342)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>161 315 900</b>	<b>175 021 611</b>
Cash and cash equivalents at the beginning of the year		237 402 088	62 380 477
<b>Cash and cash equivalents at the end of the year</b>	<b>13</b>	<b>398 717 988</b>	<b>237 402 088</b>

The accounting policies on pages 15 to 33 and the notes on pages 34 to 77 form an integral part of the financial statements.

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash 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	95 858 109	2 780 000	<b>98 638 109</b>	94 213 108	<b>(4 425 001)</b>
Interest received (Outstanding debtors)	13 996 387	500 000	<b>14 496 387</b>	16 324 673	<b>1 828 286</b>
Other income	3 076 248	(1 005 000)	<b>2 071 248</b>	996 456	<b>(1 074 792)</b>
Interest received - investment	17 485 844	4 000 000	<b>21 485 844</b>	21 517 320	<b>31 476</b>
<b>Total revenue from exchange transactions</b>	<b>130 416 588</b>	<b>6 275 000</b>	<b>136 691 588</b>	<b>133 051 557</b>	<b>(3 640 031)</b>

##### Revenue from non-exchange transactions

##### Transfer revenue

Government grants & subsidies	982 113 000	42 100 000	<b>1 024 213 000</b>	970 357 204	<b>(53 855 796)</b>
Fines, Penalties and Forfeits	107 745	(60 000)	<b>47 745</b>	4 217	<b>(43 528)</b>
<b>Total revenue from non-exchange transactions</b>	<b>982 220 745</b>	<b>42 040 000</b>	<b>1 024 260 745</b>	<b>970 361 421</b>	<b>(53 899 324)</b>

\* See Note 44 & 43



## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

<b>Total revenue</b>	<b>1 112 637 333</b>	<b>48 315 000</b>	<b>1 150 952 333</b>	<b>1 103 412 978</b>	<b>(57 539 355)</b>
<b>Expenditure:</b>					
Personnel	(433 126 807)	15 685 969	<b>(417 440 838)</b>	(403 875 608)	<b>13 565 230</b>
Remuneration of councillors	(18 330 456)	-	<b>(18 330 456)</b>	(15 631 493)	<b>2 698 963</b>
Debt Impairment	(10 615 000)	-	<b>(10 615 000)</b>	-	<b>10 615 000</b>
Depreciation and asset impairment	(102 514 292)	(40 000)	<b>(102 554 292)</b>	(116 366 974)	<b>(13 812 682)</b>
Impairment loss/ Reversal of impairments	-	-	-	(1 495 919)	<b>(1 495 919)</b>
Finance costs	(489 818)	-	<b>(489 818)</b>	(4 546 324)	<b>(4 056 506)</b>
Lease rentals on operating lease	(44 487 521)	(4 760 000)	<b>(49 247 521)</b>	(59 923 819)	<b>(10 676 298)</b>
Debt Impairment	-	-	-	(47 918 557)	<b>(47 918 557)</b>
Inventory consumed - Bulk Water Supply	(177 905 447)	3 997 998	<b>(173 907 449)</b>	(167 797 563)	<b>6 109 886</b>
Contracted Services	(158 942 839)	(52 386 719)	<b>(211 329 558)</b>	(91 994 045)	<b>119 335 513</b>
Transfers and Subsidies	(758 211)	(37 960)	<b>(796 171)</b>	(3 219 346)	<b>(2 423 175)</b>
General expenses	(156 361 907)	(9 804 999)	<b>(166 166 906)</b>	(212 862 344)	<b>(46 695 438)</b>
Other (taken out of General expenses)	-	-	-	(49 861 345)	<b>(49 861 345)</b>
<b>Total expenditure</b>	<b>(1 103 532 298)</b>	<b>(47 345 711)</b>	<b>(1 150 878 009)</b>	<b>(1 175 493 337)</b>	<b>(24 615 328)</b>
<b>Operating deficit</b>	<b>9 105 035</b>	<b>969 289</b>	<b>10 074 324</b>	<b>(72 080 359)</b>	<b>(82 154 683)</b>
Loss on disposal of assets and liabilities	-	-	-	(1 121 813)	<b>(1 121 813)</b>
Transfers and subsidies - Capital	415 901 000	(36 800 000)	<b>379 101 000</b>	379 101 000	-
Actuarial gains	409 544	-	<b>409 544</b>	4 136 237	<b>3 726 693</b>
Inventories losses/write-downs	-	-	-	(2 601 687)	<b>(2 601 687)</b>
	<b>416 310 544</b>	<b>(36 800 000)</b>	<b>379 510 544</b>	<b>379 513 737</b>	<b>3 193</b>
<b>Surplus before taxation</b>	<b>425 415 579</b>	<b>(35 830 711)</b>	<b>389 584 868</b>	<b>307 433 378</b>	<b>(82 151 490)</b>
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>425 415 579</b>	<b>(35 830 711)</b>	<b>389 584 868</b>	<b>307 433 378</b>	<b>(82 151 490)</b>

## Sekhukhane District Municipality

Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

#### Revenue - Material variances

1. Service Charges - The actual billing was materially lower than the budgeted billing due to the water reticulation projects which were planned for completion in the current year.
2. Fines & penalties - Non-implementation of the by-laws contributed largely to the material variance in the actual revenue amount recognized for the current year.
3. Interest on outstanding debtors - Non-payment of customer accounts on long outstanding debts in the current year contributed mainly to the increase in the interest on outstanding debtors.
4. Other income - collection on revenue from other income sources was materially below the annual budget due to low sales of tender documents which did not happen as anticipated, contractors do have an option to download documents free of cost on the e-tender portal than buying it from the municipality.
5. Government grants and subsidies - The actual revenue on government grants and subsidies was less than the budgeted amount due to the R 50 million reduction on the annual MIG allocation by the National Treasury on the basis that the interim spending targets were not achieved within the set target dates.

#### Expenditure - Material variances

1. Employee related cost - The vacant positions which were budgeted for in the current year were not filled as anticipated.
2. Remuneration of councillors - No implementation of the upper limits in the current financial year, the upper limits were processed retrospectively in the first quarter of the current financial year.
3. Finance costs - The finance costs on the actuarial calculations were under budgeted for in the 2021/22 financial year.
4. Operating lease rentals - The increase in the operating lease rentals expenditure was due to the 2020/21 accrual payments which were processed in July 2021 due to the unavailability of budget in the 2020/21 financial year. A provision for payment was made in the 2021/22 annual budget to cover the unpaid invoices.
5. Inventory consumed (Bulk Water Purchases) - The bulk water expenditure in the current year was materially more than the budgeted expenditure due to the 2020/21 accrual invoices which were processed in July 2021. A budget provision was made in the 2021/22 annual budget to cover the accrual invoices.
6. Contracted services - The actual contracted expenditure in the current year was materially lower than the budgeted expenditure as a result of some contracted services which were not implemented during the year as budgeted for.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	123 597 634	52 709 228	176 306 862	18 898 982	(157 407 880)	
Other financial assets	1 000	-	1 000	1 000	-	
Receivables from non-exchange transactions	92 568 313	-	92 568 313	45 749 649	(46 818 664)	
VAT receivable	-	-	-	96 497 333	96 497 333	
Prepayments	-	-	-	4 481 840	4 481 840	
Consumer debtors	120 558 740	(18 820 673)	101 738 067	48 502 028	(53 236 039)	
Cash and cash equivalents	236 446 215	74 116 625	310 562 840	398 717 988	88 155 148	
	<b>573 171 902</b>	<b>108 005 180</b>	<b>681 177 082</b>	<b>612 848 820</b>	<b>(68 328 262)</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	3 713 221 145	(35 703 292)	3 677 517 853	4 616 094 238	938 576 385	
<b>Total Assets</b>	<b>4 286 393 047</b>	<b>72 301 888</b>	<b>4 358 694 935</b>	<b>5 228 943 058</b>	<b>870 248 123</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Operating lease liability	4 314 762	-	4 314 762	419 703	(3 895 059)	
Payables from exchange transactions	220 000 000	79 381 887	299 381 887	563 428 035	264 046 148	
Consumer deposits	-	-	-	4 876 358	4 876 358	
Unspent conditional grants and receipts	-	-	-	48 759 800	48 759 800	
Provisions	-	-	-	20 902 000	20 902 000	
	<b>224 314 762</b>	<b>79 381 887</b>	<b>303 696 649</b>	<b>638 385 896</b>	<b>334 689 247</b>	
<b>Non-Current Liabilities</b>						
Provisions	51 802 526	-	51 802 526	31 176 000	(20 626 526)	
<b>Total Liabilities</b>	<b>276 117 288</b>	<b>79 381 887</b>	<b>355 499 175</b>	<b>669 561 896</b>	<b>314 062 721</b>	
<b>Net Assets</b>	<b>4 010 275 759</b>	<b>(7 079 999)</b>	<b>4 003 195 760</b>	<b>4 559 381 162</b>	<b>556 185 402</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	4 010 275 759	(7 079 999)	4 003 195 760	4 559 381 162	556 185 402	

**Sekhukhune District Municipality**  
Financial Statements for the year ended 30 June 2022

**Statement of Comparison of Budget and Actual Amounts**

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

**Current Assets**

1. Inventory - The material variance between the annual budgeted inventory balance at year end and the actual inventory balance was due to the over-budgeting on the inventory items at year end for the 2021/22 financial year.
2. Receivables from exchange transactions - The material variance on the receivables from exchange transactions was due to the budgeted amounts at year end which were meant for the spending on the capital projects funded through the Regional Bulk Infrastructure Grant while awaiting the refund from the Department of Water and Sanitation.
3. VAT receivables - The variance was due to the omission of the budget on VAT receivable in the 2021/22 financial year. The budget amount was erroneously included in the inventory budget for the 2021/22 financial year.
4. Pre-payments - The material variance on pre-payments was due to the omission of the budget in the 2021/22 financial year. The budget was amount erroneously included in the inventory budget for the 2021/22 financial year.
5. Cash and cash equivalents - The material variance on cash and cash equivalents was due to the unspent conditional grants and some of the operational projects which could not be implemented as budgeted for in the 2021/22 financial year.

**Non-current assets**

1. Property, plant and equipment - The variance on property, plant and equipment was due to the under-budgeting on the on the basis of the prior period errors which were expected to be processed in addressing the historical cost issues around the fixed assets of the municipality.

**Current Liabilities**

1. Operating lease liability - The variance on operating lease liability was due to the lease contracts which expired during the 2021/22 financial year.
2. Payables from exchange transactions - The variance on payables from exchange transactions was due to the large amounts of accrual invoices as at the 30th of June 2022.
3. Unspent conditional grants - The municipality did not plan to have any unspent conditional grants as at the 30th of June 2022. The material variance was due to the fact that there was no budget provision as the intention was to achieve 100% spending on conditional grants by end of the financial year.
4. Provisions (Current year) - There was no budget provision for the current portion of the provisions in the current financial year.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	36 182 192	18 000 673	54 182 865	45 621 253	(8 561 612)	
Grants	1 398 110 002	5 203 998	1 403 314 000	1 367 902 645	(35 411 355)	
Interest income	19 056 438	2 429 406	21 485 844	21 517 320	31 476	
Other receipts	17 485 843	7 539 081	25 024 924	996 456	(24 028 468)	
	1 470 834 475	33 173 158	1 504 007 633	1 436 037 674	(67 969 959)	
<b>Payments</b>						
Suppliers	(1 583 753 244)	549 894 527	(1 033 858 717)	(941 419 279)	92 439 438	
<b>Net cash flows from operating activities</b>	<b>(112 918 769)</b>	<b>583 067 685</b>	<b>470 148 916</b>	<b>494 618 395</b>	<b>24 469 479</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(424 001 000)	26 603 292	(397 397 708)	(333 302 495)	64 095 213	
Proceeds from sale of property, plant and equipment	409 544	-	409 544	-	(409 544)	
Decrease (Increase) in non-current investment	128 643 591	(128 643 591)	-	-	-	
<b>Net cash flows from investing activities</b>	<b>(294 947 865)</b>	<b>(102 040 299)</b>	<b>(396 988 164)</b>	<b>(333 302 495)</b>	<b>63 685 669</b>	
<b>Cash flows from financing activities</b>						
Increase (Increase) in consumer deposits	309 617	(309 617)	-	-	-	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(407 557 017)</b>	<b>480 717 769</b>	<b>73 160 752</b>	<b>161 315 900</b>	<b>88 155 148</b>	
Cash and cash equivalents at the beginning of the year	181 177 799	56 224 289	237 402 088	237 402 088	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>(226 379 218)</b>	<b>536 942 058</b>	<b>310 562 840</b>	<b>398 717 988</b>	<b>88 155 148</b>	
<b>Reconciliation</b>						

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

## Accounting Policies

Figures in Rand	Note(s)	2022	2021
-----------------	---------	------	------

### 1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

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

#### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment 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.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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 increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

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

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 in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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 lifespan
Community assets	Straight-line	15 to 30 years
Machinery and Equipment	Straight-line	2 to 19 years
Transport assets	Straight-line	5 to 15 years
Furniture and office equipment	Straight-line	3 to 10 years
IT equipment	Straight-line	2 to 17 years
Leasehold improvements	Straight-line	5 to 10 years
Infrastructure	Straight-line	5 to 80 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

#### 1.5 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.



## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.5 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- 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.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.5 Financial instruments (continued)

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 unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### 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.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.5 Financial instruments (continued)

##### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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.

## Sechukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.6 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 .

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.

#### 1.7 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.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.7 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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are distributed, 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.

#### 1.8 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

#### 1.9 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.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.9 Cash and cash equivalents (continued)

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.

#### 1.10 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:

- 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.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

#### 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.

## Sekhukhane District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.10 Leases (continued)

##### 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.

##### 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.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.10 Leases (continued)

##### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### 1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.



## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.11 Impairment of non-cash-generating assets (continued)

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

#### 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.

#### 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.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.11 Impairment of non-cash-generating assets (continued)

##### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### 1.12 Employee benefits

#### 1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

#### 1.14 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.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.14 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

#### 1.15 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 .

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.15 Revenue from exchange transactions (continued)

##### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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.

#### 1.16 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.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.16 Revenue from non-exchange transactions (continued)

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.

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.

#### 1.17 Comparative figures

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

#### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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).

#### 1.19 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).

#### 1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.21 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

#### 1.22 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 an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

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

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

#### 1.23 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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

#### 1.24 Events after reporting date

Events after 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:

## **Sekhukhune District Municipality**

Financial Statements for the year ended 30 June 2022

### **Accounting Policies**

---

#### **1.24 Events after reporting date (continued)**

- 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.



**Sekhukhune District Municipality**  
Financial Statements for the year ended 30 June 2022

**Notes to the Financial Statements**

Figures in Rand

2022

2021

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

## Notes to the Financial Statements

Figures in Rand

### 2. Property, plant and equipment

	2022		2021	
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Cost/ Valuation	Accumulated depreciation and accumulated impairment
Land	14 460 000	-	14 460 000	-
Plant and machinery	8 466 123	(3 369 275)	5 096 848	(2 514 941)
Furniture and office equipment	8 904 207	(5 036 888)	3 867 319	(4 435 993)
Transport assets	47 645 158	(12 973 744)	34 671 414	(7 878 969)
IT equipment	19 801 470	(8 872 998)	10 928 472	(7 067 817)
Leasehold improvements	7 309 495	(2 497 241)	4 812 254	(202 081)
Roads infrastructure	65 704 027	(41 646 455)	24 057 572	(40 252 410)
Community assets	25 639 140	(20 901 790)	4 737 350	(20 556 676)
Wastewater network	105 671 527	(45 077 687)	60 593 840	(42 690 824)
Water network	4 162 905 343	(984 597 064)	3 178 308 279	(883 171 962)
Assets under construction (WIP)	1 284 518 740	(9 957 850)	1 316 091 347	(9 957 850)
<b>Total</b>	<b>5 751 025 230</b>	<b>(1 134 930 992)</b>	<b>5 420 505 973</b>	<b>(1 018 729 523)</b>
				<b>4 401 776 450</b>

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

#### 2. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	14 460 000	-	-	-	-	-	-	14 460 000
Plant and machinery	6 812 736	321 833	(505 266)	-	-	(1 462 687)	(69 766)	5 096 848
Furniture and office equipment	4 550 195	444 737	(97 244)	-	-	(1 021 913)	(8 456)	3 867 319
Transport assets	36 563 442	3 389 711	(48 367)	-	-	(5 233 372)	-	34 671 414
IT equipment	10 754 474	4 024 511	(426 521)	-	-	(3 419 775)	(4 217)	10 928 472
Leasehold improvements	7 089 160	18 254	-	-	-	(2 295 160)	-	4 812 254
Roads Infrastructure	25 451 617	-	-	-	-	(1 394 045)	-	24 057 572
Community assets	5 082 464	-	-	-	-	(345 114)	-	4 737 350
Wastewater network	60 796 953	2 183 749	-	-	-	(2 386 811)	(51)	60 593 840
Water network	2 924 081 912	31 152 617	-	324 498 804	-	(98 808 097)	(2 616 957)	3 178 308 279
Assets under construction (WIP)	1 306 133 497	292 926 197	-	-	(324 498 804)	-	-	1 274 560 890
	<b>4 401 776 450</b>	<b>334 461 609</b>	<b>(1 077 398)</b>	<b>324 498 804</b>	<b>(324 498 804)</b>	<b>(116 366 974)</b>	<b>(2 699 449)</b>	<b>4 616 094 238</b>

##### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	14 460 000	-	-	-	-	-	-	14 460 000
Plant and machinery	4 502 549	3 742 910	(295 404)	-	-	(1 107 756)	(29 503)	6 812 736
Furniture and office equipment	5 828 427	41 288	(206 398)	-	-	(1 109 780)	(3 342)	4 553 195
Transport assets	16 749 103	24 804 715	(43 552)	-	-	(4 946 824)	-	36 563 442
IT equipment	7 840 631	5 531 539	(209 798)	-	-	(2 398 931)	(8 967)	10 754 474
Leasehold improvements	93 777	7 109 195	-	-	-	(113 812)	-	10 928 472
Roads Infrastructure	26 947 995	-	-	-	-	(1 493 620)	(2 758)	25 451 617
Community assets	6 457 066	-	-	-	-	(495 349)	(879 253)	5 082 464
Wastewater network	63 520 609	3 248 450	-	-	-	(2 686 734)	(3 285 372)	60 796 953
Water network	2 459 302 606	27 756 191	-	565 681 202	-	(93 410 340)	(35 247 747)	2 924 081 912
Assets under construction (WIP)	1 467 096 827	404 717 872	-	-	(565 681 202)	-	-	1 306 133 497
	<b>4 072 799 590</b>	<b>476 952 160</b>	<b>(755 152)</b>	<b>565 681 202</b>	<b>(565 681 202)</b>	<b>(107 763 146)</b>	<b>(39 457 002)</b>	<b>4 401 776 450</b>

**Sekhukhune District Municipality**

Financial Statements for the year ended 30 June 2022

**Notes to the Financial Statements**

Figures in Rand

2022

2021

**2. Property, plant and equipment (continued)**

Carrying amount of stagnant or slow moving projects

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>2. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Infrastructure - Water	1 995 855 684	1 767 933 393
<b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected.</b>		
Flag Boshielo: Letebejane Water Meter Installations. The project was delayed due to the escalation of prices and delayed approval of the variation order	10 846 498	10 131 350
RBIG: Makgeru/Magnetheights to Schoonoord Bulk Water Supply. Delayed procurement of materials as well as community protesting activities by the ordinary community members and local business forums.	62 341 081	62 341 081
MIG: Jane Furse to Lobethal Bulk Water Supply/De Hoop Augmentation North . The contractor withdrew from the project and there was also no sufficient funding for the project.	18 742 983	18 742 983
MIG Lebalelo South Villages Connector Pipes Reticulation Phase 1. Project delayed due to contractual disputes and interruptions by the sub-contractors.	403 258 494	384 404 872
MIG Lebalelo South Villages Connector Pipes Reticulation Phase 2. Suspension of construction works due to Covid 19 alert level 5 lockdown as well as interruptions by community members.	94 121 026	84 334 202
MIG: Lebalelo South Bulk Water Reticulation Phase 3. Suspension of construction works due to Covid 19 alert level 5 lockdown as well as interruptions by community members.	170 097 764	104 388 474
MIG: NKadimeng Regional Bulk Water Supply Scheme Phase 9C1. The project was delayed due to contractor underpricing on the construction works, the project subsequently encountered cash flow challenges and the proposed options by the engineer and the contractor to complete the project not actioned by the municipality.	6 080 944	6 080 944
MIG: NKadimeng Regional Bulk Water Supply Scheme Phase 11A. The project was delayed due to contractor underpricing on the construction works, the project subsequently encountered cash flow challenges and the proposed options by the engineer and the contractor to complete the project not actioned by the municipality.	43 857 290	43 857 290
MIG: NKadimeng Regional Bulk Water Supply Scheme Phase Ext 2. Professional fees were not apportioned across the completed phase	27 307 072	27 307 072
MIG: Olifantspoort South Regional Water Supply Scheme Professional Fees. Professional fees were not apportioned across the completed phases.	92 321 671	92 321 671
MIG: Olifantspoort South Regional Water Supply Scheme Contract 16. The scheme encountered financial challenges.	8 953 902	8 953 902
MIG: Olifantspoort South Regional Water Supply Scheme Contract 19. The scheme encountered financial challenges.	2 523 927	2 523 927
MIG: Olifantspoort South Regional Water Supply Scheme Contract 20. The scheme encountered financial challenges.	14 613 366	14 613 366
MIG: Olifantspoort South Regional Water Supply Scheme Contract 21. The scheme encountered financial challenges.	14 313 516	14 313 516
MIG: Roseenekal WWTW Upgrading. Slow progress on the part of the contractor as well as insufficient funding of the project.	19 382 770	19 382 770
RBIG: Moutse Bulk Water Supply Phases 3, 4 and 5. Contractor was terminated and the Department of Water and Sanitation took over to complete the project.	40 933 841	40 933 841
Refurbishment of Mapodile Sewerage/Oxidation Ponds. Project was negatively affected by the lack of funding to complete the construction works.	938 234	938 234

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>2. Property, plant and equipment (continued)</b>		
Refurbishment of Penge WWTW. Project was negatively affected by the lack of funding to complete the construction works.	1 271 211	1 271 211
WSIG: Rutseng Water Intervention Phase 1. The community leader in the area denied the contractor access to the water source.	2 254 728	2 254 728
WSIG: Rutseng Water Intervention Phase 2. The water source was not sufficient to warrant the equipping of the boreholes.	416 031	416 031
WSIG: Rutseng Water Bulk Line. The water source was not sufficient to warrant the equipping of the boreholes.	4 233 131	3 081 085
WSIG: Motetema Sewerage. Completion certificate not issued as the project cannot be tested due to unavailability of electricity.	2 696 914	2 696 914
MIG: Zaaiplaas Connector Pipes. The project is physically completed but could not be commissioned as it is dependent on completion of another project for water source.	14 869 742	14 869 742
MIG: De Hoop/Malekane Regional Water Scheme . Construction works were suspended due to Covid 19 alert level 5 lockdown regulations as well as the protesting activities by members of the community during the 2020/21 financial year.	-	138 561 258
MIG: De Hoop/Nebo Plateu/Schoonoord Villages Water Scheme: Concrete Reservoir. Construction works were suspended due to Covid 19 alert level 5 lockdown regulations as well as the protesting activities by members of the community during the 2020/21 financial year.	-	81 733 167
WSIG: Mogoroane Water Supply. Construction works were suspended due to Covid 19 alert level 5 lockdown regulations as well as the protesting activities by members of the community.	5 668 674	5 668 674
WSIG: Nkosini Water Supply and Package Plant. Only professional services were completed on the project.	500 322	500 322
WSIG: Mapodile Water Conservation and Demand Management. Only professional services were completed on the project.	433 319	433 319
WSIG: Shakung Water Supply and Package Plant. Only professional services were completed on the project.	180 346	180 346
WSIG: Tukakgomo Water Supply Intervention Phase 4. Only professional services were completed on the project.	-	2 290 129
Delayed appointment of contractors during the 2020/21 financial year.		
MIG: Covid-19 Projects. Delayed appointments of contractors [State the reasons for delay]	2 097 213	2 097 213
	<b>1 065 256 010</b>	<b>1 191 623 634</b>

#### Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

RBIG: Mooihoek/Tubatse Bulk Water Supply Phase 4H	2 429 695	-
WSIG: Rutseng Water Intervention Phase	2 254 728	-
WSIG:UITSPANNING WATER SOURCE DEVELOPMENT	604 623	-
WSIG:VLAKFONTEIN BOREHOLE EQUIPPING	132 835	-
WSIG:MPITA WATER SOURCE DEVELOPMENT AND BULK SERVICES	562 957	-
MIG: Jane Furse to Lobethal Bulk Water Supply/De Hoop Augmentation North. The contractor withdrew from the project and there was no sufficient funding for the project.	-	18 742 983
MIG: NKadimeng Regional Bulk Water Supply Scheme Phase Ext 2. Professional fees were not apportioned across the completed phases.	-	27 307 072

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>2. Property, plant and equipment (continued)</b>		
MIG: Olifantspoort South Regional Water Supply Scheme Professional Fees. Professional fees were not apportioned across the completed phases.	-	51 916 962
MIG: Olifantspoort South Regional Water Supply Scheme Contract 16. The scheme encountered financial challenges.	-	8 953 902
MIG: Olifantspoort South Regional Water Supply Scheme Contract 19. The scheme encountered financial challenges.	-	2 523 927
MIG: Olifantspoort South Regional Water Supply Scheme Contract 20. The scheme encountered financial challenges.	-	14 613 365
MIG: Olifantspoort South Regional Water Supply Scheme Contract 21. The scheme encountered financial challenges.	-	14 313 515
MIG: Roseenekal WWTW Upgrading. Slow progress on the part of the contractor as well as insufficient funding of the project.	-	19 382 769
RBIG: Mooihoek/Tubatse Bulk Water Supply Phase 4H. Only designs and drawings were completed on the project.	-	2 429 695
WSIG: NKOSINI WATER SUPPLY AND PACKAGE PLANT Refurbishment of Command Water Supply in Phiring. Project was negatively affected by the lack of funding to complete the construction works.	500 322	-
Refurbishment of Mapodile Sewerage/Oxidation Ponds. Project was negatively affected by the lack of funding to complete the construction works.	-	2 350 027
Refurbishment of Penge WWTW. Project was negatively affected by the lack of funding to complete the construction works.	-	1 078 064
Refurbishment of Penge WWTW. Project was negatively affected by the lack of funding to complete the construction works.	-	1 271 211
WSIG: Rutseng Water Intervention Phase 1. The community leader in the area denied the contractor access to the water source.	-	2 254 727
WSIG: Motetema Sewerage. Completion certificate not issued as the project cannot be tested due to unavailability of electricity.	-	2 696 914
	<b>6 485 160</b>	<b>169 835 133</b>
The expenditure on Carbonites to Zaaipias project for an amount of R 8 760 719 was impaired fully during the 2021/22 financial year.		
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Repairs and maintenance - Infrastructure Assets	49 861 345	41 887 543
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.		
<b>3. Other financial assets</b>		
<b>Residual interest at cost</b>		
Investment in Sekhukhune Development Agency Terms and conditions	1 000	1 000
<b>Current assets</b>		
Residual interest at cost	1 000	1 000
<b>4. Operating lease asset (liability)</b>		
Current liabilities	(419 703)	(37 587)

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>5. Payables from exchange transactions</b>		
Trade payables	322 376 289	280 711 363
Other payables	20 132 607	21 323 876
Retention and sessions	204 266 361	185 494 511
Deposits received	8 048 092	7 133 739
Bonus provision	8 604 686	8 113 267
	<b>563 428 035</b>	<b>502 776 756</b>
<b>6. Consumer deposits</b>		
Water	4 876 358	4 624 379
<b>7. Prepayments</b>		
<p>The municipality is a member of the South African Local Government Association. An annual membership fee is payable in advance for each financial year at a rate of 1% of the total annual employee related cost budget. The municipality has paid an amount of R 4 481 726.00 as an annual membership fee for the 2022/2023 financial year, the payment was processed in May 2022.</p>		
<b>8. Inventories</b>		
Water inventory	1 887 413	1 718 620
Consumable stores	10 730 568	11 049 460
Maintenance materials	6 281 001	7 930 343
	<b>18 898 982</b>	<b>20 698 423</b>
<b>Inventory reconciliation</b>		
Opening balance	20 698 423	31 439 502
Issues (Inventory recognized as expenditure during the year)	(47 968 998)	(38 026 892)
Purchases	48 727 664	26 733 575
Inventory Under investigation (Stolen)	35	(67 941)
Write-down to net realizable value (Fair value less costs to sell)	(2 558 107)	-
<b>Closing balance</b>	<b>18 898 982</b>	<b>20 078 244</b>
<b>9. Receivables from exchange transactions</b>		
<b>10. Receivables from non-exchange transactions</b>		
Government grants - RBIG Funds	30 970 490	30 070 490
Sundry debtors	14 779 159	13 221 333
	<b>45 749 649</b>	<b>43 291 823</b>
<b>11. VAT receivable</b>		
VAT	96 497 333	94 178 733



## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>12. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Water	325 666 002	267 508 414
Waste water	23 292 934	19 811 197
Other	2 628 358	2 489 575
Water consumption from the last readings	3 662 981	2 982 379
	<b>355 250 275</b>	<b>292 791 565</b>
<b>Less: Allowance for impairment</b>		
Water	(285 380 951)	(234 883 072)
Waste water	(18 943 498)	(16 385 679)
Refuse	(2 423 798)	(2 288 139)
	<b>(306 748 247)</b>	<b>(253 556 890)</b>
<b>Net balance</b>		
Water	40 285 051	32 625 342
Waste water	4 349 436	3 425 518
Other	204 560	201 436
Water consumption from the last readings	3 662 981	2 982 379
	<b>48 502 028</b>	<b>39 234 675</b>
<b>Water</b>		
Current (0 -30 days)	10 130 820	6 792 322
31 - 60 days	6 865 357	5 437 651
61 - 90 days	6 869 770	5 201 546
91 - 120 days	6 122 241	4 991 587
121 days and above	295 613 944	245 085 308
Less: Allowance for impairment	(285 317 081)	(234 883 072)
	<b>40 285 051</b>	<b>32 625 342</b>
<b>Waste water</b>		
Current (0 -30 days)	1 227 979	2 737 945
31 - 60 days	787 392	2 011 878
61 - 90 days	881 521	2 034 018
91 - 120 days	512 284	1 995 526
121 days and above	19 883 758	11 031 830
Less: Allowance for impairment	(18 943 498)	(16 385 679)
	<b>4 349 436</b>	<b>3 425 518</b>
<b>Other</b>		
Current (0 -30 days)	36 643	34 879
31 - 60 days	16 968	19 879
61 - 90 days	15 492	14 889
91 - 120 days	16 060	18 963
121 days and above	2 543 195	2 400 965
Less: Allowance for impairment	(2 423 798)	(2 288 139)
	<b>204 560</b>	<b>201 436</b>
<b>Water consumption from the last readings</b>		
Current (0 -30 days)	3 662 981	2 982 379

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

2022 2021

#### 12. Receivables from exchange transactions (continued)

##### Reconciliation of allowance for impairment

Balance at beginning of the year	(253 556 898)	(216 537 389)
Contributions to allowance	(53 191 349)	(37 019 501)
	<b>(306 748 247)</b>	<b>(253 556 890)</b>

#### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	398 717 988	237 402 088
---------------	-------------	-------------

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Bank - Primary Account: 271149418	9 372 326	218 823 577	30 694 259	23 288 933	217 027 490	30 694 259
FNB Call Account: 62858613980	119 787 946	20 374 598	-	119 787 946	20 374 598	-
Standard Bank Call Account: 238890708008	75 092 576	-	31 686 218	75 092 576	-	31 686 218
ABSA Call Account: 9368456281	193 621 096	-	-	193 621 096	-	-
Nedbank Call Account: 03/7881071850/000019	844 044	-	-	844 044	-	-
<b>Total</b>	<b>398 717 988</b>	<b>239 198 175</b>	<b>62 380 477</b>	<b>412 634 595</b>	<b>237 402 088</b>	<b>62 380 477</b>

#### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	41 524 905	5 874 155
Water Services Infrastructure Grant (WSIG)	4 897 603	24 444 244
Rural Roads Asset Management System Grant (RRAMS)	2 341 000	-
	<b>48 763 508</b>	<b>30 318 399</b>

The nature and extent of government grants recognised in the 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 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

# Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

## Notes to the Financial Statements

Figures in Rand

2022

2021

### 15. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Actuarial (Gains)/Losses	Total
Unused leave provision	30 019 381	3 694 867	(2 831 619)	2 749 324	(4 096 953)	29 535 000
Long service award provision	20 839 000	1 876 000	(1 929 716)	1 797 000	(39 284)	22 543 000
	<b>50 858 381</b>	<b>5 570 867</b>	<b>(4 761 335)</b>	<b>4 546 324</b>	<b>(4 136 237)</b>	<b>52 078 000</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Actuarial (Gains)/Losses	Total
Unused leave provision	24 385 500	3 223 682	(2 663 699)	2 317 862	2 756 036	30 019 381
Long service award provision	17 687 000	1 579 000	(2 058 000)	1 236 000	2 395 000	20 839 000
	<b>42 072 500</b>	<b>4 802 682</b>	<b>(4 721 699)</b>	<b>3 553 862</b>	<b>5 151 036</b>	<b>50 858 381</b>
Non-current liabilities					31 176 000	26 294 422
Current liabilities					20 902 000	24 563 959
					<b>52 078 000</b>	<b>50 858 381</b>

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

2022

2021

#### 15. Provisions (continued)

##### Long service provision

This is the present value of the total LSA expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected LSA for current employees. The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service. In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/261th of annual earnings per day. In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/261th of annual earnings per day.

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required.

##### 1. Key Financial Assumptions

Assumption	Value p.a
Discount rate	10.81%
General earnings inflation rate (long-term)	7.33%
Net effective discount rate	3.24%

The next general earnings increase was assumed to take place on 1 July 2023.

##### 2. Key Demographic assumptions

Assumption	Value p.a		
Average retirement age	62		
Mortality during employment	SA 85-90(-1)		
Withdrawal from service (sample annual rates)	Age	Female	Male
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

#### 15. Provisions (continued)

##### Unused leave provision

This is the present value of the total Unused Leave benefit expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected Unused Leave benefit for current employees. It is apparent that most employees accumulate a portion of their total annual leave allocation, in which case they become entitled to a benefit payable on withdrawal or retirement.

Employees are granted two days ordinary leave per month. This implies that a maximum of 24 days leave can be accumulated in any given year. Employees may accumulate Unused Leave up to a maximum of 48 days after which further leave is forfeited. All Unused Leave at the date of retirement or withdrawal is payable as a cash lump sum. The value of the Unused Leave (the benefit being valued) at the date of receipt is determined as follows:

- Estimated Unused Leave days at date of retirement or withdrawal; multiplied by
- Expected monthly salary at date of retirement or withdrawal; divided by
- 21.67

Employees' leave days are based on basic salary.

In estimating the unfunded liability for Unused Leave benefits of the Municipality a number of actuarial assumptions are required.

##### 1. Key Financial Assumptions

Assumption	Value p.a
Discount rate	11.15%
General salary inflation(long term)	7.48%
Net effective discount rate	3.41%

##### 2. Key Demographic Assumptions

Assumption	Value
Average retirement age	62
Mortality during employment	SA 85-90 (-1)
Rate of leave accumulation	Appendix 2.4 of the actuarial report
Withdrawal from service (sample annual rates)	Table A2.2 of the actuarial report

There were no expected reimbursements as at the 30th of June 2022.

#### 16. Revenue

Service charges	94 213 108	85 340 370
Interest received (trading)	16 324 673	12 936 559
Other income	996 456	80 746 670
Interest received - investment	21 517 320	15 003 055
Government grants & subsidies	1 349 458 204	1 515 621 876
Public contributions and donations	-	21 980 000
Fines, Penalties and Forfeits	4 217	3 834
	<b>1 482 513 978</b>	<b>1 731 632 364</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	94 213 108	85 340 370
Interest received (trading)	16 324 673	12 936 559
Other income	996 456	80 746 670
Interest received - investment	21 517 320	15 003 055
	<b>133 051 557</b>	<b>194 026 654</b>

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>16. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
<b>Transfer revenue</b>		
Government grants & subsidies	1 349 458 204	1 515 621 876
Public contributions and donations	-	21 980 000
Fines, Penalties and Forfeits	4 217	3 834
	<b>1 349 462 421</b>	<b>1 537 605 710</b>
<b>17. Cost of sales</b>		
<b>Sale of goods</b>		
Write down of inventories to net realisable value	-	66 913
<b>18. Service charges</b>		
Sale of water	80 127 623	72 887 805
Sewerage and sanitation charges	14 085 485	12 452 565
	<b>94 213 108</b>	<b>85 340 370</b>
<b>19. Fines, Penalties and Forfeits</b>		
Building Fines	4 217	3 834
<b>20. Lease rentals on operating lease</b>		
<b>Premises</b>		
Contractual amounts	43 898 418	47 742 052
<b>Motor vehicles</b>		
Contractual amounts	-	5 642 474
<b>Equipment</b>		
Contractual amounts	16 025 401	9 739 254
	<b>59 923 819</b>	<b>63 123 780</b>
The municipality did not enter into any sublease contracts with another party, as a result there were no future minimum sublease payments expected to be received under non-cancellable sublease payments as at the 30th of June 2022.		
<b>Significant Leasing Arrangements</b>		
(i) The contingent rentals are based on the variable units of consumables as per the rental agreement.		
(ii) The existence and terms of renewal or purchase options and escalations clauses.		
- Operating lease contracts exist for the duration of the lease term as per the lease agreement, unless otherwise terminated before expire date. Extensions on operating lease contracts are implemented within the provisions of the supply chain management regulations in applicable to local government. Escalations and purchase options on operating leases are implemented through the contract management of the municipality.		
<b>Future minimum payments</b>		
Not later than one year	10 732 449	-
Later than one year but not later than five years	-	1 723 031
Later than five years	-	1 617 634
	<b>10 732 449</b>	<b>3 340 665</b>

**Sekhukhune District Municipality**  
Financial Statements for the year ended 30 June 2022

**Notes to the Financial Statements**

Figures in Rand	2022	2021
<b>21. Other revenue</b>		
Other income	996 456	80 746 670
<b>22. Investment revenue</b>		
Interest revenue	19 962 732	13 594 755
Short term investments	1 554 588	1 408 300
Primary bank account	<b>21 517 320</b>	<b>15 003 055</b>
<b>23. Transfer and subsidies</b>		
Other subsidies		
Sekhukhune District Development Agency Grants	3 219 346	2 556 298

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statement

Figures in Rand	2022	2021
<b>24. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	878 833 464	942 825 416
Expanded Public Works Program	8 180 000	6 294 000
Finance Management Grant	2 300 000	2 200 000
RRAMS	-	2 309 332
LG SETA	1 598 416	1 201 523
	<b>890 911 880</b>	<b>954 830 271</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	413 027 095	460 140 845
Regional Bulk Infrastructure Grant	36 898 058	71 616 837
Water Services Infrastructure Grant	8 621 171	29 027 423
Government grant (capital) 4	-	6 500
	<b>458 546 324</b>	<b>560 791 605</b>
	<b>1 349 458 204</b>	<b>1 515 621 876</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	470 928 113	555 765 717
Unconditional grants received	878 530 091	942 825 416
	<b>1 349 458 204</b>	<b>1 498 591 133</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	5 874 155	47 086 615
Current-year receipts	454 052 000	466 015 000
Conditions met - transferred to revenue	(413 027 095)	(460 140 845)
Unapproved rolled over funds	(5 374 156)	(47 086 615)
	<b>41 524 904</b>	<b>5 874 155</b>

Conditions still to be met - remain liabilities (see note 14).

The Municipal Infrastructure Grant aims to eradicate municipal infrastructure backlogs in within the Sekhukhune District to ensure the provision of basic services such as water and sanitation.

#### Expanded Public Works Programme (EPWP)

Current-year receipts	8 180 000	6 294 000
Conditions met - transferred to revenue	(8 180 000)	(6 294 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

The Expanded Public Works Programme is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed residents of the Sekhukhune District. The programme provides an important avenue for labour absorption and income transfers to poor households, in the short to medium-term.

#### Water Services Infrastructure Grant (WSIG)



## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>24. Surrender of surpluses (continued)</b>		
Balance unspent at beginning of year	24 444 244	21 353 651
Current-year receipts	8 621 171	53 471 000
Conditions met - transferred to revenue	(8 621 171)	(29 026 756)
Unapproved rolled over funds	(19 546 641)	(21 353 651)
	<b>4 897 603</b>	<b>24 444 244</b>

Conditions still to be met - remain liabilities (see note 14).

The main goal of the Water Services Infrastructure Grant is to assist the municipality as the water authority to reduce the backlogs faced by the municipality in the provision of water and sanitation services within the district.

#### Finance Management Grant (FMG)

Balance unspent at beginning of year	-	653
Current-year receipts	2 300 000	2 200 000
Conditions met - transferred to revenue	(2 300 000)	(2 200 000)
Unapproved rolled over funds	-	(653)
	-	-

Conditions still to be met - remain liabilities (see note 14).

The main purpose of the finance management grant is to promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act (MFMA). The Grant is meant specifically to capacitate the officials in the budget and treasury office of the municipality through various training programmes in financial management and also to maintain the systems of financial management employed by the municipality in managing its finances.

#### Rural Roads Assets Management System Grant (RRAMS)

Balance unspent at beginning of year	-	369 423
Current-year receipts	2 341 000	2 310 000
Conditions met - transferred to revenue	-	(2 310 000)
Unapproved rolled over funds	-	(369 423)
	<b>2 341 000</b>	-

Conditions still to be met - remain liabilities (see note 14).

The Rural Roads Asset Management System Grant seeks to assist the municipality to set up rural roads asset management systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.

#### Municipal Disaster Grant

Balance unspent at beginning of year	-	127 074
Unapproved rolled over funds	-	(127 074)
	-	-

Conditions still to be met - remain liabilities (see note 14).

The Municipal Disaster Relief Grant seeks to assist the municipality in responding to all the immediate needs and requirements arising in the unfortunate events of disaster as described in terms of the Disaster Management Act 57 of 2002.

#### Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	36 898 058	50 506 249
Conditions met - transferred to revenue	(36 898 058)	(50 506 249)

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

#### 24. Surrender of surpluses (continued)

Conditions still to be met - remain liabilities (see note 14).

The main goal of the Regional Bulk Infrastructure Grant is to assist the municipality in facilitating the successful execution and implementation of bulk projects which are characterized by regional significance. The implementation of the grant is currently administered by the Department of Water and Sanitation on behalf of the municipality since the 2019/2020 financial year wherein the municipality will incur expenditure on projects funded through the grant and claim such expenditures from the department on a monthly basis.

#### National Department of Labour:SETA

Current-year receipts	1 598 516	1 201 523
Conditions met - transferred to revenue	(1 598 516)	(1 201 523)
	-	-

Conditions still to be met - remain liabilities (see note 14).

The main aim of this grant is to encourage the municipality to contribute to skills development, address critical and scarce skills shortages, and create jobs and employment opportunities for its employees..

#### 25. Public contributions and donations

Donations received	-	21 980 000
--------------------	---	------------

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>26. Employee related costs</b>		
Basic	274 228 947	266 601 242
Medical aid - company contributions	13 851 166	14 111 376
UIF	1 634 391	1 478 266
SDL	3 223 073	2 823 363
Bargaining council	121 706	102 880
Leave pay provision charge	4 348 081	3 270 417
Group life insurance	1 368 773	1 316 805
Pension Fund	39 016 077	39 615 200
Travel, motor car, accommodation, subsistence and other allowances	24 710 202	24 009 378
Overtime payments	28 032 029	32 763 849
Long-service awards	1 876 000	2 840 401
Transport allowance (bus coupons)	116 225	-
Housing benefits and allowances	3 016 238	2 273 271
Cellphone allowance	1 616 894	1 694 243
Shift and standby allowance	6 625 806	14 240 229
Uniform allowance	90 000	91 739
	<b>403 875 608</b>	<b>407 232 659</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	1 229 824	1 019 446
Car Allowance	120 000	100 000
Cellphone allowance	31 200	26 000
Contributions to UIF, Medical and Pension Funds	15 819	17 153
Acting allowance	-	18 093
	<b>1 396 843</b>	<b>1 180 692</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	-	609 688
Car Allowance	-	56 000
Performance Bonuses	-	554 138
Contributions to UIF, Medical and Pension Funds	-	79 292
Cellphone allowance	-	15 992
Leave payout	-	76 728
Acting allowance	83 118	8 523
	<b>83 118</b>	<b>1 400 361</b>
The chief financial officer position was vacant for the entire duration of the 2021/22 financial year.		
<b>Director - Community Services</b>		
Annual Remuneration	1 036 275	282 625
Car Allowance	72 000	24 000
Performance Bonuses	-	70 656
Contributions to UIF, Medical and Pension Funds	13 517	22 552
Cellphone allowance	23 988	-
Travel claims	32 955	7 996
	<b>1 178 735</b>	<b>407 829</b>
<b>Director Infrastructure and Water Services</b>		
Annual Remuneration	139 641	698 165
Car Allowance	20 000	100 000
Lumpsum Payout	116 225	-

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>26. Employee related costs (continued)</b>		
Contributions to UIF, Medical and Pension Funds	28 341	143 029
Cellphone allowance	3 998	19 990
Acting allowance	8 144	9 927
	<b>316 349</b>	<b>971 111</b>

The position of the director for the Infrastructure and Water Services became vacant from the 1st of September 2021 and it remained vacant till the end of the current financial year. The municipal council did appoint one of the managers within the department as the acting director of the department.

#### Director Planning and Economic Development

Annual Remuneration	968 990	968 990
Car Allowance	156 000	156 000
Contributions to UIF, Medical and Pension Funds	129 026	126 079
Cellphone allowance	23 988	25 843
Other	26 714	23 988
	<b>1 304 718</b>	<b>1 300 900</b>

#### Chief Audit Executive

Other	-	149
Leave payout	-	102 108
Acting allowance	2 369	9 474
	<b>2 369</b>	<b>111 731</b>

The position of the Chief Audit Executive remained vacant for the entire duration of the 2021/22 financial year. The manager for internal audit is currently acting as the Chief Audit Executive of the municipality.

#### Director Corporate Services

Acting allowance	9 474	14 196
------------------	-------	--------

The position for the director in the corporate services department was vacant for the entire duration of the 2021/22 financial year. The human resources manager was acting the director for the financial year and an acting allowance was paid.

#### 27. Remuneration of councillors

Executive Major	705 598	854 680
Chief Whip	719 394	276 591
Mayoral Committee Members	6 481 082	6 231 767
Speaker	1 125 624	759 478
Councillors	6 599 795	6 920 280
	<b>15 631 493</b>	<b>15 042 796</b>

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>27. Remuneration of councillors (continued)</b>		
<b>Additional information</b>		
The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.		
<b>Executive Mayor: Cllr Ramaila KS</b>		
Annual remuneration	256 532	694 573
Cellphone allowance	14 800	44 400
Contributions to UIF, Medical and Pension	71 976	206 233
	<b>343 308</b>	<b>945 206</b>
<b>Executive Mayor: Cllr Mathebe JL</b>		
Annual remuneration	439 048	-
Cellphone allowance	29 600	-
Contribution to UIF, Medical and Pension	72 278	-
	<b>540 926</b>	<b>-</b>
<b>Council Speaker: Cllr Manamela MM</b>		
Annual remuneration	236 982	645 384
Cellphone allowance	14 800	44 400
Contribution to UIF, Medical and Pension	25 805	75 217
	<b>277 587</b>	<b>765 001</b>
<b>Council Speaker: Cllr Chego KS</b>		
Annual remuneration	399 168	-
Cellphone allowance	29 600	-
Contribution to UIF, Medical and Pension	34 701	-
Other	7 770	-
	<b>471 239</b>	<b>-</b>
<b>Chief Whip: Cllr Lepota TJ</b>		
Annual remuneration	-	312 393
Car allowance	-	139 484
Cellphone allowance	-	44 400
Contributions to UIF, Medical and Pension	-	27 147
	<b>-</b>	<b>523 424</b>
<b>Chief Whip: Cllr Mokganyetji</b>		
Annual remuneration	174 897	-
Car allowance	57 619	-
Cellphone allowance	14 800	-
Contributions to UIF, Medical and Pension	13 822	-
Other	6 519	-
	<b>267 657</b>	<b>-</b>
<b>Chief Whip: Cllr Phokane MJ</b>		
Annual remuneration	373 952	-
Travel allowance	33 292	-
Cellphone allowance	29 600	-
Contributions to UIF, Medical and Pension	32 698	-
Other	148	-
	<b>469 690</b>	<b>-</b>

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>27. Remuneration of councillors (continued)</b>		
<b>Mayoral Committee Members</b>		
Annual remuneration	3 672 603	3 485 729
Car allowance	2 150 605	2 124 547
Cellphone allowance	222 000	344 000
Contributions to UIF, Medical and Pension	353 521	341 112
	<b>6 398 729</b>	<b>6 295 388</b>
<b>28. Administrative expenses</b>		
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	116 366 974	107 763 146
<b>30. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	1 495 919	39 654 158
<b>31. Finance costs</b>		
Discounting of provisions	4 546 324	3 618 972
<b>32. Auditors' remuneration</b>		
Fees	7 874 194	5 461 473
<b>33. Debt impairment</b>		
Debt impairment	47 918 557	33 444 880

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>34. General expenses</b>		
Advertising	558 043	1 038 181
Auditors remuneration	7 874 194	5 461 473
Bank charges	3 005 923	380 588
Cleaning	369 981	543 840
Computer expenses	-	8 600
Consulting and professional fees	20 045 023	28 140 811
Audit committee expenses	636 254	545 338
IT support	2 096 497	3 080 995
Entertainment	438 697	90 296
Town planning expenses	2 585 371	-
Accommodation	440 035	297 376
Hire charges	491 127	64 814
Insurance	3 253 376	6 168 451
Worksman Compensation fund	2 284 077	4 718 041
Fuel and oil	22 099 859	16 973 207
Printing and stationery	2 709 053	1 613 689
Protective clothing	327 734	4 362 986
Security (Guarding of municipal property)	44 229 644	41 688 937
Software expenses	4 440 264	4 347 968
Staff welfare	29 783	216 737
Subscriptions and membership fees	3 977 058	3 627 328
Telephone and fax	3 080 613	3 217 801
Transport and freight	144 370	302 148
Training	309 711	1 541 850
Travel - local	641 380	304 196
Electricity	57 212 270	53 158 155
Other expenses	16 103 957	9 110 628
Tankering costs	3 956 115	-
Catering services	1 998 804	1 189 904
Staff recruitment	169 727	23 689
Meter reading	2 630 763	1 892 081
Bursaries	983 886	235 083
Audio-visual services	5 722 811	1 928 567
	<b>214 846 400</b>	<b>196 273 758</b>
<b>35. Bulk purchases</b>		
Water	167 797 563	162 186 318
<b>36. Contracted services</b>		
<b>Presented previously</b>		
Other Contractors	91 994 045	76 969 790

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>37. Cash generated from operations</b>		
Surplus	307 433 378	575 661 674
<b>Adjustments for:</b>		
Depreciation and amortisation	116 366 974	107 763 146
Gain on sale of assets and liabilities	1 121 813	998 642
Impairment loss	1 495 919	39 654 158
Debt impairment	47 918 557	33 444 880
Movements in operating lease assets and accruals	382 116	(3 284 890)
Movements in provisions	4 546 324	3 634 845
Donations	-	(21 980 000)
Actuarial gains	(4 136 237)	5 151 036
Inventory losses or write-downs	(2 601 687)	-
Revaluation loss	-	(100 000)
Settlement discount	-	(76 595 446)
Loss on sale of assets and liabilities	-	998 642
Bad debts written off	-	66 913
<b>Changes in working capital:</b>		
Inventories	(802 246)	10 741 079
Receivables from exchange transactions	(62 458 702)	(46 973 745)
Other receivables from non-exchange transactions	(2 457 826)	12 297 542
Prepayments	(504 782)	(349 730)
Payables from exchange transactions	60 651 279	(1 476 208)
VAT	2 954 192	30 988 468
Unspent conditional grants and receipts	18 444 441	(38 619 017)
Consumer deposits	251 979	252 964
Provision	6 012 903	-
	<b>494 618 395</b>	<b>632 274 953</b>
<b>38. Operating leases</b>		
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	43 898 418	47 742 052
Motor vehicles		
• Contractual amounts	-	5 642 474
Equipment		
• Contractual amounts	16 025 401	9 739 254
	<b>59 923 819</b>	<b>63 123 780</b>
Loss on sale of property, plant and equipment	(1 121 813)	(998 642)
Impairment on property, plant and equipment	1 495 919	39 654 158
Depreciation on property, plant and equipment	116 366 974	107 763 146
Employee costs	419 507 101	422 275 455
<b>Minimum lease payments</b>		
The disclosed payments also include payments for non-lease elements in the arrangement.		
<b>39. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2022</b>		
<b>Financial assets</b>		
	<b>At amortised cost</b>	<b>Total</b>



## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>39. Financial instruments disclosure (continued)</b>		
Cash and cash equivalents	398 717 988	398 717 988
Receivables from exchange transactions	48 502 028	48 502 028
Receivables from non-exchange transactions	45 749 649	45 749 649
Residual interest in Sekhukhune Development Agency	1 000	1 000
	<b>492 970 665</b>	<b>492 970 665</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(563 428 035)	(563 428 035)

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>39. Financial instruments disclosure (continued)</b>		
<b>2021</b>		
<b>Financial assets</b>		
	<b>At amortised cost</b>	<b>Total</b>
Cash and cash equivalents	237 402 088	237 402 088
Receivables from exchange transactions	43 291 823	43 291 823
Receivables from non-exchange transactions	148 346 770	148 346 770
Residual interest in Sekhukhune Development Agency	1 000	1 000
	<b>429 041 681</b>	<b>429 041 681</b>
<b>Financial liabilities</b>		
	<b>At amortised cost</b>	<b>Total</b>
Trade and other payables from exchange transactions	(328 628 171)	(328 628 171)
<b>40. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	202 428 610	348 083 252
<b>Total capital commitments</b>		
Already contracted for but not provided for	202 428 610	348 083 252
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Purchase Orders	3 660 110	3 665 918
<b>Total operational commitments</b>		
Already contracted for but not provided for	3 660 110	3 665 918

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

2022

2021

#### 41. Contingent Liabilities

##### **Rapodu and Others vs Sekhukhune District Municipality**

Litigation is in the process against the municipality relating to a claim of unfair labour practice by Mr Rapodu and other employees of the municipality, it was impracticable to determine the financial effect of the claim as at 30th June 2022. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months.

Court did order the applicant to conform to the directives and it was uncertain as at reporting date when will the court conclude the matter.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

2022

2021

#### 41. Contingent Liabilities (continued)

##### **IMATU OBO Titus Maroga vs Sekhukhune District Municipality**

Litigation is in the process against the municipality relating to a claim of unfair labour practice by IMATU OBO on behalf of Mr Titus Maroga, the financial effect of the claim was estimated at about R 264 178.05 as at 30th June 2022. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The applicant did lodge a review of the order, and the request for security payment is to stay execution was also submitted..

The R 264 178.05 security payment is to be reimbursed to the municipality upon finalization of the matter.

##### **Mr Andries Mokgotho vs Sekhukhune District Municipality**

Litigation is in the process against Mr Andries Mokgotho relating to a charge of gross misconduct by the municipality, it was impracticable to determine the financial effect of the claim as at 30th June 2022. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

Mr Mokgotho did lodge an application for review at SLGBV and it is not known when will the hearing on the matter be concluded.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

##### **Mr Rubert Matabane vs Sekhukhune District Municipality**

Litigation is in the process against Mr Rubert Matabane relating to a charge of gross misconduct by the municipality, it was impracticable to determine the financial effect of the claim as at 30th June 2022. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twelve months.

The last witness did appear to provide evidence and the proceedings were postponed to allow the cross-examination processes to unfold, a date has been secured to finalize the matter.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

##### **Ms Busisiwe Matjie vs Sekhukhune District Municipality**

Litigation is in the process against Ms Busisiwe Matjie relating to a charge of gross misconduct by the municipality, it was impracticable to determine the financial effect of the claim as at 30th June 2022. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twelve months.

The chairperson of the hearing did postpone the hearing subject to confirmation of a future date to finalize the matter.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

##### **Class A Trading vs Sekhukhune District Municipality**

Litigation is in the process against a supplier of goods and services whereby the municipality dispute a claim by the supplier of services which the supplier claim to have rendered to the municipality. It was impracticable to determine the financial effect of the claim as at 30th June 2022. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The plaintiff has served the summons and the defendant initiated the mediation. The proposal received from the plaintiff for settlement subject to authorization.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

##### **Ms Seponkane Paulina Nkadimeng vs Sekhukhune District Municipality**

Litigation is in the process against Ms Seponkane Paulina Nkadimeng whereby the municipality dispute a claim by the supplier of services which the supplier claim to have rendered to the municipality. The financial effect of the claim as at 30th June 2022

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

#### 41. Contingent Liabilities (continued)

could be estimated at about R 726 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as highly unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

Additional reports of evidence requested by the court and it was unknown as at 30th June 2022 when will the court set up a new date to finalize the matter.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### **Makone Consulting Engineers vs Sekhukhune District Municipality**

Litigation is in the process against Makone Consulting Engineers whereby the municipality dispute a claim by the consultant that they have rendered services to the municipality. The financial effect of the claim as at 30th June 2022 could be estimated at about R 573 298.62. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as highly unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The court awaits a submission of the additional evidence by the Infrastructure and Water Services department of the municipality and the date of finalization of the matter was unknown as at 30th June 2022.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### **Lebaka Construction (pty) Ltd vs Sekhukhune District Municipality**

Litigation is in the process against Lebaka Construction whereby the municipality dispute a claim by the contractor of interest on a claim for works which the contractor claims to have done for the municipality. The financial effect of the claim as at 30th June 2022 could be estimated at about R 167 735.66. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as highly unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The plaintiff secured the summary of the judgement on the payment of the variation order and the municipality has lodged a review of the judgement. A date of finalizing the matter is yet to be provided.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### **Dynamic Integrated Geoydro Environmental Services vs Sekhukhune District Municipality**

Litigation is in the process against Dynamic Integrated Geoydro Environmental Services whereby the municipality dispute a claim by the supplier for works which the supplier claims to have done for the municipality. The financial effect of the claim as at 30th June 2022 could be estimated at about R 911 543.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The plaintiff served notices and the municipality has entered a defence. The date of finalization of the matter was uncertain as at 30th June 2022.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### **Mr Tumelo Modisane vs Sekhukhune District Municipality**

Litigation is in the process against Mr Tumelo Modisane whereby a claim in delict was submitted Mr Modisane. The financial effect of the claim as at 30th June 2022 could be estimated at about R 1 000 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finalize the matter is yet to be provided by the court.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### **LBM Consulting vs Sekhukhune District Municipality**

Litigation is in the process against LBM Consulting whereby the municipality dispute a claim by the consultant for works which the supplier claims to have done for the municipality. The financial effect of the claim as at 30th June 2022 could be estimated at about R 973 835.97. The municipality's lawyers and management consider the likelihood of the action against the

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

2022

2021

#### 41. Contingent Liabilities (continued)

municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The plaintiff served the municipality with summons and a notice to defend was served by the municipality. Opposing affidavit and counter claim are to be served by the municipality. A date to conclude on the proceedings of this matter is yet to be provided by the court.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### PK Financial Services vs Sekhukhune District Municipality

Litigation is in the process against PK Financial Services whereby the municipality dispute a claim by the consultant for an award of a bid to another consultant that was competing with PF Financial Services in a same bidding process. It was impracticable to determine the financial effect of the claim as at the 30th of June 2022. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twelve months.

The review date is set at 30th of August 2022 and the municipality has commenced the arbitration proceedings for the counter claim.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### Veolia Water Solutions and Technologies (pty) Ltd vs Sekhukhune District Municipality

Litigation is in the process against Veolia Water Solutions and Technologies (pty) Ltd whereby the municipality dispute a claim by the supplier of services which the supplier claim to have rendered to the municipality. The financial effect of the claim as at 30th June 2022 could be estimated at about R 180 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The plaintiff transmitted a letter of demand and issued summons to the municipality. A court date is yet to be provided to conclude for the municipality to defend the matter.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### Mzamo V Group vs Sekhukhune District Municipality

Litigation is in the process against Mzamo V Group whereby the municipality dispute a claim by the supplier of services which the supplier claim to have rendered to the municipality. The financial effect of the claim as at 30th June 2022 could be estimated at about R 831 378.65. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The plaintiff transmitted a letter of demand and issued summons to the municipality. A court date is yet to be provided to conclude for the municipality to defend the matter.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### Mothoa vs Sekhukhune District Municipality

Litigation is in the process against Mothoa whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2022 could be estimated at about R 1 648 133.70. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months.

The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finalize the matter is yet to be provided by the court.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### Matsemela Properties vs Sekhukhune District Municipality

Litigation is in the process against Matsemela Properties whereby the municipality dispute a claim by the company of a rental which the company claims the municipality is owing to them. The financial effect of the claim as at 30th June 2022 could be

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

#### 41. Contingent Liabilities (continued)

estimated at about R 90 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months.

The company lodged an agent application to force a payment but the municipality obtained a favourable judgement. The company did serve a notice of appeal and a date is yet to be provided for the matter to be heard.

As at the reporting date, there was an indication of a possibility of a reimbursement by the company to the municipality of the costs incurred by the municipality.

#### Mr Solomon Phasha vs Sekhukhune District Municipality

Litigation is in the process against Mr Solomon Phasha whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2022 could be estimated at about R 2 000 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months.

The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finaliza the matter is yet to be provided by the court.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### Hexagon Technologies and Projects vs Sekhukhune District Municipality

Litigation is in the process against Hexagon Technologies and Projects whereby the municipality dispute a claim of a consumer price index adjustment on their contract with the municipality. The financial effect of the claim as at 30th June 2022 could be estimated at about R 7 421 365.80. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months.

The plaintiff transmitted a letter of demand and issued summons to the municipality. The municipality defended the matter. Pleadings were exchanged and a pre-trial also held. A date for the trial is yet to be provided..

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter

#### Ms Julia Dibilong vs Selkhukhune District Municipality

Litigation is in the process against Ms Julia Dibilong whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2022 could be estimated at about R 1 500 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months.

The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finaliza the matter is yet to be provided by the court.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### Ethokga Consulting and Projects vs Sekhukhune District Municipality

Litigation is in the process against Ethokga Consulting Services whereby the municipality dispute a claim by the company of services which the company claim to have rendered to the municipality. The financial effect of the claim as at 30th June 2022 could be estimated at about R 20 490 616.12. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months.

The plaintiff transmitted a letter of demand and issued summons to the municipality. A court date is yet to be provided to conclude for the municipality to defent the matter.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### Mr Kgopane MM vs Sekhukhune District Municipality

Litigation is in the process against Mr Kgopane MM whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2022 could be estimated at about R 3 713 183.00. The municipality's lawyers and management consider the

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

2022

2021

#### 41. Contingent Liabilities (continued)

likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months.

The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finaliza the matter is yet to be provided by the court.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### Mr Tladi S.J vs Sekhukhune District Municipality

Litigation is in the process against Mr Kgopane MM whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2022 could be estimated at about R 10 345.22. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finaliza the matter is yet to be provided by the court.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter

#### Mfumelelo Business Enterprise vs Sekhukhune District Municipality

Litigation is in the process against Mfumelelo Business Enterprise whereby the municipality dispute a claim by the company of retention monies that they claim are due to them. The financial effect of the claim as at 30th June 2022 could be estimated at about R 2 789 267.50. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months.

The plaintiff issued summons to the municipality. The municipality has entered defence a date of the matter to be heard is to be provided.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### Mr Selby Kobe vs Sekhukhune District Municipality

Litigation is in the process against Mr Selby Kobe whereby the municipality dispute a claim of a prohibitory interdict by Mr Kobe. The financial effect of the claim could not be determined as at the 30th of June 2022. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The municipality has entered defence and a date of the matter to be heard is to be provided.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

#### Contingent assets



## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

2022

2021

#### 41. Contingent Liabilities (continued)

##### **Sekhukhune District Municipality vs Maadima (pty) Ltd**

Litigation is in the process regarding a claim by the municipality to Maadima (pty) Ltd as an underwriter of a guarantee to a contractor, the contractor did fail to complete the construction works on behalf of the municipality as per its appointment and the guarantee monies were due to complete the remaining works. The financial effect of the claim as at 30th June 2022 could be estimated at about R 4 714 054.73. The municipality's lawyers and management consider the likelihood of the action against the Maadima (pty) Ltd with 80% chances of success for the municipality, and the case should be resolved within the next twenty-four months.

The letter of demand already served. Municipal attorneys currently preparing summons.

##### **Sekhukhune District Municipality vs Betrums & Standard Bank**

Litigation is in the process regarding a claim by the municipality to Betrums (pty) Ltd and Standard Bank on guarantess issued by the Standard Bank SA on behalf of Betrums (pty) Ltd. The financial effect of the claim as at 30th June 2022 could be estimated at about R 25 080 622.05. The municipality's lawyers and management consider the likelihood of the action against Betrums (pty) Ltd and Standard Bank SA with 80% chances of success for the municipality, and the case should be resolved within the next twenty-four months.

Summons served on defendants. Notice of exception also received.

##### **Sekhukhune District Municipality vs Advocate Ngutshane**

Litigation is in the process regarding a claim by the municipality to Advocate Ngutshane on a payment erroneously paid into his bank account by the municipality. The financial effect of the claim as at 30th June 2022 could be estimated at about R 239 131.55. The municipality's lawyers and management consider the likelihood of the action against with 80% chances of success for the municipality, and the case should be resolved within the next twenty-four months.

Summons served to the defendant. Plea received from the defendant.

##### **Sekhukhune District Municipality vs Letlakane Business Enterprise**

Litigation is in the process regarding a claim by the municipality to Letlakane Business Enterprise on their failure to complete delivery of an order issued to them by the municipality. The order was for laptops which were initially delivered in total, however one laptop was not functional and did not pass the testing process by the municipality. Letlakane Business Enterprise was requested by the municipality to replace the laptop and they subsequently refused to replace it. The financial effect of the claim was not available as at the 30th June 2022. The municipality's lawyers and management consider the likelihood of the action against with 80% chances of success for the municipality, and the case should be resolved within the next twenty-four months.

The company finally agreed to replace the laptop though the cost of replacement could not be determined reliably as at the 30th of June 2022.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021				
<b>42. Related parties</b>						
<b>Relationships</b>						
Accounting Officer		Municipal Manager				
Controlled entities		Sekhukhune Development Agency				
Local government controlling body		South African Local Government Association				
Members of the municipal council		Refer to note 44				
Members of key management		Refer to note 20				
<b>Related party balances</b>						
<b>Annual membership fees</b>						
South African Local Government Association	4 481 840	3 977 058				
<b>Transfers and subsidies</b>						
Sekhukhune Development Agency	3 219 346	2 592 581				
<b>Members of key management</b>						
Municipal Manager	1 396 843	1 162 599				
Chief Financial Officer	-	1 400 361				
Senior Manager: Corporate Services	-	407 829				
Senior Manager: Infrastructure and Water Services	308 205	962 112				
Senior Manager: Community Services	1 178 735	1 150 832				
Senior Manager: Planning and Economic Development	1 304 718	1 318 993				
Chief Audit Executive	-	102 257				
Acting Chief Financial Officer	83 118	13 438				
Acting Director: Corporate Services	9 474	14 196				
Acting Chief Audit Executive	2 369	9 474				
Acting Director: Infrastructure and Water Services	8 144	-				
<b>Remuneration of councillors 2021/22</b>	<b>Annual remuneration</b>	<b>Travel allowance</b>	<b>Cellphone allowance</b>	<b>Pension, Medical, UIF &amp; SDL</b>	<b>Sitting allowance &amp; travel claims</b>	<b>Total</b>
Clr Ramaila KS (Executive Mayor)	256 532	-	14 800	71 976	-	343 308
Clr Mathebe JL (Executive Mayor)	439 048	-	29 600	72 278	-	540 925
Clr Manamela MM (Council speaker)	236 982	-	14 800	25 806	-	277 587
Clr Chego DK (Council speaker)	399 168	-	29 600	34 702	7 770	471 239
Clr Mokganyetji MJ (Chief Whip)	174 897	57 619	14 800	13 822	6 519	267 657
Clr Phokane MJ (Chief Whip)	373 952	33 291	29 600	32 698	148	469 690
Clr Mahlangu MF	274 897	57 619	14 800	14 143	114 507	475 966
Clr Matlala MA	274 897	57 619	14 800	13 839	15 208	376 357
Clr Nkosi SM	298 877	31 841	14 800	14 088	70 141	431 546
Clr Mmakola SM	234 211	31 841	14 800	15 714	31 190	327 756
Clr Ramaila KS	336 387	-	29 600	111 223	7 883	485 093
Clr Kupa CR	372 839	63 492	29 600	37 106	7 384	510 422
Clr Mokganyetji MJ	377 001	20 756	29 600	32 897	148	460 404
Clr Ratau MF	377 001	18 015	29 600	32 944	21 859	479 568
Clr Mabatane E	323 426	23 447	29 600	28 401	6 964	411 837
Clr Leshaba MB	331 178	63 764	29 600	29 182	6 282	460 007
Clr Sefala RE	162 738	53 778	14 800	22 656	27 854	281 826
Clr Maila SM	74 873	23 157	14 800	6 144	51 755	170 728
Clr Matsetela LA	74 873	23 157	14 800	6 492	126 770	246 092
Clr Moimana MT	74 873	23 157	14 800	6 026	27 873	146 729
Clr Mtsweni BW	74 873	23 157	14 800	5 995	-	118 825
Clr Phala ML	-	17 382	6 800	143	12 136	36 461
Clr Motlae MG	-	16 879	6 800	-	9 929	33 726
Clr Mehlaphe SH	-	29 072	6 800	194	16 291	52 355
Clr Mahlangu SJ	-	6 863	6 800	112	8 826	22 001

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand				2022	2021	
<b>42. Related parties (continued)</b>						
Cllr Makeke GM	-	21 966	6 800	129	33 654	62 549
Cllr Mosotho MT	-	-	6 800	68	-	6 868
Cllr Mabatane MC	4 466	-	6 800	113	-	11 379
Cllr Rankoe TP	30 196	8 567	6 800	370	-	45 932
Cllr Dolamo MF	3 480	17 688	6 800	116	-	28 083
Cllr Thokoane MJ	3 480	-	6 800	103	-	10 383
Cllr Madutlela KK	3 480	5 173	6 800	-	112	15 564
Cllr Diale MH	3 480	26 122	6 800	197	7 596	44 195
Cllr Nkadimeng LR	3 480	28 889	6 800	143	-	39 313
Cllr Matlala FM	4 466	-	6 800	112	-	11 379
Cllr Ranoto P	4 466	4 934	6 800	110	-	16 320
Cllr Sebothoma RG	3 480	30 204	6 800	257	-	57 294
Cllr Phaladi RC	105 930	23 157	14 800	8 433	27 603	179 923
Cllr Mabelane MM	26 716	35 054	6 800	373	-	68 942
Cllr Mamogale MF	-	74 546	6 800	458	28 684	110 488
Cllr Maisela RP	26 716	-	6 800	335	-	33 851
Cllr Kgaphola MA	26 716	16 806	6 800	376	8 379	59 076
Cllr Radingoana MR	26 716	28 437	6 800	335	-	62 287
Cllr Mokgotho LL	-	43 342	6 800	270	22 065	72 476
Cllr Malapne SS	-	28 052	6 800	208	23 247	58 307
Cllr Mamokgopa LD	-	29 645	6 800	206	17 231	53 882
Cllr Makola JV	-	59 640	6 800	473	21 121	88 033
Cllr Makofane IT	-	74 885	6 800	537	18 754	100 977
Cllr Makua MJ	-	10 839	6 800	173	29 879	47 690
Cllr Motseni NL	3 480	40 227	6 800	208	-	50 715
Cllr Maloka MF	3 480	6 004	6 800	110	3 227	19 622
Cllr Moloko MK	74 873	23 157	14 800	6 006	14 232	133 068
Cllr Mashabela MN	-	36 351	6 800	184	15 445	58 781
Cllr Ramautswa KJ	74 873	23 157	14 800	-	5 995	118 825
Cllr Matsepe CD	-	-	-	11	2 207	2 217
Cllr Matseke RT	74 873	23 157	14 800	6 081	45 984	164 894
Cllr Mogotji FM	179 878	1 253	29 600	2 245	149	213 124
Cllr Tshivhula MP	166 720	15 618	29 600	15 150	149	227 238
Cllr Kgwedi JL	166 721	-	29 600	15 150	4 307	215 778
Cllr Komane LM	173 299	21 330	29 600	8 739	2 297	235 266
Cllr Matsetela ML	166 721	-	29 600	15 168	4 467	215 956
Cllr Mosotho MT	166 721	37 901	29 600	15 231	41 700	253 251
Cllr Senong MR	166 721	-	29 600	15 350	41 162	252 832
Cllr Magabe MS	40 073	-	11 900	538	8 424	60 935
Cllr Makofane T	-	-	11 900	410	102 213	114 523
Cllr Masuku TS	-	-	11 900	464	90 017	102 381
Cllr Mathipa MP	-	-	11 900	368	88 901	101 223
Cllr Mgiba NP	40 073	-	11 900	525	52 825	105 324
Cllr Mokgotho K	-	-	11 900	488	112 026	124 414
Cllr Thobejane LM	-	-	11 900	372	84 344	96 616
Cllr Tlape MM	40 073	-	11 900	538	22 556	75 078
Cllr Molapo WS	-	-	11 900	230	48 558	60 688
Cllr Mabelane SS	-	-	11 900	301	75 453	87 654
Cllr Ngwatle AD	-	-	11 900	190	20 999	33 089
Cllr Makofane IT	-	-	11 900	709	118 448	131 057
Cllr Malau TS	-	-	11 900	264	45 533	57 697
Cllr Mashilo MS	40 073	-	11 900	594	25 879	78 446
Cllr Mohlamonyane TE	-	-	11 900	202	39 020	51 122
Cllr Maibelo LS	-	-	11 900	207	25 783	37 891
Cllr Nkosi SB	40 074	-	11 900	525	17 636	70 134
Cllr Sithole ME	-	-	11 900	249	40 475	52 624
Cllr Matsomane ST	-	-	11 900	235	29 029	41 164
Cllr Leokana MD	6 090	-	11 900	195	14 927	33 112
Cllr Rankoe TP	2 280	-	11 900	146	27 037	41 363
Cllr Mosoane E	7 570	-	11 900	262	27 379	47 110

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand			2022			2021
<b>42. Related parties (continued)</b>						
Cllr Molokoane ML	6 090	-	11 900	214	9 663	27 868
Cllr Thokwane KZ	7 570	-	11 900	208	11 883	31 562
Cllr Mashegoana MC	6 090	-	11 900	222	25 697	43 909
Cllr Makobe PA	6 090	-	11 900	180	-	18 170
Cllr Lekoatsipa LR	46 164	-	11 900	758	42 274	101 095
Cllr Magatla LN	6 090	-	11 900	209	19 038	37 237
Cllr Letsela SS	6 090	-	11 900	188	21 990	40 167
Cllr Maelane KM	6 090	-	11 900	207	19 675	37 871
Cllr Machai MJ	6 090	-	11 900	237	18 490	36 717
Cllr Manganeng ML	97 851	31 841	13 600	7 914	97 662	248 869
Cllr Mnisi SP	97 851	31 841	13 600	7 780	44 762	195 834
Cllr Mafefe HO	162 533	57 619	14 800	26 237	22 190	283 379
Cllr Mogofe ME	74 873	23 157	14 800	5 995	17 750	136 575
Cllr Malatji MN	216 165	-	29 600	19 370	74 478	339 613
Cllr Mafefe HO	235 323	-	29 600	50 147	55 407	370 478
Cllr Mohlala MJ	216 165	-	29 600	19 551	82 078	347 393
Cllr Sefala KRE	228 486	-	29 600	57 073	71 090	386 248
<b>Subtotal</b>	<b>8 881 068</b>	<b>1 616 465</b>	<b>1 458 500</b>	<b>946 611</b>	<b>2 748 672</b>	<b>15 631 493</b>
	<b>8 881 068</b>	<b>1 616 465</b>	<b>1 458 500</b>	<b>946 611</b>	<b>2 748 672</b>	<b>15 631 493</b>

Remuneration of councillors 2020/21	Annual remuneratio n	Travel allowance	Cellphone allowance	Pension, Medical, UIF & SDL	Sitting allowance	Total
Cllr Ramaila KS (Executive Mayor)	694 573	-	44 400	206 233	-	945 206
Cllr Manamela MM (Council speaker)	645 383	-	44 400	75 217	-	765 000
Cllr Mokganyetji M (Chief Whip)	312 393	139 484	44 400	27 147	-	523 424
Cllr Mahlangu B	462 817	384 214	44 400	40 220	-	931 651
Cllr Nchabeleng T	242 348	163 424	23 566	29 356	-	458 694
Cllr Matlala M	462 817	195 456	44 400	39 824	-	742 497
Cllr Nkosi S	462 817	364 654	44 400	40 361	-	912 232
Cllr Mmakola M	534 758	107 970	44 400	45 265	-	732 393
Cllr Mafefe O	307 533	183 332	44 400	65 282	-	600 547
Cllr Mogofe M	33 085	18 650	7 400	2 954	-	62 089
Cllr Sefela R	422 214	207 733	44 400	72 217	-	746 564
Cllr Manganeng M	259 038	283 523	40 800	22 495	-	605 856
Cllr Mnisi S	259 038	215 591	40 800	22 401	-	537 830
Cllr Maila S	198 511	171 533	44 300	17 513	-	431 857
Cllr Matsetela M	198 511	172 264	44 300	17 557	-	432 632
Cllr Moimana M	198 511	120 047	44 300	17 277	-	380 135
Cllr Mtshweni B	198 511	74 700	44 300	17 254	-	334 765
Cllr Phala M	-	37 027	20 400	334	34 197	91 958
Cllr Motlale M	-	42 353	20 400	341	39 712	102 806
Cllr Mehlaphe S	-	52 542	20 400	402	41 920	115 264
Cllr Mahlangu J	-	30 093	20 400	297	29 784	80 574
Cllr Makeke G	-	74 190	20 400	358	41 919	136 867
Cllr Mosotho M	-	-	20 400	181	3 310	23 891
Cllr Mathebe C	-	14 826	10 200	98	9 927	35 051
Cllr Mabatane M	13 399	5 093	20 400	282	-	39 174
Cllr Rankoe T	90 587	33 955	20 400	925	-	145 867
Cllr Dolamo M	10 440	59 187	20 400	273	-	90 300
Cllr Thokoane M	10 440	-	20 400	257	-	31 097
Cllr Madutlala K	10 440	47 433	20 400	317	-	78 590
Cllr Diale M	10 440	117 344	20 400	520	-	148 704
Cllr Nkadimeng L	10 440	60 213	20 400	299	-	91 352
Cllr Matlala F	13 399	17 250	20 400	301	-	51 350
Cllr Ranoto P	13 399	10 577	20 400	291	-	44 667
Cllr Sebothoma R	10 440	90 651	20 400	491	-	121 982
Cllr Phaladi R	276 468	147 028	44 320	23 749	-	491 565
Cllr Mabelane M	80 147	122 950	20 400	881	-	224 378

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand			2022	2021		
<b>42. Related parties (continued)</b>						
Cllr Mamogale M	-	155 251	20 400	805	56 260	232 716
Cllr Maisela R	13 358	-	20 400	414	24 270	58 442
Cllr Kgapola M	80 147	50 513	20 400	859	-	151 919
Cllr Radingoana M	13 357	98 189	20 400	491	43 023	175 460
Cllr Mokgotho L	-	162 607	20 400	678	62 879	246 564
Cllr Malapane S	-	88 970	20 400	456	31 990	141 816
Cllr Mamokgopa L	-	64 358	20 400	367	25 373	110 498
Cllr Makola J	-	79 762	20 400	644	34 198	135 004
Cllr Makofane I	-	183 196	20 400	1 174	60 673	265 443
Cllr Makua M	-	71 028	20 400	413	56 260	148 101
Cllr Motseni N	10 440	59 199	20 400	329	-	90 368
Cllr Maloka M	10 440	28 961	20 400	260	-	60 061
Cllr Moloko M	198 511	109 390	44 300	17 259	-	369 460
Cllr Mashabela M	-	79 270	20 400	412	47 435	147 517
Cllr Ramautswa K	198 511	69 470	44 400	17 252	-	329 633
Cllr Matsepe C	-	3 778	-	50	9 929	13 757
Cllr Matseke R	82 713	54 107	18 500	7 426	-	162 746
	<b>7 050 374</b>	<b>5 123 336</b>	<b>1 463 086</b>	<b>838 459</b>	<b>653 059</b>	<b>15 128 314</b>

#### 43. Prior period errors

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

2022

2021

#### 43. Prior period errors (continued)

##### Inventory

In the prior periods the inventory in the sub-stores of the municipality was not expensed to reflect the inventory issued from the main store to the sub-stores. Issues of inventory would be accounted for as an expense in the year they are issued for any use. The omission resulted in the overstatement of the inventory and the understatement of the expenditure. To account for the expenditure a prior period adjustment was made to the comparative periods by reducing the inventory balance and increasing the expense.

##### Consumer Debtors and VAT Receivable

It was noted in the current year that the credit and debt collection policy was not aligned with the requirements of the GRAP 104. A prior period error adjustment was effected to correct the error retrospectively. The effect of the adjusted was a decrease in the consumer debtors both in the current and prior years. The VAT receivables increased as a result of the adjustment in the prior period errors.

##### Property, Plant and Equipment

###### 1. Work in progress.

- There were quite a number of slow moving projects which were previously reported as work in progress in the prior periods. No sufficient information was made available for management to establish the correct accounting treatment, such required information was discovered and made available in the current year as a result most projects were capitalized and moved out of the work in progress register. Most discovered information provided evidence that most projects were actually completed long ago hence the prior period adjustments were effected.

###### 2. Completed projects.

There were quite a number of completed projects which were previously reported as work in progress in the prior periods. No sufficient information was made available for management to establish the correct accounting treatment, such required information was discovered and made available in the current year as a result most projects were capitalized and moved out of the work in progress register. Most discovered information provided did assist in capitalizing the projects and ultimately moving them out of the work in progress register.

##### Operating lease liability

In the prior periods accounting for the lease was not in line with GRAP 13 as the operating lease contracts with a fixed escalation clause were not smoothed for the period of the lease. The municipality recalculated the smoothing as per the requirements of GRAP 13 and the prior period adjustments were effected and the financial statements adjusted accordingly.

##### Payables from exchange transactions

It was discovered during the current financial year that a duplicate payment was processed in the 2019/20 financial year. The refund was incorrectly accounted for, the correction of which resulted in an increase in other payables and a decrease in other income.

##### Accumulated surplus

A number of prior period errors were effected to retrospectively correct the prior period errors around the property, plant and equipment, Inventory, trade and other payables. The correction of the prior period errors resulted in an adjustment of the accumulated surplus in the current year.

##### Other Income

It was discovered during the current financial year that a duplicate payment was processed in the 2019/20 financial year. The refund was incorrectly accounted for, the correction of which resulted in an increase in other payables and a decrease in other income.

##### Government grants and subsidies

##### Debt Impairment

It was noted in the current year that the credit and debt collection policy was not aligned with the requirements of the GRAP 104. A prior period error adjustment was effected to correct the error retrospectively. The effect of the adjusted was a decrease in the consumer debtors both in the current and prior years. The VAT receivables increased as a result of the adjustment in the prior period errors.

##### General Expenses

The invoices for the bulk water purchases do include the expenditure for the repairs and maintenance works done by the

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

2022

2021

#### 43. Prior period errors (continued)

Lepelle Northern Water on behalf of the municipality. The reconciliation of the bulk water invoices is performed manually and the expenditure is passed into the system through journals.

#### 44. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

##### 2022

	Note	As previously reported	Correction of error	Restated
Inventories		32 325 619	(11 627 196)	20 698 423
VAT receivable		69 182 671	24 996 062	94 178 733
Other financial assets		1 000	-	1 000
Receivables from exchange transactions		171 682 891	(132 448 306)	39 234 585
Receivables from non-exchange transactions		43 291 823	-	43 291 823
Cash and cash equivalents		237 402 088	-	237 402 088
Prepayments		3 977 058	-	3 977 058
Property, plant and equipment		4 000 588 824	401 187 626	4 401 776 450
Operating lease liability		(3 822 340)	3 784 753	(37 587)
Payables from exchange transactions		(500 536 930)	(2 239 826)	(502 776 756)
Consumer deposits		(4 624 379)	-	(4 624 379)
Unspent conditional grants and receipts		(30 315 359)	-	(30 315 359)
Provisions		(24 563 959)	-	(24 563 959)
Provisions		(26 294 422)	-	(26 294 422)
Accumulated surplus		(3 968 294 585)	(283 653 113)	(4 251 947 698)
		-	-	-

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

2022

2021

#### 44. Prior-year adjustments (continued)

##### Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Service charges		85 340 370	-	85 340 370
Interest received - Debtors		12 936 559	-	12 936 559
Other income		82 986 496	(2 239 826)	80 746 670
Interest received		15 003 055	-	15 003 055
Government grants & subsidies		1 502 648 813	12 973 063	1 515 621 876
Public contributions and donations		21 980 000	-	21 980 000
Fines, Penalties and Forfeits		3 834	-	3 834
Employee related costs		(407 232 659)	-	(407 232 659)
Remuneration of councillors		(15 042 796)	-	(15 042 796)
Repairs and maintenance		(30 328 288)	-	(30 328 288)
Depreciation and amortisation		(94 331 387)	-	(94 331 387)
Impairment loss		(39 654 158)	-	(39 654 158)
Finance costs		(3 618 972)	-	(3 618 972)
Lease rentals on operating lease		(63 123 781)	-	(63 123 781)
Debt Impairment		-	(33 444 880)	(33 444 880)
Bad debts written off		(66 913)	-	(66 913)
Bulk purchases		(162 186 318)	-	(162 186 318)
Contracted service		(76 969 790)	-	(76 969 790)
Transfers and Subsidies		(2 556 298)	-	(2 556 298)
Loss on disposal of assets and liabilities		(998 642)	-	(998 642)
General Expenses		(196 273 758)	(11 559 256)	(207 833 014)
Actuarial gains/losses		(5 151 036)	-	(5 151 036)
<b>Surplus for the year</b>		<b>623 364 331</b>	<b>(34 270 899)</b>	<b>589 093 432</b>

##### Narration on prior period errors

###### Inventory

In the prior periods the inventory in the sub-stores of the municipality was not expensed to reflect the inventory issued from the main store to the sub-stores. Issues of inventory would be accounted for as an expense in the year they are issued for any use. The omission resulted in the overstatement of the inventory and the understatement of the expense. To account for the expense a prior period adjusted was made to the comparative periods by reducing the inventory balance and increasing the expense.

###### VAT receivable

The following prior period errors adjustments occurred:

#### 45. Risk management

##### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

##### 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.



## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

#### 45. Risk management (continued)

##### 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.

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

	2022	2021
--	------	------

#### 45. Risk management (continued)

##### 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.

#### 46. Going concern

We draw attention to the fact that at 30th June 2022, the municipality had an accumulated surplus of R 4 559 381 166

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

The 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 XX of these financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

#### 47. Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date the financial statements are authorized for issue. The two types of events can be identified, (i) those that provide evidence of events that existed at the reporting date being the adjusting events after the reporting date and (ii) those that are indicative of conditions that arose after the reporting date as the non-adjusting events after the reporting date.

#### 48. Unauthorised expenditure

Opening balance as previously reported	410 085 215	398 303 183
Add: Unauthorised expenditure - current	505 611	11 782 032
<b>Closing balance</b>	<b>410 590 826</b>	<b>410 085 215</b>

#### 49. Fruitless and wasteful expenditure

Opening balance as previously reported	46 566 914	46 222 760
Add: Fruitless and wasteful expenditure identified - current	10 166 818	344 154
<b>Closing balance</b>	<b>56 733 732</b>	<b>46 566 914</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

#### 50. Irregular expenditure

Opening balance as previously reported	1 201 749 911	987 512 656
Add: Irregular expenditure - current	76 787 198	214 237 255
<b>Closing balance</b>	<b>1 278 537 109</b>	<b>1 201 749 911</b>

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand	2022	2021
<b>51. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	4 481 840	3 977 058
Amount paid - current year	(4 481 840)	(3 977 058)
	-	-
<b>Material losses (Water distribution)</b>		
Current year loss in kiloliters	11 347 063	12 224 655
Amount paid - current year	56 783 022	90 751 416
<b>Total - amount paid in current year</b>	<b>56 783 022</b>	<b>90 751 416</b>
<b>Audit fees</b>		
Current year subscription / fee	7 874 194	5 461 473
Amount paid - current year	(7 874 194)	(5 461 473)
	-	-
<b>PAYE, UIF and SDL</b>		
Current year subscription / fee	90 608 762	79 574 576
Amount paid - current year	(90 324 224)	(79 649 216)
	<b>284 538</b>	<b>(74 640)</b>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	83 881 476	83 930 675
Amount paid - current year	(83 913 247)	(83 874 453)
	<b>(31 771)</b>	<b>56 222</b>
<b>VAT</b>		
VAT receivable	841 048 032	732 057 743
VAT payable	744 550 699	637 879 010
	<b>1 585 598 731</b>	<b>1 369 936 753</b>

## Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements

Figures in Rand

	2022	2021
--	------	------

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

##### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Matsetela ML	2 315	12 230	14 545
Cllr Phokane MJ	158	-	158
Cllr Matsetela M	704	2 286	2 990
	<b>3 177</b>	<b>14 516</b>	<b>17 693</b>

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Matsetela ML	3 391	1 618	5 009

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2022	Highest outstanding amount	Aging (in days)
Cllr Matsetela ML	12 230	-
Cllr Matsetela ML	2 286	-
	<b>14 516</b>	<b>-</b>

##### Supply chain management regulations

Section 36 of the Municipal Supply Chain Management Regulations states that the accounting officer may dispense with the official procurement processes established by the applicable supply chain policy and procure any required goods or services through any convenient process which may include direct negotiations, but only (i) in an emergency, (ii) if such goods or services are produced or available from a single service provider, (iii) for the acquisition of special works of art or historical objects where specifications are difficult to complete, (iv) acquisitions of animals for zoos or (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

##### Description

Deviation as per section 36(1)(i) of the SCM regulations	-	1 799 750
Deviation as per section 36(1)(ii) of the SCM regulations	5 338 302	55 520
Deviation as per section 36(1)(v) of the SCM regulations	603 036	4 317 235
	<b>5 941 338</b>	<b>6 172 505</b>

# **SDA Audited Annual Financial Statement**

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### General Information

---

<b>Nature of business and principal activities</b>	Municipal entity to implement high impact economic projects
<b>Other Board Members</b>	<p>Mr Victor Madulo Mampuru</p> <p>Mr Kwanele Mkhwanazi</p> <p>Ms Marcia Blake (Resigned)</p> <p>Mr Steven Masemola</p> <p>Ms Mantwa Makanyane (Acting CEO)</p> <p>Mr Landiwe Mahlangu (Chairperson)</p>
<b>Registered office</b>	<p>Bareki Mall</p> <p>Grobbersdal</p> <p>0470</p>
<b>Controlling entity</b>	Sekhukhune District Municipality
<b>Bankers</b>	ABSA
<b>Auditors</b>	<p>Auditor General South Africa</p> <p>Registered Auditors</p>

# Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

## Index

---

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
's Responsibilities and Approval	3
Audit Committee Report	4
's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10
Accounting Policies	11 - 17
Notes to the Annual Financial Statements	18 - 27

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

**Sekhukhune Development Agency**  
Annual Financial Statements for the year ended 30 June 2022

## **'s Responsibilities and Approval**

---

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 officers 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 officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the 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 officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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 5.

The annual financial statements set out on pages 5 to 27, which have been prepared on the going concern basis, were approved on 31 August 2022 by:

---

**Accounting Officer**  
**Acting CEO**



## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Audit Committee Report

---

We are pleased to present our report for the financial year ended 30 June 2022.

#### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at minimum 4 times per annum as per its approved terms of reference. The committee held 4 ordinary and 2 special audit committee meetings were held.

Name of member	Number of meetings attended
Mr Mokwele M (Chairperson)	4
Ms Ndlovu M CA(SA) - Member	4
Ms Mothelesi M - Member	6
Mr Mathabathe M - Member	6
Mr Thubakgale - Member	5

#### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166 (2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

#### The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

#### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the ;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

#### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

#### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

---

Chairperson of the Audit Committee

Date: \_\_\_\_\_

## **Sekhukhune Development Agency**

Annual Financial Statements for the year ended 30 June 2022

### **'s Report**

---

The accounting officers submit their report for the year ended 30 June 2022.

#### **1. Review of activities**

##### **Main business and operations**

Net deficit of the municipality was R 591 198 (2021: surplus R 2 639).

The entity is engaged in implementing high impact economic projects and operates principally in South Africa (Limpopo province) Sekhukhune District.

#### **2. Going concern**

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

The ability of the municipality to continue as a going concern is 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 municipal entity from Sekhukhune District Municipality

#### **3. Subsequent events**

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

#### **4. Share capital / contributed capital**

There were no changes in the authorised or issued share capital of the municipality during the year under review.

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
Current Assets			
VAT receivable		37 320	-
Cash and cash equivalents	5	856 116	1 467 490
		<b>893 436</b>	<b>1 467 490</b>
Non-Current Assets			
Property, plant and equipment	3	792 927	820 507
<b>Total Assets</b>		<b>1 686 363</b>	<b>2 287 997</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	7	687 049	697 485
<b>Total Liabilities</b>		<b>687 049</b>	<b>697 485</b>
<b>Net Assets</b>		<b>999 314</b>	<b>1 590 512</b>
Share capital / contributed capital	6	1 000	1 000
Accumulated surplus		998 314	1 589 512
<b>Total Net Assets</b>		<b>999 314</b>	<b>1 590 512</b>

\* See Note 20 & 19

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2021

### Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Other income	12	20	60 804
<b>Transfer revenue</b>			
Government grants & subsidies	10	3 188 465	870 075
<b>Total revenue from non-exchange transactions</b>		<b>3 188 485</b>	<b>930 879</b>
<b>Expenditure</b>			
Employee related costs	11	(2 136 489)	(1 445 295)
Board Fees	12	(373 858)	(122 966)
Depreciation and amortisation	13	(27 580)	(32 954)
Impairment loss/ Reversal of impairments		-	(155 834)
Bad debts	14	-	(12 946)
General Expenses	15	(1 241 756)	(1 000 084)
<b>Total expenditure</b>		<b>(3 779 683)</b>	<b>(2 770 079)</b>
<b>Operating deficit</b>		<b>(591 198)</b>	<b>(1 839 200)</b>
Loss on disposal of assets and liabilities		-	(7)
<b>Deficit for the year</b>		<b>(591 198)</b>	<b>(1 839 207)</b>

\* See Note 20 & 19

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
<b>Balance at 01 July 2020</b>	<b>1 000</b>	<b>3 428 719</b>	<b>3 429 719</b>
Changes in net assets			
Surplus for the year	-	(1 839 207)	(1 839 207)
<b>Total changes</b>	<b>-</b>	<b>(1 839 207)</b>	<b>(1 839 207)</b>
Opening balance as previously reported	1 000	1 129 512	1 130 512
Adjustments			
Prior year adjustments	-	460 000	460 000
<b>Restated* Balance at 01 July 2021 as restated*</b>	<b>1 000</b>	<b>1 589 512</b>	<b>1 590 512</b>
Changes in net assets			
Surplus for the year	-	(591 198)	(591 198)
<b>Total changes</b>	<b>-</b>	<b>(591 198)</b>	<b>(591 198)</b>
<b>Balance at 30 June 2022</b>	<b>1 000</b>	<b>998 314</b>	<b>999 314</b>
Note(s)	6		

\* See Note 20 & 19

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		3 219 345	2 592 581
<b>Payments</b>			
Cash paid to suppliers and employees		(3 830 719)	(2 711 921)
<b>Net cash flows from operating activities</b>	16	<b>(611 374)</b>	<b>(119 340)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(611 374)</b>	<b>(119 340)</b>
Cash and cash equivalents at the beginning of the year		1 467 490	1 586 830
<b>Cash and cash equivalents at the end of the year</b>	5	<b>856 116</b>	<b>1 467 490</b>

\* See Note 20 & 19

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from non-exchange transactions</b>						
Taxation revenue						
Other income	-	-	-	20	20	
<b>Transfer revenue</b>						
Government grants & subsidies	5 487 799	-	5 487 799	3 188 465	(2 299 334)	Note 29.1
<b>Total revenue from non-exchange transactions</b>	<b>5 487 799</b>	<b>-</b>	<b>5 487 799</b>	<b>3 188 485</b>	<b>(2 299 314)</b>	
<b>Expenditure</b>						
Employee related costs	(2 911 882)	-	(2 911 882)	(2 136 489)	775 393	Note 29.2
Board Fees	(197 746)	-	(197 746)	(373 858)	(176 112)	Note 29.3
Depreciation and amortisation	(40 000)	-	(40 000)	(27 580)	12 420	
General Expenses	(2 338 171)	-	(2 338 171)	(1 241 756)	1 096 415	Note 29.4
<b>Total expenditure</b>	<b>(5 487 799)</b>	<b>-</b>	<b>(5 487 799)</b>	<b>(3 779 683)</b>	<b>1 708 116</b>	
<b>Deficit before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(591 198)</b>	<b>(591 198)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(591 198)</b>	<b>(591 198)</b>	
<b>Reconciliation</b>						

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

##### 1.1 Presentation currency

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

##### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for the foreseeable future.

##### 1.3 Significant judgements and sources of estimation uncertainty

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

##### 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 - Provisions.

##### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment 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.



## Bekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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

Item	Depreciation method	Average useful life
Land	Straight line	infinite
Buildings	Straight line	30 years
Furniture and fixtures	Straight line	10 years
Office equipment	Straight line	5 years
IT equipment	Straight line	5 years
Communication equipment	Straight line	15 years

The residual value, the useful life and depreciation methods of each asset are reviewed at the end of each reporting date. If expectations differ from previous estimates the change is accounted for as a change in the accounting estimates.

#### 1.5 Intangible assets

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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 software,	Straight line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

#### 1.6 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.

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.

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.

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.6 Financial instruments (continued)

##### 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

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at cost.

##### Impairment and uncollectibility of financial assets

The entity assess 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 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.

#### 1.7 Receivables from exchange transactions

Receivables from exchange transactions are stated at the nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The carrying amount of these receivables approximate fair value due to the short period to maturity of these instruments. Receivables from exchange transactions are disclosed separately from Receivables from non-exchange transactions. Receivables in exchange for which the entity gives approximately equal value to another entity are recognised as receivables from exchange transactions. Receivables received without directly giving approximately equal value in exchange are recognised as receivables from non-exchange transactions.

#### 1.8 Construction contracts and receivables

Payables from exchange transactions are stated at their nominal value. The carrying amount of these payables approximates fair value due to the short period to maturity of these instruments.

#### 1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call accounts with banks and short-term money market instruments. Cash and cash equivalents are measured at amortised cost.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above net of outstanding bank overdrafts.

#### 1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.11 Employee benefits

##### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

#### 1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

#### 1.13 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.

##### 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.

#### 1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.14 Revenue from non-exchange transactions (continued)

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.

##### Measurement

Revenue is measured at the fair value of the consideration received or receivable.

##### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

##### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

#### 1.15 Comparative figures

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

#### 1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.17 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.18 Irregular expenditure

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.19 Budget information

The entity is 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 annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

#### 1.20 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.

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.

#### 1.21 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.

**Sekhukhune Development Agency**  
Annual Financial Statements for the year ended 30 June 2022

**Accounting Policies**

---

**1.21 Events after reporting date (continued)**

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.

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

2022

2021

#### 2. New standards and interpretations

##### 2.1 Standards and interpretations effective and adopted in the current year

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

##### 2.2 Standards and Interpretations early adopted

The municipality has not chosen to early adopt the following standards and interpretations:

**Standard/ Interpretation:**

**Effective date:**  
**Years beginning on or**  
**after**

**Expected impact:**

##### 2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

# Sekhukhune Development Agency

## Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Property, plant and equipment

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	600 000	-	600 000	-
Buildings	300 000	(229 521)	70 479	(227 004)
Furniture and fixtures	78 270	(71 585)	6 685	(70 749)
Office equipment	45 304	(45 298)	6	(45 297)
IT equipment	200 472	(140 720)	59 752	(120 802)
Communication equipment	161 404	(105 399)	56 005	(101 091)
<b>Total</b>	<b>1 385 450</b>	<b>(592 523)</b>	<b>792 927</b>	<b>(564 943)</b>

#### Reconciliation of property, plant and equipment - 2022

	Opening balance	Depreciation	Total
Land	600 000	-	600 000
Buildings	72 996	(2 517)	70 479
Furniture and fixtures	7 521	(836)	6 685
Office equipment	7	-	7
IT equipment	79 670	(19 918)	59 752
Communication equipment	60 313	(4 308)	56 005
<b>Total</b>	<b>820 507</b>	<b>(27 580)</b>	<b>792 927</b>



**Sekhukhune Development Agency**  
Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

Figures in Rand

**3. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2021**

	Opening balance	Depreciation	Impairment loss	Total
Land	600 000	-	-	600 000
Buildings	236 721	(7 891)	(155 834)	72 996
Furniture and fixtures	8 357	(836)	-	7 521
Office equipment	9	(2)	-	7
IT equipment	99 587	(19 917)	-	79 670
Communication equipment	64 621	(4 308)	-	60 313
	<b>1 009 295</b>	<b>(32 954)</b>	<b>(155 834)</b>	<b>820 507</b>

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.

An appropriate estimate of the useful lives, residual values and depreciation method of an asset based on the information available at the previous reporting dates was made, however the entity continues to measure the assets at R1, these assets are still in use and the entity derives economic benefits and the service potential.

Assets with a carrying value of R37 751,27 are under investigation to establish the facts surrounding their disappearance.

**4. Intangible assets**

**Reconciliation of intangible assets - 2021**

	Opening balance	Disposals	Total
Computer software, other	7	(7)	-

**5. Cash and cash equivalents**

Cash and cash equivalents consist of:

Bank balances	856 116	1 467 490
---------------	---------	-----------

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand 2022      2021

#### 5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA - Cheque - 40 7480 3357	856 116	1 467 490	1 586 830	-	-	-

#### 6. Share capital / contributed capital

<b>Authorised</b>		
Ordinary shares		1 000      1 000
<b>Issued</b>		
Ordinary		1 000      1 000

#### 7. Payables from exchange transactions

Trade payables	299 619	13 499
Accrued leave pay	349 816	148 209
Other payables	4 995	484 114
Bonus provision	32 619	51 663
	<b>687 049</b>	<b>697 485</b>

#### 8. Revenue

Other income	20	60 804
Government grants & subsidies	3 188 465	870 075
	<b>3 188 485</b>	<b>930 879</b>

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Other income	20	60 804
<b>Transfer revenue</b>		
Government grants & subsidies	3 188 465	870 075
	<b>3 188 485</b>	<b>930 879</b>

#### 9. Other income

Other income was derived from a write-off of payables that did not represent an amount owing to any third party, the board resolved to write-off the amount after consideration of possible claims from the creditors.

#### 10. Government grants and subsidies

<b>Operating grants</b>		
SDM Grant	3 188 465	2 592 581

#### Conditional and Unconditional

Conditional grants are only utilised to fund programmes approved by the funders. Operation grant from SDM is used to fund day to day operations of the agency:

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Employee related costs</b>		
Basic	1 474 180	940 878
Bonus	53 809	54 778
Medical aid - company contributions	84 722	81 518
UIF	5 491	4 072
SDL	16 105	10 079
Travel, motor car, accommodation, subsistence and other allowances	95 642	58 583
SALGBC levy	247	270
Pension fund	179 683	195 184
Subsistence allowance	4 705	-
Leave accrual	221 904	132 687
	<b>2 136 488</b>	<b>1 478 049</b>
<b>Chief executive officer</b>		
Annual Remuneration	-	1 477 040
Car Allowance	-	(1 477 040)
	-	-
The CEO is seconded to SDA by a related party (SDM) resulting in a donation in kind.		
<b>12. Board Fees</b>		
Board Members	373 858	122 966
<b>13. Depreciation and amortisation</b>		
Property, plant and equipment	27 580	32 954
<b>14. Bad debts</b>		
Employee receivables	-	12 946
Management resolved to write off an employee receivable as the prospects of recovery are deemed to be 0%.		
<b>15. General expenses</b>		
Accommodation	331 263	28 453
Advertising	12 275	20 200
Auditors remuneration	204 316	206 948
Bank charges	1 394	1 340
Catering	40 592	4 323
Consulting and professional fees	618 127	383 000
Other expenses	12 031	285 816
Printing and design	-	70 004
Travel - local	21 759	-
	<b>1 241 756</b>	<b>1 000 084</b>

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>16. Cash used in operations</b>		
Deficit	(591 198)	(1 839 207)
<b>Adjustments for:</b>		
Depreciation and amortisation	27 580	32 954
Loss on disposal of assets	-	7
Impairment deficit	-	155 834
Bad debts	-	12 946
<b>Changes in working capital:</b>		
Payables from exchange transactions	(10 436)	1 518 126
VAT	(37 320)	-
	<b>(611 374)</b>	<b>(119 340)</b>

### 17. Contingencies

#### Contingent assets

Civil proceedings have commenced against the entity previous employees concerned to recover an amount of R 341 981 - as a result of material losses incurred in the previous year. According to Entity's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

# Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 18. Related parties

#### Relationships

Controlling entity  
Members of key management  
Members of Board

Sekhukhune District Municipality  
Ms Mantwa Makanyane- ACEO from 01 Dec 2021  
Mr Landiwe Mahlangu  
Mr Stephen Masemola  
Mr Kwanele Mkhwanazi  
Mr Madulo Mampuru  
Ms Mercia Blake(resigned Oct 2021)  
Ms Mantwa Makanyane- ACEO from 01 Dec 2021

#### Related party balances

#### Grants received from related parties

Sekhukhune District Municipality 3 219 345 2 592 581

#### Remuneration of management

#### Remuneration of management

2022

Name	Basic	Allowances	SDL and UIF	Termination benefits	Total
Mr Kgophelo Phasha -Acting CEO resigned	-	2 379	-	-	2 379
Ms Mantwa Makanyane- ACEO from 01 Dec 2021	568 987	-	6 930	2 322	578 239
	<b>568 987</b>	<b>2 379</b>	<b>6 930</b>	<b>2 322</b>	<b>580 618</b>

#### Members of Board

2022

Name	Sitting fees	Allowances	Total
------	--------------	------------	-------

# Seknukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 18. Related parties (continued)

Mr Landiwe Mahlangu	83 147	20 171	103 318
Mr Victor Madulo Mampuru	89 099	24 409	113 508
Ms Marcia Blake (Resigned)	13 238	-	13 238
Mr Steven Masemola	88 995	16 382	105 377
Mr Kwanele Mkhwanazi	-	3 398	3 398
Ms Mantwa Makanyane (Acting CEO)	29 095	5 924	35 019
	<b>303 574</b>	<b>70 284</b>	<b>373 858</b>

The CEO is seconded to SDA by a related party (SDM) resulting in a donation in kind.

SDA uses offices paid by SDM and there is no payment by SDA for the use of those offices resulting in donation in kind

### 19. Prior period errors

a) A case against was won by a complainant and a judgement was issued on the 20th of August against SDA. The amount was erroneously not raised as a payable in the prior years.

b) The value of the land was adjusted to reflect the value as per the information of the donation.

c) The adjustment is to reflect that an unconditional Grant did not exist for an IDC grant that was issued in the prior years.

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

2022

2021

#### 20. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

##### Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Land		900 000	(300 000)	600 000
Unspent conditional grants and receipts		741 913	(741 913)	-
Other payables		24 114	460 000	484 114
Accumulated surplus		1 604 960	581 913	2 186 873
		<b>3 270 987</b>	<b>-</b>	<b>3 270 987</b>

#### 21. 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.

##### 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.

##### 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.

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
-----------------	------	------

#### 22. Going concern

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

The ability of the municipality to continue as a going concern is 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 municipal entity from Sekhukhune District Municipality.

#### 23. Fruitless and wasteful expenditure

An allegation was raised in the media in regards to a payment of 460 000 which came as a result of a court judgement which had compelled the municipal entity to pay the amount to a complainant on the 20th of August 2020. The matter is still under investigation.

#### 24. Irregular expenditure

Opening balance	560 810	95 146
	442 566	465 664
<b>Closing balance</b>	<b>1 003 376</b>	<b>560 810</b>

#### 25. Additional disclosure in terms of Municipal Finance Management Act

##### Audit fees

Amount paid - current year	204 316	206 948
----------------------------	---------	---------

##### Pension and Medical Aid Deductions

Amount paid - current year	264 406	276 702
----------------------------	---------	---------

#### 26. Segment reporting

Management assessed the requirements of Segment reporting Grap 18 and concluded the following: SDA does not have an activity 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.

#### 27. Budget differences

##### Material differences between budget and actual amounts

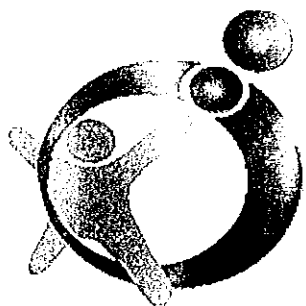
29.1 The Agency had planned to incur a total of R1 350 000 for the professional fees related to the developing of the land however expenditure incurred to date is less than the planned expenditure.

29.2 The Agency had planned to appoint a financial manager however the financial manager was not appointed

29.3 The Agency had more meetings as compared to the planned meetings in the financial year

29.4 Accommodation was more than planned accommodation and this is because the Agency had an acting CEO to which accommodation was paid for her.





**SDA**  
**SEKHUKHUNE**  
**DEVELOPMENT AGENCY**  
REACHING NEW HEIGHTS

# **Annual Performance Report**

## **2021/2022 Financial Year**

## 1. LEGISLATIVE MANDATE

The Annual Performance Report (APR) for Sekhukhune Development Agency for the financial year 2021/2022 has been prepared in compliance with the provisions of the Local Government Municipal Finance Management Act which provides as follows:

Section 121 (3) (c) of the Local Government Municipal Finance Management Act, 2003 (Act no. 56 of 2003)

*“the annual report of the municipality must include the annual performance report of the prepared by the municipality/municipal entity in terms of section 46 of the municipal Systems Act”*

Section 46 (1) of the Local Government Municipal Systems Act, 2000

*“a municipality/municipal entity must prepare for each financial year an annual report consisting of-*

*(a) a performance report reflecting-*

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

Sekhukhune Development Agency (SDA) is 100% owned by the Sekhukhune District Municipality and as a municipal entity, it is also required to comply with the basic requirements of the Local Government Municipal Systems Act 32 of 2000 read together with the provision of the Local Government Municipal Finance Management Act of 2003. The SDA has therefore also prepared its annual performance report in terms of the same guidelines and law provided for by the two above mentioned legislative provisions.

The reader should take note that Sekhukhune Development Agency does not have its own Performance Management Unit and has an agreement with the parent municipality to utilise the performance management unit of the parent municipality for planning, monitoring and evaluation of its performance alongside code of good practices provided for in the King IV Repro on Good Corporate Governance.

## 2. SDA NON-EXECUTIVE BOARD MEMBERS

- Ms L J Mahlangu (Chairperson)
- Ms F M Blake (esigned)
- Mr M H Mampuru
- Mr S M Masemola
- Mr K G Mkhwanazi
- Ms M V Makanyane

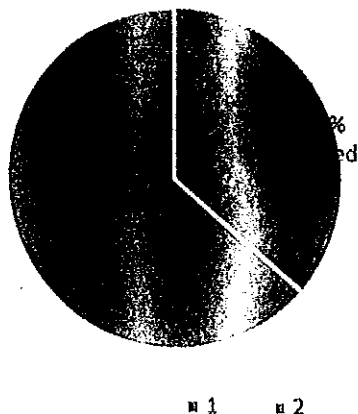
## 3. OVERVIEW OF SEKHUKHUNE DEVELOPMENT AGENCY PERFORMANCE 2021/2022 FINANCIAL YEAR

### 3.1 SDA PROJECTS AS PER THE APPROVED/AMENDED 2021/2022 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP).

In the 2021/2022 financial year, Sekhukhune Development agency had a total of 11 planned targets. Out of 11 targets, 04 were achieved and 07 were not achieved which represents 36% overall performance, a decline of 17% in comparison to the previous financial year.

The figure below further illustrates the same scenario as depicted above

2021/2022 SDBIP Performance



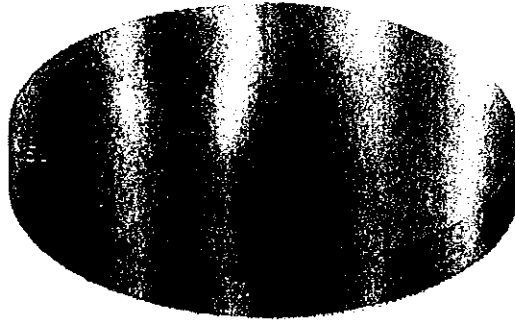
## OVERVIEW OF SEKHUKHUNE DEVELOPMENT AGENCY PERFORMANCE 2020/2021 FINANCIAL YEAR

### 3.2 SDA PROJECTS AS PER THE APPROVED/AMENDED 2020/2021 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP).

In the 2020/2021 financial year, Sekhukhune Development agency had a total of 15 planned targets. Out of 15 targets, 08 were achieved and 07 were not achieved which represents 53% overall performance, an improvement of 17% in comparison to the previous financial year.

The figure below further illustrates the same scenario as depicted above

SDBIP Performance 2020/2021



- Not Achieved
- Achieved

3.3 Outlined in the table below are 6 targets Not Achieved with challenges and remedial actions for 2021/2022 Financial Year.

TARGET NOT ACHIEVED	CHALLENGES	REMEDIAL ACTION
De-Hoop & Flag Boshielo Tourism Development -RMP's	The project depends on Stakeholders availability	Request intervention from PED , to coordinate all stakeholders
Mineral Research Study	Agreement with implementing partners not yet concluded. MINTEK needs financial	Study to be conducted once the agreement with the implementing partners is concluded and funding is available
Dry Sanitation Top Structure	The previous contractor was terminated by parent municipality due to pending legal matters.	Receive Council Resolution permitting SDA as the Implementing agent for the Sanitation top structures
Land Development of ERF 488	Service provider was only appointed at the end of the financial year, therefore made	SDA to be capacitated to run its affairs from SCM, Finance, HR

	performance impractical at such a short period of time	
Agang Cotton Initiative	No partnership agreement in place	To ensure that partners identified conclude an MOU with SDA
Fundraising	Delay in supply chain processes led to this non delivery	SDA to be capacitated to run its affairs from SCM, Finance, HR
AGM Reports	Schedule did not accommodate all key stakeholders	Plans to hold AGM Oct/Nov to accommodate nominations of the new Board members and introduce them

**3.5 OUTLINED IN THE TABLE BELOW ARE 8 TARGETS ACHIEVED IN THE 2020/2021 FINANCIAL YEAR**

PROJECTS	NUMBER OF TARGETS	PROGRESS	REMARKS
Special Economic Zone	1	Achieved	To Jointly Facilitate new approach to Special Economic Zone.
Green Automotive Manufacturing (Electrical Tuk-Tuks)	1	Achieved	Strategic partner Secured to invest in Green Automotive Manufacturing.
SETA Funding Application	1	Achieved	Skills Development funding applied
Tourism & Marketing	1	Achieved	Tourism Promotion Marketing and Development facilitated

The prevailing legislation also provides that when the Sekhukhune Development Agency assesses its performance for year under review, it is also a requirement that such performance be compared with the previous financial year. The targets were allocated in terms of those that promote local economic development and those falling under administration.

#### **4 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN 2019/2020**

Section 53 (1) (ii) of the Local Government Municipal Systems Act, 2003 provides that the major of the municipality is charged with the responsibility to consider and approve the Service Delivery and Budget Implementation Plan for 2019/2020 financial year.

For 2020/2021 financial year, Sekhukhune Development Agency has set 22 targets to deal with issues of economic development.

### **5. ANNUAL GENERAL MEETING AND STAKEHOLDER ENGAGEMENT**

#### **5.1 2019/2020 ANNUAL GENERAL MEETING**

In line with good practice and legislation as espoused in the By-Law, Shareholder compact, Companies Act, MFMA, MSA and King IV code of good corporate governance, AGM could not be held due to lapse of term of office for the board, absence of the CEO. It is the intention of the management and the board to combine the reporting for 2020/2021 and 2021/2022 AGM.

### **6. STAKEHOLDER ENGAGEMENTS AND REVENUE GENERATING PROJECTS**

As part of its mandate, the agency hold regular meetings and engagements with stakeholders to exchange ideas on how to take the agency forward. The following sectors and departments were engaged.

## 6.1 LIMPOPO DEPARTMENT OF ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (LEDET) &LEDA


SDA participated in the task team meetings for Fetakgomo-Tubatse Special Economic Zone as part of crafting a new approach for SEZ .

## 7. CONCLUSION

The 2020/2021 Financial year has seen unprecedented Economic devastation as a result of the resignation of the Acting CEO.Global economy has seen a significant decline and contradiction, South Africa as a developing economy is not an exception.. SDA as a municipal entity created to stimulate economic growth will have to leverage on national and provincial public policy interventions such as the economic recovery plan of its parent municipality.

The escalating high levels of unemployment also imposed on the agency an immediate challenge of igniting growth in the small and medium enterprise space as the driver for job creation. This approach and strategy should be blinded with the efforts to unlock catalytic projects as the main mandate of the agency.

## 8. ACCOUNTING OFFICER



Mr Mpho Maepa

ACTING CHIEF EXECUTIVE OFFICER



DATE





Sekhukhune Development Agency  
Annual Financial Statements  
for the year ended 30 June 2022  
Auditor General South Africa  
Registered Auditors

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Index

---

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	<b>Page</b>
's Responsibilities and Approval	3
Audit Committee Report	4
's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10
Accounting Policies	11 - 17
Notes to the Annual Financial Statements	18 - 27

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Audit Committee Report

---

We are pleased to present our report for the financial year ended 30 June 2022.

#### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at minimum 4 times per annum as per its approved terms of reference. The committee held 4 ordinary and 2 special audit committee meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr Mokwele M (Chairperson)	4
Ms Ndlovu M CA(SA) - Member	4
Ms Mothelesi M - Member	6
Mr Mathabathe M - Member	6
Mr Thubakgale - Member	5

#### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166 (2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

#### The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

#### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the ;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

#### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

#### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

---

**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
Current Assets			
VAT receivable		37 320	-
Cash and cash equivalents	5	856 116	1 467 490
		<b>893 436</b>	<b>1 467 490</b>
Non-Current Assets			
Property, plant and equipment	3	792 927	820 507
<b>Total Assets</b>		<b>1 686 363</b>	<b>2 287 997</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	7	687 049	697 485
<b>Total Liabilities</b>		<b>687 049</b>	<b>697 485</b>
<b>Net Assets</b>		<b>999 314</b>	<b>1 590 512</b>
Share capital / contributed capital	6	1 000	1 000
Accumulated surplus		998 314	1 589 512
<b>Total Net Assets</b>		<b>999 314</b>	<b>1 590 512</b>

\* See Note 20 & 19

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
<b>Balance at 01 July 2020</b>	<b>1 000</b>	<b>3 428 719</b>	<b>3 429 719</b>
Changes in net assets			
Surplus for the year	-	(1 839 207)	(1 839 207)
<b>Total changes</b>	<b>-</b>	<b>(1 839 207)</b>	<b>(1 839 207)</b>
Opening balance as previously reported	1 000	1 129 512	1 130 512
Adjustments			
Prior year adjustments	-	460 000	460 000
<b>Restated* Balance at 01 July 2021 as restated*</b>	<b>1 000</b>	<b>1 589 512</b>	<b>1 590 512</b>
Changes in net assets			
Surplus for the year	-	(591 198)	(591 198)
<b>Total changes</b>	<b>-</b>	<b>(591 198)</b>	<b>(591 198)</b>
<b>Balance at 30 June 2022</b>	<b>1 000</b>	<b>998 314</b>	<b>999 314</b>
Note(s)	6		

\* See Note 20 & 19

## Seldukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Other income	-	-	-	20	20	
<b>Transfer revenue</b>						
Government grants & subsidies	5 487 799	-	5 487 799	3 188 465	(2 299 334)	Note 29.1
<b>Total revenue from non-exchange transactions</b>	<b>5 487 799</b>	<b>-</b>	<b>5 487 799</b>	<b>3 188 485</b>	<b>(2 299 314)</b>	
<b>Expenditure</b>						
Employee related costs	(2 911 882)	-	(2 911 882)	(2 136 489)	775 393	Note 29.2
Board Fees	(197 746)	-	(197 746)	(373 858)	(176 112)	Note 29.3
Depreciation and amortisation	(40 000)	-	(40 000)	(27 580)	12 420	
General Expenses	(2 338 171)	-	(2 338 171)	(1 241 756)	1 096 415	Note 29.4
<b>Total expenditure</b>	<b>(5 487 799)</b>	<b>-</b>	<b>(5 487 799)</b>	<b>(3 779 683)</b>	<b>1 708 116</b>	
<b>Deficit before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(591 198)</b>	<b>(591 198)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(591 198)</b>	<b>(591 198)</b>	
<b>Reconciliation</b>						

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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

Item	Depreciation method	Average useful life
Land	Straight line	infinite
Buildings	Straight line	30 years
Furniture and fixtures	Straight line	10 years
Office equipment	Straight line	5 years
IT equipment	Straight line	5 years
Communication equipment	Straight line	15 years

The residual value, the useful life and depreciation methods of each asset are reviewed at the end of each reporting date. If expectations differ from previous estimates the change is accounted for as a change in the accounting estimates.

#### 1.5 Intangible assets

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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 software,	Straight line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

#### 1.6 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.

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.

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.

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

---

#### 1.11 Employee benefits

##### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

#### 1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

#### 1.13 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.

##### 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.

#### 1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.



## **Sekhukhune Development Agency**

Annual Financial Statements for the year ended 30 June 2022

### **Accounting Policies**

---

#### **1.21 Events after reporting date (continued)**

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.

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

2022

2021

#### 2. New standards and interpretations

##### 2.1 Standards and interpretations effective and adopted in the current year

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

##### 2.2 Standards and Interpretations early adopted

The municipality has not chosen to early adopt the following standards and interpretations:

**Standard/ Interpretation:**

**Effective date:**

**Expected impact:**

**Years beginning on or after**

##### 2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

# Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Depreciation	Impairment loss	Total
Land	600 000	-	-	600 000
Buildings	236 721	(7 891)	(155 834)	60 000
Furniture and fixtures	8 357	(836)	-	7 521
Office equipment	9	(2)	-	7
IT equipment	99 587	(19 917)	-	79 670
Communication equipment	64 621	(4 308)	-	60 313
	<b>1 009 295</b>	<b>(32 954)</b>	<b>(155 834)</b>	<b>820 507</b>

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.

An appropriate estimate of the useful lives, residual values and depreciation method of an asset based on the information available at the previous reporting dates was made, however the entity continues to measure the assets at R1, these assets are still in use and the entity derives economic benefits and the service potential.

Assets with a carrying value of R37 751,27 are under investigation to establish the facts surrounding their disappearance.

### 4. Intangible assets

#### Reconciliation of intangible assets - 2021

	Opening balance	Disposals	Total
Computer software, other	7	(7)	-

### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	856 116	1 467 490
---------------	---------	-----------

## Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>11. Employee related costs</b>		
Basic	1 474 180	940 878
Bonus	53 809	54 778
Medical aid - company contributions	84 722	81 518
UIF	5 491	4 072
SDL	16 105	10 079
Travel, motor car, accommodation, subsistence and other allowances	95 642	58 583
SALGBC levy	247	270
Pension fund	179 683	195 184
Subsistence allowance	4 705	-
Leave accrual	221 904	132 687
	<b>2 136 488</b>	<b>1 478 049</b>
<b>Chief executive officer</b>		
Annual Remuneration	-	1 477 040
Car Allowance	-	(1 477 040)
	-	-
The CEO is seconded to SDA by a related party (SDM) resulting in a donation in kind.		
<b>12. Board Fees</b>		
Board Members	373 858	122 966
<b>13. Depreciation and amortisation</b>		
Property, plant and equipment	27 580	32 954
<b>14. Bad debts</b>		
Employee receivables	-	12 946
Management resolved to write off an employee receivable as the prospects of recovery are deemed to be 0%.		
<b>15. General expenses</b>		
Accommodation	331 263	28 453
Advertising	12 275	20 200
Auditors remuneration	204 316	206 948
Bank charges	1 394	1 340
Catering	40 592	4 323
Consulting and professional fees	618 127	383 000
Other expenses	12 031	285 816
Printing and design	-	70 004
Travel - local	21 759	-
	<b>1 241 756</b>	<b>1 000 084</b>

# Sekhukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 18. Related parties

#### Relationships

Controlling entity  
Members of key management  
Members of Board

Sekhukhune District Municipality  
Ms Mantwa Makanyane- ACEO from 01 Dec 2021  
Mr Landiwe Mahlangu  
Mr Stephen Masemola  
Mr Kwanele Mkhwanazi  
Mr Madulo Mampuru  
Ms Mercia Blake(resigned Oct 2021)  
Ms Mantwa Makanyane- ACEO from 01 Dec 2021

#### Related party balances

Grants received from related parties  
Sekhukhune District Municipality

3 219 345 2 592 581

#### Remuneration of management

#### Remuneration of management

2022

Name	Basic	Allowances	SDL and UIF	Termination benefits	Total
Mir Kgophelo Phasha -Acting CEO resigned	-	2 379	-	-	2 379
Ms Mantwa Makanyane- ACEO from 01 Dec 2021	568 987	-	6 930	2 322	578 239
	<b>568 987</b>	<b>2 379</b>	<b>6 930</b>	<b>2 322</b>	<b>580 618</b>

#### Members of Board

2022

Name

Sitting fees Allowances Total

## Sekukhune Development Agency

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand 2022 2021

#### 20. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

##### Statement of financial position

##### 2021

	Note	As previously reported	Correction of error	Restated
Land		900 000	(300 000)	600 000
Unspent conditional grants and receipts		741 913	(741 913)	-
Other payables		24 114	460 000	484 114
Accumulated surplus		1 604 960	581 913	2 186 873
		<b>3 270 987</b>	<b>-</b>	<b>3 270 987</b>

#### 21. 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.

##### 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.

##### 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.

# **ANNEXURE B: 2021/2022 Audit Report: SDM and SDA**



AUDITOR GENERAL  
SOUTH AFRICA

The Chairperson of the accounting authority  
Sekhukhune District Municipality  
Private Bag X8611  
Groblersdal  
0470

Date: 30 November 2022

Reference: 61205REG21/22

Dear Acting Chief Executive Officer

**Report of the Auditor-General on the financial statements, annual performance report, compliance with legislation and other legal and regulatory requirements of Sekhukhune Development Agency for the year ended 30 June 2022**

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act No. 25 of 2004 (PAA) read in conjunction with section 188 of the Constitution of the Republic of South Africa section 126(3) of the Municipal Finance Management Act 56 of 2003 (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and the annual performance report and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements, the annual performance report or our audit report on compliance with legislation. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(4) of the MFMA you are required to include the audit report in the agency's annual report to be tabled.
4. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
  - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements, annual performance report and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
  - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when



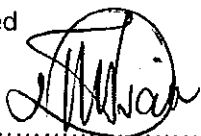
preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

5. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
6. The confidentiality of information obtained in an engagement must be observed at all times. In terms of section 50 of the PAA and the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (*including International Independence Standards*), the AGSA, or an audit firm appointed in terms of section 25 of the PAA, may not disclose or make available any information obtained during an audit, other than the final auditor's report, to any third party unless this is to a legislature or internal committee of a legislature or a court in a criminal matter and the disclosure has been approved by the auditee and the Auditor-General.
7. Until the steps described in paragraphs 2 and 4 of this document are completed and the annual report is tabled as required by section 127(2) of the MFMA, the audit report is not a final and public document and you are therefore requested to treat it as confidential.
8. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed



.....  
Senior Manager: Limpopo Business Unit

Enquiries: Mokgadi Letupu  
Email: [mokgadil@agsa.co.za](mailto:mokgadil@agsa.co.za)  
Cell: (015) 283 9300

## Independent auditor's report to Limpopo Provincial Legislature and Council on Sekhukhune Development Agency

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Sekhukhune Development Agency set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2022, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amount for the year then ended for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Sekhukhune Development Agency as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and the Division of Revenue Act, 2021 (Act No. 9 of 2021) (DoRA).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the Sekhukhune Development Agency in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matter

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

#### Restatement of corresponding figures

6. As disclosed in note 21 of the annual financial statements the corresponding figures for the 2021 financial period have been restated as a result of an error in the financial statements of the entity at, and for the year ended 30 June 2022.

7. As disclosed in note 27 of the annual financial statements, irregular expenditure to the amount of R442 566 was incurred as a result of non-compliance with recruitment processes from the prior year.

#### Subsequent events

8. A new board of directors was appointed after the financial year end but before the financial statements were issued for audit.
9. The acting CEO resigned after the financial year end and a new acting CEO was seconded from the Sekhukhune District Municipality.

#### Other matters

10. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

#### Unaudited supplementary schedules

11. 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.

#### Responsibilities of the accounting authority for the financial statements

12. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standard GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the financial statements, the accounting authority is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor-general's responsibilities for the audit of the financial statements

14. Our 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 our 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.

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

Report on the audit of the annual performance report

### Introduction and scope

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipal entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipal entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the municipal entity's annual performance report for the year ended 30 June 2022:

Objectives	Pages in the annual performance report
To Jointly facilitate new approach to special economic zone by June 2022	x – x
To secure strategic partner to invest in green automotive manufacturing by June 2022	x – x
To apply for funding for skills development by June 2022	x – x

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. The material findings on the usefulness and reliability of the performance information of the selected objectives are as follows:

**Number of SEZ sessions jointly facilitated**

21. Reported achievement not supported by sufficient appropriate audit evidence, i.e. not accurate and complete.

Planned indicators per annual planning document	Planned target per annual planning document	Reported achievement per the APR	Audited achievement per POE
Number of SEZ sessions jointly facilitated	4 SEZ sessions jointly facilitated	4 SEZ sessions jointly facilitated	2 attendance registers

To secure strategic partner to invest in Green Automotive Manufacturing by June 2022

**Number of investors secured**

22. Reported achievement not supported by sufficient appropriate audit evidence, i.e. not accurate and complete

Planned indicators per annual planning document	Planned target per annual planning document	Reported achievement per the APR	Audited achievement per POE
Number of investors secured	1 Investor secured	1X Investor secured	0

To apply for funding for Skills Development by June 2022

**Number of seta Funding Application Undertaken**

23. Reported achievement not supported by sufficient appropriate audit evidence, i.e. not accurate and complete

Planned indicators per annual planning document	Planned target per annual planning document	Reported achievement per the APR	Audited achievement per POE
Number of seta Funding Application Undertaken	1 Agri-Sita funding application undertaken	Appointment letter/funding proposal	0

**Other matter**

24. I draw attention to the matter below.

25. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs x to x of this report.

Report on the audit of compliance with legislation
--

### Introduction and scope

26. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
27. The material findings on compliance with specific matters in key legislation are as follows:

### Annual Financial Statements

28. 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, Unspent conditional grants and receipts and payables from exchange transactions items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulted in the financial statements receiving an unqualified audit opinion

### Expenditure Management

29. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.
30. Reasonable steps were not taken to prevent irregular expenditure amounting to R442 566 as disclosed in note 27 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with procurement processes and non-compliance with recruitment processes.

### Consequence Management

31. Some of the irregular expenditure incurred by the municipal entity were not investigated to determine if any person is liable for the expenditure, as required by municipal budget and reporting regulations 75(1).

32. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in the auditor's report.
33. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.
34. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

#### Internal control deficiencies

35. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
36. The municipal entity did not have sufficient monitoring controls to ensure the proper implementation of the overall process of reporting
37. The municipal entity did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.
38. The accounting authority did not review and monitor compliance with applicable laws and regulations.

*Auditor-General*

Polokwane

30 November 2022



AUDITOR-GENERAL  
SOUTH AFRICA

Working to build a better future for all South Africans

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

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the municipal entity's compliance with respect to the selected subject matters.

### Financial statements

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

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

### Communication with those charged with governance

40. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
41. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships



and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Report of the auditor-general to Limpopo Provincial Legislature and Council on Sekhukhune District Municipality

### Report on the audit of the separate financial statements

#### Qualified opinion

1. I have audited the separate financial statements of the Sekhukhune District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2022, the statement financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the separate financial statements present fairly, in all material respects, the financial position of the Sekhukhune District Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and the Division of Revenue Act, 2021 (Act No. 9 of 2021) (DoRA).

#### Basis for qualified opinion

##### Property, Plant and Equipment

3. The municipality did not adequately review the useful lives of property, plant and equipment at the reporting date for current year and the prior year in accordance with GRAP 17, Property, plant and equipment. As a result, assets with an unquantified amount had a zero and approaching zero net carrying amount whilst still being in use. I was unable to determine the impact of the misstatement on the net carrying amount of property, plant and equipment of R 4 616 094 238 and depreciation of R116 366 974 as disclosed in the financial statements by alternative means as it was impracticable to do so. Additionally, there was a resultant impact on the surplus for the period and the accumulated surplus.

##### Prior year adjustments

4. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figures for the current and previous year. As described in note 44 (2021: note 36) to the financial statements, the restatements were made to rectify previous year misstatements, but the restatements could not be substantiated by supporting audit evidence. I was unable to confirm the restatements by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figures stated in the financial statements.

#### Commitments

5. During 2021, the municipality did not account for contractual commitments on certain work-in-progress projects as commitments in the annual financial statements, in accordance with GRAP 17, Property, plant and equipment. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments stated at R348 083 252 in the financial statements. As a result, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

#### Receivables from non-exchange transactions

6. Included in receivables from non-exchange transactions is R12 084 011 for sundry debtors. The municipality did not have adequate internal controls to maintain records of accounts for sundry debtors that the municipality is entitled to. Consequently, receivables from non-exchange transactions of R45 749 649 was overstated by R12 084 011 and contingent assets as disclosed in 41 is understated by R12 084 011.

#### Receivables from exchange transactions

7. Included in receivables from exchange transactions of R48 502 028 as disclosed in note 12 is an amount relating to allowance for impairment of water and waste water receivables amounting to R12 113 130. The municipality did not calculate the allowance for impairment of water and waste water receivables in accordance with the municipality's methodology. Consequently, receivables from exchange transactions is understated by R12 113 130 and allowance for impairment of water and waste water receivables is overstated by the same amount.

#### Net cash flows from operating activities

8. The municipality did not correctly prepare and disclose the net cash flows from operating activities as required by Standards of GRAP 2, *Cash flow statements*. I identified a difference of R60 665 274 between the net cash flows from operating activities and cash paid to suppliers and employees. Consequently, net cash flows from operating activities as stated at R494 618 395 in the financial statements, is misstated.

#### Irregular expenditure

9. The municipality made payments in contravention of the supply chain management requirements, resulting in irregular expenditure stated at R1 278 537 109 (2021: R1 201 749 911) in note 50 to the financial statements being understated by R76 787 198. As the municipality did not quantify the full extent of the irregular expenditure, it was impracticable to determine the resultant understatement of irregular expenditure as per note 50 to the financial statements.

#### Contingent assets

10. I was unable to obtain sufficient appropriate audit evidence for contingent assets. Adequate internal controls were not in place to account for contingent assets in the financial records. I

was unable to confirm the contingent assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contingent assets stated at R30 033 808 in note 41 to the financial statements.

#### Statement of changes in net assets

11. The municipality did not correctly prepare and disclose the statement of net changes in assets. I identified a difference of R34 270 900 between the amount disclosed and the recalculated amount. Consequently, statement of net changes in assets as stated at R4 559 381 166 in the financial statements, is misstated.

#### Expenditure

12. Included in expenditure of R1 179 216 837 is an amount relating to expenditure not incurred in the current year amounting to R78 243 533. The municipality did not have adequate systems in place to account for expenses in the correct accounting period. Consequently, expenditure is overstated by R78 243 533 and payables from exchange transactions is misstated. Additionally, there was a resultant impact on surplus for the year and accumulated surplus.

#### Provisions

13. I was unable to obtain sufficient appropriate audit evidence for various leave days taken. Adequate internal controls were not in place as there were no supporting documents for leave days taken. I was unable to confirm the leave days taken by alternative means. I was unable to confirm the leave days taken by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to provision for leave stated at R52 078 000 in note 15 to the financial statements

#### Context for the opinion

14. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
15. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
16. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### Emphasis of matters

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

### Contingent Liabilities

18. With reference to note 41 to the financial statements, the municipality is a defendant in various legal claims involving individuals and companies. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

### Material losses (water distribution)

19. As disclosed in note 51 to the annual financial statements, material water losses to the amount of R56 783 022 (2020-21: R90 751 416) was incurred.

### Other matter

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

### Unaudited supplementary schedules

21. 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

### Responsibilities of the accounting officer's for the financial statements

22. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.
23. In preparing the financial statements, the accounting officer is responsible for assessing the Sekhukhune District 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.

### Auditor-general's responsibilities for the audit of the financial statements

24. 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.
25. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report
--

## Introduction and scope

26. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
27. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
28. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the municipality's annual performance report for the year ended 30 June 2022:

Development priorities	Pages in the annual performance report
Development priority 1 – Basic Service Delivery	x – x

29. I performed procedures to determine whether the reported performance information [was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
30. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

### Development Priority 1 – Basic Service Delivery

31. The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided materially differed from the reported achievement, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to these reported achievements.

Indicator description	Reported achievement
Number of VIP units constructed (Fetakgomo VIP backlog programme phase 2 , 3)	279 VIP units constructed
Number of VIP units constructed (Ephraim Mogale VIP backlog programme phase 2 , 3)	747 VIP units constructed
Number of VIP units to be constructed (Makhuduthamaga VIP backlog programme)	1535 VIP units completed
Number of VIP sanitation units to be constructed (Elias Motsoaledi VIP backlog programme phase 2,3)	2066 VIP sanitation units to be constructed
Number of VIP sanitation units constructed (Tubatse VIP backlog programme phase 2, 3)	1731 VIP sanitation units to be constructed

**Performance indicators were not well-defined, targets were not specific and measurable**

32. The planned targets for the indicators were not specific in clearly identifying the nature and required level of performance and measurable.

Indicator	Planned target
Number of VIP units constructed( Fetakgomo VIP Backlog programme phase 2 , 3)	500 VIP units constructed
Number of VIP units constructed( Ephraim Mogale VIP Backlog programme phase 2 , 3)	958 VIP units constructed
Number of VIP units to be constructed ( Makhuduthamaga VIP Backlog programme)	2300 VIP units constructed
Number of VIP sanitation units to be constructed (Elias Motsoaledi VIP Backlog Programme (Phase 2,3)	2100 VIP units constructed
Number of VIP sanitation units constructed (Tubatse VIP Backlog Programme (Phase 2,3)	2000 VIP units constructed
Number of Kilometres of bulk pipeline constructed. Number of kilometers of Reticulation. Number of Standpipes constructed. Number of Water Meters Installed Number of boreholes equipped (De Hoop/Nebo Plateau/Schoonoord Water Scheme Villages: Makgeru, Ga Ratau & Matekane)	6 Kilometres of bulk pipeline constructed. 72 kilometers of Reticulation. 850 Standpipes constructed. 850 Water Meters Installed Equipping of two boreholes.

Kilometers of bulk line constructed Kilometers of reticulation constructed number of yard connection Number of steel tanks erected. Number of concrete reservoirs constructed. Number of pumphouses constructed. Number of boreholes refurbished.(Mottlailana, Makgemeng Water Supply)	5,16 Kilometers for bulk line constructed 36,87Kilometers of reticulation constructed 520 yard connection. 1x steel tank erected. 0 x concrete reservoirs constructed. 4 pumphouses constructed. 4 boreholes refurbished)
Number of kilometers of network constructed and water meters installed (Tukakgomo RDP section Borehole)	7km of water distribution network constructed and 735 water meters installed
Number of kilometres of rising main and storage tank installed (Phokwane/Brooklyn water supply)	3 kilometres of rising main and 1elevated tank
Number of kilometres of network constructed and stand pipes and storage tank installed( Laerdrift water supply intervention)	8km reticulation network constructed, 22 communal stand pipes and 1storage tank installed
Number of Kilometers of pipeline constructed and protection of abstraction point and sealing of reservoir (Nkosini water supply & package plant)	3.5km of pipeline constructed and 1 protection of abstraction and sealing of 1 reservoir
Number of kilometres of bulk pipeline and package plant constructed (Construction of Mooihoek bulk water supply phase G1,1)	Construction of 3 Kilometres of bulk water supply pipeline. Construction of 1 package plant type clarifier
Number of mechanical and electrical (M&E) componets installed for the extentions to Groblersdal water treatment works and pump station(Moutse BWS project 13 &14)	2 mechanical and Electrical (M & E) componets installed for the extensions to the Groblersdal Water Treatment Works and pump station

**Reported targets were not consistent when compared with planned targets**

33. The reported target did not agree with the planned target as per approved in service delivery agreement.

Indicator	Reported targets	Planned Targets
Number of Command reservoir tested and commissioned (Ga Maphopha Command reservoir)	1 command reservoir tested and commissioned	Testing and commissioning of the command reservoir



Number of borehole drilled and equipped (Legolaneng Water Supply)	1 borehole drilled and equipped connect to existing reticulation network as per the	2 equipping of 2 drilled borehole, construction of pump house and
Number of steel tank installed (Brooklyn water supply)	1 steel tank installed	Installation of pump system at Brooklyn 1x borehole and construct a 2km pipeline and 50kl storage tanks
Number of borehole installed and equipped (Polaseng Water intervention)	1 borehole drilled and equipped	1 equipping of existing 1 borehole, installation of Jojo tank and construction pipeline distribution infrastructure electric connection
Number of borehole drilled and equipped and steel tank installed (Mahlokwen (Malaeneng) water intervention)	1 borehole drilled and equipped and 1 steel tank installed	Equipping of existing 1 x borehole, installation of Jojo tank
Number of borehole equipped and pipeline distribution installed (Kgotlopong water intervention)	Borehole drilled and equipped and 1 pipeline distribution installed did not agree with the planned target of	Equipping of existing borehole, installation of Jojo tank and construction pipeline infrastructure, electric connection as per the approved in service delivery agreement.
Number of borehole drilled and equipped and pipeline distribution installed (Tshikanoshi Water Supply)	1 borehole drilled and equipped and 1 pipeline distribution installed	equip three drilled boreholes, energise and connect to the existing infrastructure
Number of borehole equipped and pipeline distribution installed (Sephaku Water Supply)	1 borehole drilled and equipped and 1 pipeline distribution installed	Equip three drilled boreholes, energise and connect to the existing infrastructure
Number of borehole equipped and pipeline distribution installed (Eenzaam Water Supply)	1 borehole drilled and equipped and 1 pipeline distribution installed	Connect a high yield 1 x borehole and construct a 3km bulk pipeline to the existing infrastructure

### Various indicators

34. The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicators listed below:

Indicator description	Reported achievement
Kilometers of bulk line constructed	0,5 Kilometers for bulk line constructed
Kilometers of reticulation constructed	44,6 Kilometers of reticulation constructed.
number of yard connection	0 yard connection.
Number of steel tanks erected.	1x steel tank erected.

Number of concrete reservoirs constructed.	0 x concrete reservoirs constructed.
Number of pump houses constructed.	4 pump houses constructed.
Number of boreholes refurbished. (Mottailana, Makgemeng Water Supply)	4 boreholes refurbished
Number of borehole installed and equipped (Polaseng Water intervention)	1 Borehole drilled and equipped
Number of Kilometres of bulk pipeline constructed.	6 Kilometres of bulk pipeline constructed.
Number of Kilometers of reticulation.	76,890 Kilometers of Reticulation.
Number of Standpipes constructed.	1285 Standpipes constructed.
Number of Water Meters Installed	1285 Water Meters Installed
Number of boreholes equipped. (De Hoop/Nebo Plateau/Schoonoord Water Scheme Villages: Makgeru, Ga Ratau and Matekane)	Equipping of 2 boreholes.
Number of Kilometres of bulk pipeline constructed Number of reservoir completed (NSD07 Regional Water Scheme Construction of Concrete Reservoirs)	0,1 Kilometres of bulk pipeline constructed, 0 reservoirs completed

### Other matter

35. I draw attention to the matter below.

#### Achievement of planned targets

36. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs x to x of this report.

### Report on the audit of compliance with legislation

#### Introduction and scope

37. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters

in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

38. The material findings on compliance with specific matters in key legislation are as follows:

Financial statements, performance reports and annual report.

39. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, which resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

40. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R10 166 818 as disclosed in note 49 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. This was incurred as a result of demolishing MIG: Carbonitites to Zaaiplaas due to defects on the structure constructed.

41. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R505 611, as disclosed in note 40 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA.

42. Reasonable steps were not taken to prevent irregular expenditure amounting to R76 787 198 as disclosed in note 44 to the annual financial statements, as required by section 62(1) (d) of the MFMA

43. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA

Consequence management

44. 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.

45. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA .

46. Fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA

Procurement and contract management

47. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c).

48. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).

49. Some of the contracts were not awarded in an economical manner as required by MFMA section 62(1)(a).
50. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2017 Preferential Procurement Regulations 11. Similar non-compliance was also reported in the prior year.
51. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
52. Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM Regulation 38(1).
53. The preference point system was not applied some of the procurement of goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.

#### Other information

54. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
55. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
56. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

#### Internal control deficiencies

57. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

58. The matters above, as they relate to the basis for the qualified opinion, findings on the annual performance report and findings on compliance with legislation, will be summarised in the auditor's report as follows:
59. Although the leadership reviewed the annual financial statements and the annual performance report prior to their submission for audit, the internal control environment is not operating effectively as a number of misstatements were still identified .
60. There was no adequate review and monitoring of compliance with applicable laws and regulations.
61. There was no adequate review and monitoring of compliance with applicable laws and regulations.
62. The leadership did not have an adequate record keeping system to enable reliable reporting on performance achievement and retrieving of supporting information used to prepare the annual financial statements.

#### Other reports

63. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. 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.
64. Attorneys were appointed to assist with the recovery of an amount of R22 210 223 previously paid to service providers for services not yet rendered (VIP sanitation projects), relating to the 2013-14 reporting period. The money paid to the service providers was still under investigation at the date of this audit report.
65. The municipality erroneously paid an amount of R5 452 014 into incorrect bank accounts during July 2018. As a result, investigations are being conducted by management to determine the liable parties.
66. The municipality paid an amount of R12 084 011 into an incorrect bank account during the 2018-19 financial year. As a result, investigations are being conducted by management to determine the liable parties.

67. Attorneys were appointed to assist with the investigations of R26 000 000 relating to the irregular appointment of eight service providers relating to covid-19 expenditure.

*Auditor-General*

Polokwane

30 November 2022



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

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

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with respect to the selected subject matters.

### Financial statements

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

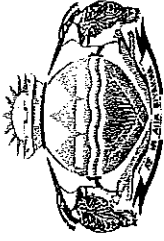
### Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



**ANNEXURE C: 2021/2022**  
**SDBIP Cumulative Report and**  
**Performance of Service**  
**Providers**



**SEKHUKHUNE**  
District Municipality

Private Bag X8611 Groblersdal 0470, 3 West Street Groblersdal 0470  
Tel: (013) 262 7300, Fax: (013) 262 3688  
E-Mail : [sekinfo@sekhukhune.co.za](mailto:sekinfo@sekhukhune.co.za)

# 2021/2022 ANNUAL PERFORMANCE REPORT

# **BASIC SERVICE DELIVERY**

2021/2022 ANNUAL PERFORMANCE REPORT

BASIC SERVICE DELIVERY

OBJECTIVES	PROJECT	BASELINE 2020/2021	INDICATORS	ANNUAL TARGET 2021/2022	PROGRESS ACHIEVED/NOT ACHIEVED	ANNUAL ACTUAL PROGRESS	CHALLENGES	REMEDIAL	POE	BUDGET 2021-2022
To resolve registered sanitation incidents within 14 days.	Sanitation incidents	700 registered sanitation incidents resolved within 14 days	Number of registered sanitation incidents resolved within 14 days	700 registered sanitation incidents resolved within 14 days	Achieved	810 registered sanitation incidents resolved within 14 days	None	None	Incident Report	52,048,895,51
To resolve registered water incidents within 14 days.	Water incidents	5000 registered water incidents resolved within 14 days	Number of registered water incidents resolved within 14 days	4500 registered water incidents resolved within 14 days	Not achieved	3 817 registered water incidents resolved within 14 days	Due to non availability of funds and No spares to resolved incidents	Avail funds for new financial year.	Incident Report	
To purchase Bulk water by June 2022	Bulk Water Purchases	16 500M <sup>3</sup> of water purchased	Number of M <sup>3</sup> water purchased	16 500M <sup>3</sup> of water purchased	Not achieved	13 575M <sup>3</sup> of water purchased	Due to non functionality of infrastructure as the result of non availability of funds	Avail funds for new financial year to improve water supply	Summary Meter readings report.	135,330,000
To develop water sources in areas that does not have infrastructure and replace dried boreholes by June 2022	Ground Water Development	New Program	Number of ground water source developed	20 Ground water source developed (boreholes)	Achieved	20 Ground water source developed (boreholes)	None	None	Progress Reports	10 757 256,78
To purchase electricity by June 2022	Electricity Usage	1200 KWH of Electricity used	Number of KWH electricity used	10 000 000 KWH of Electricity used	Achieved	10,8 000 000 KWH of Electricity used	None	None	Summary Electrical Meter readings report.	40 000 000,00
<b>RURAL ROADS/ASSET MANAGEMENT SYSTEM (RRAMS)</b>										
To Develop 80% of Road Asset Management System by June 2022	Development of Rural Roads Asset Management System	Desk top studies and the first rounds of Visual Conditions Assessments	Number of kilometres of Roads assessed	500 kilometres of Roads assessed	Not Achieved	0 kilometres of Roads assessed	Delay in Appointment of Professional Service Provider	Fasttrack the appointment of service provider by end of 1st quarter of 2022/2023 financial year	Progress report	2,437, 000. 00

REGIONAL BULK INFRASTRUCTURE GRANT (RBIG)										
				Number of traffic counting stations completed.	200 traffic counting stations completed	Not Achieved	0 traffic counting stations completed	Delay in Appointment of Professional Service Provider	Fasttrack the appointment of service provider by end of 1st quarter of 2022/2023 financial year	Progress report
To reduce water services backlog with 90% by June 2022	Mooihoek bulk water supply phase 4F1	1 Kilometers of bulk water pipeline and concrete reservoirs constructed	Number of km of bulk pipeline tested and commissioned	1km of bulk pipeline tested and commissioned	Achieved	1km of bulk pipeline tested and commissioned	None	None	None	R94 645 000. 00
To reduce water services backlog with 90% by June 2022	Construction of Mooihoek bulk water supply phase G1.1	1 X 5 Ml concrete reservoir completed Phase 4BA	Number of km of bulk pipeline and package plant constructed	Construction of 3 Kilometres of bulk water supply pipeline. Construction of 1 package plant type clarifier	Not Achieved	Procurement of service provider not done	Project delayed due to the contractor not being able to proceed with the work caused by underpricing	The contractor surrendered the project and termination currently being finalised through SDM Legal, new contractor to be appointed in the new financial year	Progress report	
To reduce water services backlog with 90% by June 2022	Construction of Mooihoek bulk water supply phase G1.2	1 X 5 Ml concrete reservoir completed Phase 4BA	Number of km of bulk pipeline constructed	Construction of 4.7 Kilometers of bulk water supply pipeline.	Not Achieved	1.88 Kilometers of bulk water supply pipeline constructed	Contractor running behind program due to cashflow problems	Revised program of works with cashflow projections has been submitted	Progress report	
To reduce water services backlog with 90% by June 2022	Construction of Mooihoek bulk water supply phase G2	17km of bulk water supply pipeline completed	Number of km of bulk pipeline and KL of reinforced concrete reservoir constructed	Construction of 4.9 Kilometres of bulk water supply pipeline. Construction of 500KL Reinforced Concrete Reservoir	Achieved	Construction of 4.9 Kilometres of bulk water supply pipeline. Construction of 500KL Reinforced Concrete Reservoir	None	None	Progress report	
To reduce water services backlog with 90% by June 2022	Construction of Mooihoek Reservoirs phase 4H1	12Ml/day Mooihoek Water Treatment Works	Number of Reservoir constructed	1 Reservoir constructed	Not Achieved	No progress	Procurement of service provider not done	Available budget sufficient to start with this project in the 2022/2023	Progress report	
To reduce water services backlog with 90% by June 2022	Construction of Mooihoek Reservoirs phase 4H2	12Ml/day Mooihoek Water Treatment Works	Number of Reservoir constructed	1 Reservoir constructed	Not Achieved	No progress	Procurement of service provider not done	Available budget sufficient to start with this project in the 2022/2023	Progress report	

To reduce water services backlog with 90% by June 2022	Nebo BWS Commission Jane Furse Pipeline	Nebo Phase1A completed and not commissioned	Number of Kilometers of water supply pipeline tested and commissioned	18 Kilometers of bulk water supply pipeline tested and commissioned	Not achieved	No progress	No service providers appointed yet for the refurbishment and commissioning	Tender advertised and closed. Appointment of PSP to be finalised by end of 1st quarter 2022/2023 financial year.	Progress report	R50, 000, 000. 00
To reduce water services backlog with 90% by June 2022	Nebo BWS to Jane Furse to Lobethal Bulk Water Supply	18km's of bulk water supply pipe line phase two from Jane Furse to Lobethal completed	Number of km's of bulk water supply pipeline assessed	18km of bulk water supply pipeline assessed	Not achieved	No progress	Project could not implemented due to insufficient budget under the Nebo scheme	Project planned for the 2023/24 FY	Progress report	
To reduce water services backlog with 90% by June 2022	Nebo BWS Makgeru to Schoonoord BWS	18.2 Km of Schoonoord bulk water supply pipeline in Makgeru. 10ML Command Concrete Reservoir in Schoonoord constructed	Number of Km of bulk water supply pipelines constructed	6.4Km of bulk water supply pipeline constructed	Not achieved	0Km of bulk water supply pipeline constructed	Additional professional fees required to complete the project exceeds 20% threshold as set by National Treasury	Request submitted to Treasury for advise which currently we awaits response from Treasury on how Council should move forward with the approval	Progress report	
To reduce water services backlog with 90% by June 2022	Moutse BWS Project 13 & 14	1 WTW in Groblersdal extended in Project 1 and 1 pump station constructed in Project 6	Number of mechanical and Electrical (M & E) components installed for the extensions to the Groblersdal Water Treatment Works and pump station	2 mechanical and Electrical (M & E) components installed for the extensions to the Groblersdal Water Treatment Works and pump station	Not achieved	0 Mechanical and Electrical (M & E) Groblersdal Water Treatment Work 0 clarifiers and 0 Filters refurbished	Approximately R20 million additional funds required by contractor to complete the project Approved contract period lapsed	Submission needs to go through Council since the overall requested VO amount exceeds the 20% threshold Extension of time	Progress report	R80, 000, 000. 00
To reduce water services backlog with 90% by June 2022	Moutse BWS Project (7 to 12)	30 Kilometre of bulk water supply pipeline constructed	Number of Kilometres of bulk water supply pipeline installed and tested	20Kilometre of bulk water supply pipeline installed and tested	Not achieved	15 Kilometre of bulk water supply pipeline installed, tested & commissioned	The SLA expired and could not be reviewed on time.	Approve the revised SLA by end of 1st quarter 2022/2023 financial year.	Progress report	

		Mouse BWS construction bulk water pipeline project(2-4)	19km of bulk water supply pipeline constructed	Number of km of bulk water supply pipelines assessed and refurbished	14 km of bulk water supply pipelines assessed and refurbished	Not achieved	0 km of bulk water supply pipelines assessed and refurbished	Appoint consultant	Tender advertised and closed. Appointment of PSP to be finalised by end of 1st quarter 2022/2023 financial year.	Progress Report / Completion Certificate	R13, 000, 000. 00
<b>WATER SERVICES INFRASTRUCTURE GRANT (WSIG)</b>											
To reduce water services backlog with 90% by June 2022	Maebe Drilling and Equipping of Borehole	Three (3) drilled and equipped boreholes and bulk pipeline.	1 Pump station constructed, Reverse Osmosis Package Plant and 1 storage tank installed	Not Achieved	0 Pump station constructed and 0 Reverse Osmosis Water Treatment Package Plant and 0 storage tank installed	No contractor appointed due to Insufficient budget	Project is budgeted for in 2022/2023 FY	Progress Report / Completion Certificate	R13, 000, 000. 00		
	Tukakgomo RDP Section Borehole	3.75 Km of water distribution network constructed and 1 raw water abstraction point upgraded	7 Km of water distribution network constructed and 735 water meters installed	Not achieved	1823m of water distribution network completed and 668 water meters installed	Delay in Appointment of SDM as an implementing agent by DWS	Project is budgeted for in 2022/2023 FY	Progress Report / Completion Certificate	R9, 000, 000. 00		
	Nkosini Water Supply & Package Plant	1 scoping report and business plans	3.5km of pipeline constructed and protection of abstraction and sealing of 1 reservoir	Not Achieved	0km of pipeline constructed and 0 protection of abstraction done and 0 reservoir sealed	No contractor appointed due to Insufficient budget	Project is budgeted for in 2022/2023 FY	Progress Report / Completion Certificate	R8, 000, 000. 00		
	Laersdrift Water Supply Intervention	1 Scoping Report and Business Plan	Number of kilometres of network constructed and stand pipes and storage tank installed	8 km reticulation network constructed, 22 communal stand pipes and 1 storage tank installed	Not Achieved	0 km reticulation network constructed, 0 communal stand pipes and 0 storage tank installed	No contractor appointed due to Insufficient budget	Project is budgeted for in 2022/2023 FY	Progress Report / Completion Certificate	R9, 000, 000. 00	
	Phokwane/Brooklyn Water Supply	Drilling, testing and equipping of 1 and rising main and 1 storage tank.	Number of kilometres of rising main and storage tank installed	3km of rising main and 1 elevated tank	Not Achieved	0km of rising main constructed and 0 elevated tank constructed	No contractor appointed due to Insufficient budget	Project is budgeted for in 2022/2023 FY	Progress Report / Completion Certificate	R4, 000, 000. 00	

Legolaneng VDIP	410 VDIP Toilets	Number of VDIP completed	440 VDIP completed	Not Achieved	0 VDIP completed	No contractor appointed due to insufficient budget	Project is budgeted for in 2022/2023 FY	Progress Report / Completion Certificate	R7, 000, 000. 00	
<b>MUNICIPAL INFRASTRUCTURE GRANT (MIG)</b>										
To reduce water services backlog with 90% by June 2022	Fetakgomo VIP Backlog Programme (Phase 2,3)	15330 VIP units constructed	Number of VIP units constructed	500 VIP units to be constructed	Not achieved	279 units constructed	1. Allocated units are less than the annual target	The balance(backlog) will be implemented in the next project	Progress report	8 100 000,00
To reduce water services backlog with 90% by June 2022	Ephraim Mogale VIP Backlog Programme (Phase 2,3 )	15730 VIP units constructed	Number of VIP units constructed	958 VIP units to be constructed	Not Achieved	747 VIP units to be constructed	1. Allocated units are less than the annual target	The balance(backlog) will be implemented in the next project	Progress report	13 000 000,00
To reduce water services backlog with 90% by June 2022	Makhudutham aga VIP Backlog Programme	16096 VIP units constructed	Number VIP sanitation units to be constructed	2300 VIP sanitation units to be constructed	Not Achieved	1535 VIP units completed	Late commencement on construction due to non compliance of Supply Chain requirements	Contractors are now SARS and COIDA compliant, extension of time to be granted for completion of all the 2300 VIPs	Progress report	32 500 000,00
To reduce water services backlog with 90% by June 2022	De Hoop/Nebo Plateau/School Water Scheme Villages: Ga -Mogashoa (Senkapudi) and Ga- Mogashoa (Manamane)	94,6 kilometres of water pipeline constructed	Number of water reticulation pipeline constructed	11 Kilometers of water reticulation pipeline constructed	Not Achieved	4 Kilometers of water reticulation pipeline constructed	Contractor behind schedule due to insufficient material on site	Consultant to meet with the contractor to discuss issues of outstanding material and expediting procurement thereafter. Most of the outstanding material has since been procured and construction progressing	Progress report	R4, 762, 404, 00
To reduce water services backlog with 90% by June 2022	NSD07 Regional Water Scheme Construction of Concrete Reservoirs	3km of bulk pipeline constructed 1 Reservoir completed	No of Kilometres of bulk pipeline constructed Number of reservoir completed	13 Kilometres of bulk pipeline constructed, 3 reservoirs completed	Not Achieved	0,1 Kilometres of bulk pipeline constructed, 0 reservoirs completed	Late payments of subcontractors lead to project stoppage and delays	Contractor got into an agreement with the concerned groups and managed to make outstanding payments, work has resumed on site	Progress report	19 121 866,00




To reduce water services backlog with 90% by June 2022	De Hoop/Nebo Plateau/School noord Water Scheme Villages: Makgeru, Ga Ratau & Matekane	6 Kilometres of bulk pipeline constructed. 98 km of water reticulation pipeline 2435 metered stand pipes Equipping of two boreholes	Number of Kilometres of bulk pipeline constructed. Number of Kilometers of Reticulation. Number of Standpipes constructed. Number of Water Meters Installed Number of Water boreholes equipped.	6 Kilometres of bulk pipeline constructed. 72 kilometers of Reticulation. 850 Standpipes constructed. 850 Water Meters Installed Equipping of two boreholes.	Achieved	6 Kilometres of bulk pipeline constructed. 76.890 kilometers of Reticulation. 1285 Standpipes constructed. 1285 Water Meters Installed Equipping of two boreholes.	None	None	Progress report	105 472 953,00
To reduce water services backlog with 90% by June 2022	Elias Motsaedi VIP Backlog Programme (Phase 2,3)	16862 VIP units constructed	Number of VIP sanitation units to be constructed	2100 VIP sanitation units to be constructed	Not achieved	2066 VIP units constructed	1. Allocated units are less than the annual target	The balance(backlog) will be implemented in the next project	Progress report	30 500 000,00
To reduce water services backlog with 90% by June 2022	Carbonites to Zaaiplaas PH4(Dindela Reservoir)	Dindela Pump Station, Gravity Main and Rising Main.	Number of reservoirs constructed	1 Reservoir Constructed	Not Achieved	None	Contractor terminated	Appoint a new contractor by end of the 1st quarter 2022/2023 financial year.	Progress report	R8, 000, 000, 00
To reduce water services backlog with 90% by June 2022	Tubatse VIP Backlog Programme (Phase 2,3)	16830 VIP units constructed	Number of VIP sanitation units constructed	2000 VIP sanitation units to be constructed	Not Achieved	1731 VIP Constructed	1. Allocated units are less than the annual target	The balance(backlog) will be implemented in the next project	Progress report	26 000 000,00

To reduce water services backlog with 90% by June 2022	Motlallana, Makgaming Water Supply	2,57 km of bulk pipeline constructed. 5,66 km of reticulation water pipeline constructed. 1x 100kl elevated tank erected.	No of Kilometers of bulk line constructed. No of Kilometers of reticulation constructed. Number of yard connection. 1x steel tank erected. Number of steel tanks erected. Number of concrete reservoirs constructed. Number of pumphouses constructed. Number of boreholes (refurbished)	5,16 Kilometers for bulk line constructed. 36,87 Kilometers of reticulation constructed. 520 yard connection. 1x steel tank erected. 0 x concrete reservoirs constructed. 4 pumphouses constructed. 4 boreholes (refurbished)	Not Achieved	0,5 Kilometers for bulk line constructed. 44,6 Kilometers of reticulation constructed. 0 yard connection. 1x steel tank erected. 0 x concrete reservoirs constructed. 4 pumphouses constructed. 4 boreholes (refurbished)	ongoing disruption from the community forum or small business people demanding work	ISD attending to the issues and resolving them as and when they emanate	Progress report	R29 409 971,00
To reduce water services backlog with 90% by June 2022	Malekana Regional Water Scheme	Ga-Malekana 12Ml Water Treatment Works	No of Kilometers of water pipeline constructed and number of reservoir completed	14 kilometres of water pipeline constructed and 4 reservoirs completed	Not Achieved	11,61 kilometres of water pipeline constructed and 0 reservoirs completed	Delays due to social challenges on site regarding sub-contracting of work to local business forums	ISD to engage local business forums. SDM to develop sub-contracting policy.	Progress report	67 458 474,00
To reduce water services backlog with 90% by June 2022	Lebalelo South connector pipes and reticulations	100km of connector pipes and reticulation pipelines constructed and 3 steel tanks completed	Number of steel tanks erected	11 steel tanks erected	Achieved	11 steel tanks erected	None	None	Progress report	32 748 439,00
To reduce water services backlog with 90% by June 2022	Lebalelo South: Phase 3 (Ga- Maroga and Motfelo Bulk and Reticulation Infrastructure	12,6 Kilometres of bulk line constructed. 23,4km reticulation pipeline constructed. 8 reservoirs constructed. 1 package plant constructed. 6 boreholes refurbished.	No of Kilometers of bulk line constructed. Kilometers of reticulation pipeline constructed. Number of WTW Constructed. Number of borehole refurbished	10 Kilometers of bulk line constructed. 50 Kilometers of reticulation pipeline constructed. 1 WTW Constructed. 3 borehole refurbished.	Not Achieved	4,2 Kilometers of bulk line constructed. 24,294 Kilometers of reticulation pipeline constructed. 0 WTW Constructed. 0 borehole refurbished.	Late delivery of materials, late payments of subcontractors lead to project stoppage and delay.	ISD attending to the issues and all payments done by end of July 2022	Progress report	76 801 860,00

To construct water pipeline, reservoir and pump station in Ga Maphopha by 2022	400 000,00	Progress report										
Ga Maphopha Command reservoir	12Ml Ga-Malekana Water Treatment Works, Malekana Bulk pipeline constructed	Number of command reservoir tested and commissioned	1 command reservoir tested and commissioned	Not Achieved	Testing and commissioning of the command reservoir not done	Non payment due to budget constraints. Repairs to be done on the rising main	Process payment and instruct contractor to resume work	Progress report				
Legolaneng Water Supply	GEOHYDROLOGICAL REPORTS	Number of borehole drilled and equipped	1 borehole drilled and equipped	Not Achieved	0 borehole drilled and equipped	Delay to electrify the borehole by ESKOM	Constant engagement/follow ups are being made with ESKOM	Progress report				
Brooklyn water supply	GEOHYDROLOGICAL REPORTS	Number of steel tank installed	1 steel tank installed	Not Achieved	0 steel tank installed	Tank is still under construction	Tank will be installed in July 2022	Progress report				
Polaseng Water Intervention	GEOHYDROLOGICAL REPORTS	Number of borehole installed and equipped	1 borehole installed and equipped	Achieved	1 borehole installed and equipped	none	none	Progress report				
Mahlokwen (Malaeneng) water intervention	GEOHYDROLOGICAL REPORTS	Number of borehole equipped and steel tank installed	1 borehole equipped and 1 steel tank installed	Not Achieved	0 borehole equipped and 0 pipeline distribution installed	Contractor not competent	Contractor to be put on terms	Progress report				
Kgotlopong water intervention	GEOHYDROLOGICAL REPORTS	Number of borehole equipped and pipeline distribution installed	1 borehole equipped and 1 pipeline distribution installed	Not Achieved	0 borehole equipped and 0 pipeline distribution installed	community has indicated they need a project to include additional scope of works they have identified	Management is currently evaluating the claim	Progress report				
Tshikanoshi Water Supply	GEOHYDROLOGICAL REPORTS	Number of borehole equipped and pipeline distribution installed	1 borehole equipped and 1 pipeline distribution installed	Not achieved	0 borehole equipped and 0 pipeline distribution installed	no water supply source	Management is currently evaluating the claim to increase funding for additional works	Progress report				27 284 034,00

To reduce water services backlog with 90% by June 2022

Sephaku Water Supply	GEOHYDROLOGICAL REPORTS	Number of borehole equipped and pipeline distribution installed	1 borehole equipped and 1 pipeline distribution installed	Not Achieved	0 borehole equipped and 0 pipeline distribution installed	contractor withdrawal due to under quoting	Submitted a business and technical report for approval by DWS.	Progress report
Eenzaam water supply	GEOHYDROLOGICAL REPORTS	Number of borehole equipped and pipeline distribution installed	1 borehole equipped and 1 pipeline distribution installed	Not Achieved	0 borehole equipped and 0 pipeline distribution installed	contractor withdrawal due to under quoting	Submitted a business and technical report for approval by DWS.	Progress report
 Acting Director IWS								
Date	26/08/2022							

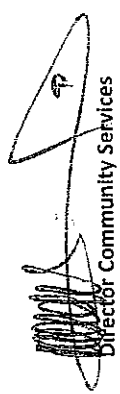
**COMMUNITY SERVICES  
MUNICIPAL HEALTH SERVICES**

To Have an improved, clean, healthy and sustainable environment through municipal health services package by June 2022	Environmental Pollution Prevention	24 Awareness Campaigns on Air Quality conducted	Number of Awareness Campaigns on Air Quality conducted	24 Awareness Campaigns on Air Quality conducted	Achieved	29 Awareness Campaigns on Air Quality conducted	None	Report and Attendance register	R208,200.00
	Water quality monitoring	300 Water quality samples collected	Number of Water quality samples collected	300 Water quality samples collected	Achieved	322 Water quality samples collected	None	Water Quality samples Reports	R89,507.26
	Food Safety control	1500 Food Premises evaluated	Number of Food Premises evaluated	1500 Food Premises evaluated	Achieved	1532 Food Premises evaluated	None	Signed Assessment forms including the agent signature	R57,932.69
	Waste Management	100 Health care risk waste monitored	Number of Health care risk waste monitored	100 Health care risk waste monitored	Achieved	105 Health care risk waste monitored	None	Signed Assessment forms including the agent signature	R208,200.00

WKS

Health Surveillance of premises	1500 premises evaluated	Number of premises evaluated	1500 premises evaluated	Achieved	1537 premises evaluated	None	None	Signed Assessment forms including the agent signature	R0,00
Surveillance and prevention of communicable diseases	100 awareness campaigns on Communicable diseases held	Number of awareness campaigns on Communicable diseases held	100 awareness campaigns on Communicable diseases held	Achieved	108 awareness campaigns on Communicable diseases held	None	None	Report and attendance register	R20,820,00
Communicable diseases outbreak control	127 communicable diseases investigated and controlled	Number of Communicable disease outbreaks traced	All reported Communicable disease outbreaks traced	Achieved	All 43 reported Communicable disease cases traced	None	None	Reports	R2,528,423,48
Vector Control	1500 inspections on Vector Control on premises conducted	Number of Inspections on Vector Control on premises conducted	1500 inspections on Vector Control on premises conducted	Achieved	1526 inspections on Vector Control on premises conducted	None	None	Signed Assessment forms including the agent signature	R 43,661,62
Disposal of the dead	100 evaluations on Disposal of the Dead facilities conducted	Number of evaluations on Disposal of the Dead facilities conducted	100 evaluations on Disposal of the Dead facilities conducted	Achieved	125 evaluations on Disposal of the Dead facilities conducted	None	None	Signed Assessment forms including the agent signature	R0,00
Chemical Safety	369 evaluations on safety to chemical handling premises conducted	Number of evaluations on safety to chemical handling premises conducted	300 evaluations on safety to chemical handling premises conducted	Achieved	336 evaluations on safety to chemical handling premises conducted	None	None	Signed Assessment forms including the agent signature	R0,00
<b>EMERGENCY MANAGEMENT SERVICES</b>									
Fire and Rescue Operations	332 reported emergency incidents attended	Number of reported emergency incidents attended	All reported emergency incidents attended	Achieved	All 560 reported emergency incidents attended.	None	None	Call Register and Report	R0,00
Emergency Management Services Training Academy	3 firefighting courses facilitated	Number of firefighting courses facilitated	3 firefighting courses facilitated	Achieved	3 firefighting courses facilitated.	None	None	Attendance Register and Report	R223 671,00
To protect loss of life, damage to property and environment by June 2022									

Fire Prevention and Safety	369 fire prevention and safety services provided	Number of fire prevention and safety services provided	All Fire prevention and safety services provided	Achieved	All 714 Fire Prevention and Safety services provided.	None	None	Call Register and Report	R0.00
<b>DISASTER MANAGEMENT SERVICES</b>									
To protect loss of life, damage to property and environment by June 2022	Disaster risk assessment	198 disaster risk incidents assessed	All reported disaster Management Incidents	Achieved	All 197 disaster management incidents attended	None	None	Register of disaster incidents	R291 480, 00
	Disaster risk reduction	42 disaster risk reduction awareness campaigns conducted	24 disaster risk awareness campaigns conducted	Achieved	40 disaster risk reduction awareness campaigns conducted	None	None	Attendance registers	R0 00
	Response and recovery	198 disaster incidents responded	All reported disaster response and recovery attended to	Achieved	All(197) reported disaster response and recovery operations attended to	None	None	Report	R0 00
	Disaster Management plan and framework review	Disaster management plan and framework in place	1 disaster management plan and framework reviewed	Achieved	1 Disaster management plan and Framework reviewed	None	None	Reviewed disaster management plan and framework	R0 00
	Special operations on high density days	3 special operations on high density days coordinated	3 special operations on high density days coordinated	Achieved	3 special operation on high density days campaigns coordinated	None	None	Operational plan and attendance register	R0 00

  
 Director Community Services

Date: \_\_\_\_\_

# **GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

OBJECTIVES	PROJECT	BASELINE 2020/2021	INDICATORS	ANNUAL TARGET 2021/2022	PROGRESS ACHIEVED/NOT ACHIEVED	PROGRESS	CHALLENGE	REMEDIAL	POE	BUDGET 2021-2022	
To ensure improved internal controls and clean governance in the municipality by June 2022	Development of the Three(3) Years rolling Plan	Development of 2020-2021 Three Year Internal audit rolling plan	Number of (SDM & SDA) 3 years rolling plans developed	2 (SDM & SDA) 3 years rolling plans developed	Achieved	2 SDM & SDA) 3 years rolling plans developed	None	None	Approved 3 Years and Annual Internal Audit rolling Plan for SDIM and SDA by	R0.00	
	Conduct Regularity audit	22 regularity audits conducted	Number of regularity audit conducted	20 Regularity Audits conducted	Not Achieved	17 regularity audit projects are conducted and report issued. 3 Audit Projects are in progress.	Lack of human resource.Late appointment of service providers due to lack of budget. Performed more due diligence review	CAE position be filed .Due diligence be performed within certain threshold	Signed Regularity Audit Reports	R4734850.00	
	Conduct Ad hoc Audits	Conduct Ad Hoc Audits	Percentage Ad Hoc audits conducted	100% Management requests/ investigations conducted as and when required	Achieved	100% Management requests/ investigations conducted as and when required (15 reports issued)	None	None	Signed Management /Investigation reports	R7,823,887	
	To conduct ICT Audits	4 ICT Audits reports conducted	Number of ICT Audits conducted	4 ICT Audit reports conducted	Achieved	4 ICT Audit reports conducted	None	None	Signed ICT Audits Reports	R0.00	
	To conduct Audits of Performance Information	4 Audit of Performance Information conducted	Number of Audit of Performance Information conducted	4 Audit of Performance Information conducted	Achieved	4 Audit of Performance Information conducted	None	None	Signed AOPI Reports	R0.00	
	Monitoring of implementation of auditor general activities	100% monitoring of implementation of AG activities	Percentage monitoring of External Audit implementation plan	100% monitoring of external Audit implementation plan	Achieved	100% monitoring of external Audit implementation plan	None	None	Audit Action plan, Signed Minutes, proof of payments	R0.00	
	Monitoring of Internal Audit Implementation plan	100% monitoring of Internal Audit Implementation plan	Percentage monitoring of Internal Audit implementation plan	100% monitoring of Internal Audit implementation plan	Achieved	100% monitoring of Internal Audit implementation plan	None	None	Internal Audit Implementation plan	R0.00	

Submitted by: [Signature]  
 Date: [Date]



Coordination of Audit Committee and Performance Audit Committee	7 (4 ordinary) and (3 special) meetings of audit and performance committees coordinated	Number of meetings of audit and performance committees coordinated	7 (4 ordinary) and (3 special) meetings of audit and performance committees coordinated	Achieved	10 Ordinary Audit Committee meetings held (4 SDM, 3 SDA, 3 PAC) and 5 special Audit Committee meetings	None	None	Signed Minutes/Agenda/Signed AC Reports	R670,500
Monitoring implementation of the operation clean audit strategy	100% monitoring of the operation clean audit strategy	Percentage monitoring of the operation clean audit strategy	100% monitoring of the operation clean audit strategy	Not Achieved	0% monitoring of the operation clean audit strategy	Operation Clean Audit Strategy not presented to council for approval	Operation Clean Audit Strategy to be workshopped to Members of Mayoral committee before submission for approval council	Approved operation clean Audit Strategy/Minutes of OPCA meetings/Quarterly Reports	R0.00
Conducting external assessment review	None	Number of external quality assessment performed	1 external quality assessment performed	Not Achieved	1 external quality assessment not performed	Lack of capacity (Human Resources) in the Internal Audit	Request Human resource to provide two interns or fill in the vacant position including the position of the CAE	External Assessment Review Report	R300,000.00

*RJ M... ..*  
Acting Chief Audit Executive

Date: 29/07/2022

**RISK MANAGEMENT**

To assess, identify, and manage risks and uncertainty to safeguards assets, enhance productivity, and build resilience	Conduct Strategic Risk Assessment and review risk register	Strategic Risk Register in place	Number of Strategic Risk Assessment conducted, and Strategic Risk Registers reviewed	*1 Strategic Risk Assessment conducted *4 Strategic Risk Registers reviewed	Achieved	*1 Strategic Risk Assessment conducted *4 Strategic Risk Registers reviewed	None	None	Strategic Risk Register report	R0.00
--	--	----------------------------------	--	--	----------	--	------	------	--------------------------------	-------

into the operations by June 2022	Conduct Operational Risk Assessment and review risk register	Operational Risk Registers in place	Number of Operational Risk Assessment Conducted and Operational Risk Registers reviewed	*1 Operational Risk Assessment Conducted *4 Operational Risk Registers reviewed	Achieved	*1 Operational Risk Assessment Conducted *4 Operational Risk Registers reviewed	*1 Operational Risk Assessment Conducted *4 Operational Risk Registers reviewed	Operational Risk Registers report	R0.00
	Facilitate insurance coverage for municipal assets	1 x Assets Insurance Policy contract entered into.	Number of insurance coverage for municipal assets facilitated	All insurance coverage for municipal assets facilitated	Achieved	All insurance coverage for municipal assets facilitated	All insurance coverage for municipal assets facilitated	Assets Insurance Policy contract	R6 137 490.00
	Facilitate Assets Insurance Claims and payments	Insurance claims report facilitated	Percentage processing and facilitation of insurance claims and payments	100% insurance claims processing, and payments of repairs, losses and excess facilitated	Achieved	100% insurance claims processing, and payments of repairs, losses and excess facilitated	100% (52) insurance claims processed, and payments of repairs, losses and excess facilitated	Insurance Claims report	R 968 851,00
	Manage Security operations and SLA	All incidents occurred reported	Number of incidents occurred, and SLA managed	All occurred incidents and SLA managed	Achieved	All occurred incidents and SLA managed	All twenty two (22) occurred incidents and SLA managed	Quarterly Security Report	R30 000 000.00
	Conduct Security Operational Sites Assessments	Security operational Sites Assessment conducted	Number of Security Operational sites assessments conducted	Forty (40) Security Operational sites assessments conducted	Achieved	Forty (40) Security Operational sites assessments conducted	Forty one (41) Security Operational sites assessments conducted	Quarterly Security Operational Sites Report produced/compiled	R0.00
	Facilitate the establishment of an Anti-Fraud & Corruption hotline	Fraud and Corruption cases reported and investigated	Number of fraud and corruption allegation cases reported and referral and investigations facilitated	All fraud and corruption allegation cases reported for referral and investigations facilitated	Achieved	All fraud and corruption allegation cases reported for referral and investigations facilitated	One (01) fraud and corruption allegation case reported for referral and investigations facilitated	Fraud and Corruption Cases report	R0.00
To assist the Accounting Officer/Authority in	Facilitate Risk Management Committee	One (01) Risk Management Committee held	Number of Risk Management Committee	4 x Risk Management Committee	Not Achieved	Four (03) Audit & (01) Risk Committee meetings held	Four (03) Audit & (01) Risk Committee meetings held	Risk Management Committee	R80 000

addressing its oversight requirements of risk management and evaluating and monitoring the municipality's performance with regards to risk management	(RMC) meetings	Two (02) Audit Committee meetings held to consider Risk Management Committee report	(RMC) meetings facilitated	(RMC) meetings facilitated	NB. All Risk Management (RMC) items were tabled at the Audit Committee meeting pending appointment of the RMC chairperson	report
---	----------------	---	----------------------------	----------------------------	---	--------

  
 Chief Risk Officer

Date: 29/07/2022

PUBLIC PARTICIPATION, MPAC SUPPORT, SECRETARIAT AND SUPPORT

FOR A	16 Fora facilitated	Number of fora facilitated	16 Fora facilitated	Not achieved	15 Fora facilitated	Conflicting schedules	MPAC forum meeting rescheduled for 1st quarter	Notice & Attendance registers	R75 000.00
Public participation sessions.	15 public participation sessions facilitated	Number of public consultation meetings facilitated	15 public participation facilitated	Achieved	15 public participation facilitated	None	None	Attendance registers and exit reports	R750 000.00
SODA & Budget Day	1 SODA, 1 Budget Day facilitated	Number of SODA and Budget days facilitated	1 SODA, 1 Budget Day facilitated	Achieved	1 SODA, 1 Budget Day facilitated	None	None	Notice and attendance registers	R0.00
Council and portfolio committee meetings	22 Council and portfolio committee meetings facilitated	Number Council and portfolio committee meetings facilitated	24 Council and portfolio committee meetings facilitated	Achieved	46 Council and portfolio committee meetings facilitated	None	None	Notice and attendance registers	R500 000.00
Study group	4 study groups facilitated	Number of study groups facilitated	4 study groups facilitated	Achieved	4 study groups facilitated	None	None	Notice and attendance registers	R65 000.00

Public hearings	2 public hearings facilitated	Number of public hearings facilitated	2 public hearings facilitated	Not achieved	1 public hearings facilitated	*Term of office of Cllrs ended on the 01/11/2021. The new Cllrs were sworn in and inaugurated on 25/11/2021 and 02/12/2021. *Conflicting schedules	1MPAC Public Hearing will be facilitated during Q1	Notice and attendance registers	R200 000.00
Strategic planning sessions for Section 79 Portfolio Committees & MPAC	2 strategic planning sessions facilitated	Number of strategic planning session facilitated	2 strategic planning sessions facilitated	Achieved	2 strategic planning sessions facilitated	None	None	Notice and attendance registers	R350 000.00
Capacity building workshops	2x workshops facilitated	Number of workshops facilitated	2x workshops facilitated	Achieved	2x workshops facilitated	None	None	Notice and attendance registers	R300 000.00
Training and development of Cllrs	2x councillors trained	Number of councillors trained	10x Councillors trained	Not Achieved	10x Councillors identified for training and applications sent to higher learning institutions	*Term of office of Cllrs ended on the 01/11/2021. The new Cllrs were sworn in and inaugurated on 25/11/2021 and 02/12/2021. *Conflicting schedules	10x Councillors registered to be trained during 2022/23 financial year	Exit report	R600 000.00
Queries and assistance of travel claims	100% resolution of Cllrs queries facilitated	Percentage resolution of Cllrs queries facilitated	100% resolution of Cllrs queries facilitated	Achieved	100% resolution of Cllrs queries facilitated	None	None	Exit report	R0.00
Resolution registers for Council implementation.	4 Council Resolution registers compiled and coordinated	Number of Council Resolution registers compiled and coordinated	4 Council Resolution registers compiled and coordinated	Achieved	4 council resolution registers compiled and coordinated.	None	None	Council resolution register	R0.00
Council whipper meetings facilitated	4 meetings held	Number of meetings facilitated	4 Council Whipper meetings Facilitated.	Achieved	4 Council Whipper meetings Facilitated.	None	None	Notice and attendance registers	R20 000.00

Working sessions for Cllrs.	8 MPAC Working sessions for Cllrs facilitated	Number of MPAC working sessions for Cllrs facilitated	8 MPAC working sessions for Cllrs facilitated.	Achieved	21 MPAC working sessions for Cllr facilitated.	None	None	R180 000,00
<i>[Signature]</i> Council Secretary								
Date:	26/08/2022							
<b>COMMUNICATIONS, ADVOCACY, SOCIAL FACILITATION, SPECIAL PROGRAMMES AND ARTS &amp; CULTURE</b>								
To facilitate stakeholder & sectoral engagement by June 2022	12 Programmes facilitated	Number of community & sectorial engagements facilitated	8 stakeholder & sectoral engagements facilitated	Achieved	10 stakeholder & sectoral engagement facilitated.	None	N/A	R800 000,00
To provide support to Mayoral Committee by June 2022	12 Mayoral Committee meetings supported	Number of Mayoral Committee meetings supported	12 Mayoral Committee meetings supported	Achieved	14 Mayoral Committee Meetings supported.	None	N/A	R0.00
To produce newsletters by June 2022	16 Programmes produced	Number of newsletters produced	8 newsletters produced.	Not Achieved	4 Newsletters Produced.	Delayed Printing of News Letters resulted into none achievement	The target will be implemented in the 2022/2023 financial year	R500 000,00
To market and brand events by June 2022	12 Events Branded	Number of events Marketed and branded	12 Events marketed and branded	Achieved	17 Events Marketed and Branded.	None	N/A	R100 000,00
To undertake website updates by June 2022	20 Updates undertaken	Number of Website Updates undertaken	12 Website Updates undertaken	Achieved	18 Websites updates undertaken.	None	N/A	R150 000,00
To facilitate meetings for Traditional Leaders by June 2022	2 SPLUMA meetings supported	Number of Traditional Leadership meetings facilitated	3 Traditional Leadership meetings facilitated	Achieved	5 Traditional leadership Meetings Facilitated.	None	N/A	R0.00

To facilitate strategic events by June 2022	Special Mayoral strategic Events	5 strategic events Facilitated	Number of Strategic Events facilitated	5 strategic events facilitated	Achieved	5 strategic events facilitated	None	None	Attendance registers and exit reports	R500 000,00
To facilitate Moral Regeneration Movement committee programmes by June 2022	Strengthening of Moral Regeneration Movement Committee	MRM committee established	Number of MRM programmes for MRM committee facilitated	2 MRM committee programme facilitated	Achieved	2 MRM committee programme facilitated	None	N/A	Attendance registers and exit reports	R100 000,00
To generate Customer Care reports by June 2022	Customer Care Services	24 reports generated	Number of reports generated	24 queries/complains reports on customer care generated	Achieved		None	N/A	Exit reports	R0.00
To revamp the Call Centre by June 2022	Call Centre Revamping & Maintenance	24 hour outdated call centre system	Number of call centre revamped	1 call centre revamped	Not Achieved	1 call centre revamped	Lack of Budget	The project is budgeted for implementation in the 2022/2023 financial year.	Report	R600 000,00
To conduct Batho Pele programmes by June 2022	Batho Pele	6 Programmes conducted	Number of Batho Pele Programmes conducted	4 Batho Pele Programmes conducted	Achieved		None	None	Reports	R100 000,00
To co-ordinate SODA by June 2022	SODA	2020/2021 SODA held	Number of SODA coordinated	1 SODA coordinated	Achieved		None	None	Attendance registers and exit reports	R450 000,00
To facilitate campaigns for the elderly by June 2022	Aged care	2 aged care programmes facilitated	Number of Aged Care campaigns facilitated	2 Aged Care campaigns facilitated	Achieved		None	None	Attendance registers and exit reports	R200 000,00
To facilitate campaigns for the children by June 2022	Children's Care	2 children's activities facilitated	Number of children's campaigns facilitated	2 children's campaigns facilitated	Achieved		None	N/A	Attendance registers and exit reports	R100 000,00
To facilitate campaigns for women by June 2022	Women Development Initiative	4 Women Programmes facilitated	Number of woman development initiatives facilitated	3 woman development initiatives facilitated	Achieved		None	None	Attendance registers and exit reports	R300 000,00

To facilitate Awareness campaigns for people with disability by June 2022	People with disability	3 Programmes facilitated	Number of awareness campaigns for people with disability facilitated	2 awareness campaigns for people with disability facilitated	Achieved	2 awareness campaigns for people with disability facilitated	None	Attendance registers and exit reports	R200 000,00
To facilitate art and culture programmes by June 2022	Cultural Heritage Celebrations and Language Promotions	2 Programmes facilitated	Number of Heritage and promotions of indigenous languages and theatre workshop facilitated	1 Heritage day and 2 promotions of indigenous languages and Theatre workshop facilitated	Achieved	None	None	Attendance registers and exit reports	R500 000,00
To coordinate health calendar days activities by June 2022	Coordination of health calendar days activities	3 health calendar days activities conducted	Number of health calendar days activities coordinated	3 Health calendar days activities coordinated	Not Achieved	1 Health Calendar Day Coordinated.	Unavailability of major stakeholders	Attendance registers and exit reports	R200 000,00
To coordinate district AIDS Council activities by June 2022	Coordination of District AIDS Council activities	4 District Aids Council activities coordinated	Number of district AIDS Council activities coordinated	3 district AIDS Council activities coordinated	Not Achieved	1 District AIDS Council activity coordinated.	Tight schedule in the Office of the Executive Mayor	Attendance registers and exit reports	
To facilitate Youth development programmes by June 2022	Youth Opportunities Expo	3 Programmes facilitated	Number of Youth development programmes facilitated	3 Youth development programmes facilitated	Achieved	3 Youth Development Programme Facilitated.	None	Attendance registers and exit reports	R900 000 00
To facilitate Mayor's forum activities by June 2022	Facilitation of Mayor's forum	4 Mayor's forum facilitated	Number of Mayor's forum facilitated	4 Mayor's forum facilitated	Not Achieved	1 Mayor's Forum facilitated.	Forum meeting not held due to tight schedule.	Attendance registers and exit reports	R0.00
To facilitate Mayor's sports activities by June 2022	Facilitation of Mayor's Sports activities	2 Mayor's Sports activities facilitated	Number of Mayor's Sports activities facilitated	1 Mayor's Sport activities facilitated	Achieved	1 Mayor's sport activity facilitated.	None	Attendance registers and exit reports	R500 000,00
									R65,299,378.15

Acting Deputy Director

Date

**INSTITUTIONAL  
TRANSFORMATION AND  
ORGANISATIONAL DEVELOPMENT**



2021/2022 ANNUAL PERFORMANCE REPORT									
MEASURABLE OBJECTIVES	PROJECT	BASELINE 2020/2021	INDICATORS	2021/2022 SDEIP		CHALLENGE	REMEDIAL	PORTFOLIO OF EVIDENCE	BUDGET 2021/2022
				ANNUAL TARGET 2021/2022	ANNUAL PROGRESS ACHIEVED/NOT ACHIEVED				
<b>ORGANISATIONAL DEVELOPMENT</b>									
To review the Organisational Structure by June 2022	Organisational Structure Review	Approved Organisational Structure for 2020-2021	Number of Organisational Structure Reviewed	1 Organisational Structure Reviewed	Achieved	None	None	Council Resolution and Approved Organisational Structure	R0
To facilitate development of job descriptions and job evaluation by June 2022	Job Description Development and Job Evaluation	50 Job Descriptions Developed and Evaluated	Number of Job Descriptions Developed and facilitated for Evaluated	50 Job Descriptions Developed and Facilitated for Evaluation	Achieved	None	none	Job Evaluation Report	
<b>INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)</b>									
To establish effective network connectivity by June 2022	ICT Infrastructure connection	18 depots connected	Number of depots connections upgraded	18 depots connections upgraded	Not Achieved	Delay in finalizing the Master Service Agreement	Expedite finalizing the Master Service Agreement	Reports	R500,000
To conduct need analysis of ICT hardware and consumables by June 2022	ICT consumables and hardware replacement	05 of Security Control Implemented	Number of Security Controls Implemented	24 Security Controls Implemented	Achieved	None	None	Security measures	R400,000
To monitor expiry date of licenses by June 2022	Software Licence renewal	50 ICT consumables and hardware replacement	Number of ICT consumables and Computers replaced	30 ICT consumables and Computers replaced	Achieved	None	None	Laptop/Consumables	R1,000,000
To monitor Services Level Agreements by June 2022	Contract Monitoring	12 Licenses renewed	Number of licenses renewed	11 licenses renewed	Achieved	None	None	Licenses	R3,859,000
		12 SLA performance held	Number of SLA performance held	16 SLA performance held	Not Achieved	None	None	Reports	R3,159,000
<b>LABOUR RELATIONS</b>									
To issue four labour relations publications by June 2022	Issue Labour Relations Publications	4 Labour relations publications issued.	Number of Labour relations publications issued	4 Labour relations publications issued	Achieved	None	None	Copies of publications	R0.00
To facilitate Labour related grievances by June 2022	Facilitate Labour Relations Grievances	3 Grievance cases facilitated	Number of grievances cases received facilitated	All Labour related grievances cases received facilitated	Achieved	None	None	Copies grievances	R0.00

June 2022  
To monitor Services Level Agreements by June 2022

To facilitate Labour related disciplinary cases by June 2022	Facilitate labour related disciplinary cases	7 disciplinary cases facilitated	Number of labour related disciplinary cases received facilitated	All labour related disciplinary cases received facilitated	Achieved	All (7) reported disciplinary cases facilitated.	None	None	Reports and attendance registers	R0.00
To facilitate 12 LLF meetings by June 2022	Facilitate LLF Meetings	9 LLF meetings held	Number of LLF meetings facilitated.	12 LLF meetings facilitated	Not Achieved.	2 LLF meetings facilitated to date, one pending.	Failure to honour scheduled meetings and failure to meet quorum.	SALGA training workshop conducted for representatives and expect improvement in the new financial year.	Minutes and attendance registers	R0.00
<b>AUXILIARY SERVICES</b>										
To conduct records management awareness programme by June 2022	Records management awareness facilitated	2 Records management awareness facilitated	Number of Records management awareness facilitated	02 Records management awareness facilitated	Achieved	02 Records management awareness facilitated	None	None	Report, Attendance register	R0.00
To facilitate the development of file plan by June 2022	File plan	1 File plan developed	Number of File plan developed	01 File plan developed	Achieved	1 File Plan developed, endorsed by Provincial Archives and Approved by Council	None	None	Report, Attendance register & Approved file plan	R0.00
To facilitate implementation of records (document) management system by June 2022	Records (documents) management system	1 Records management system in place. (MunAdmin)	Number of document management system implemented	01 Record management system implemented	Achieved	01 Record management system implemented	None	None	Signed training form.	R300 000
To maintain and repair the fleet and facilities by June 2022	Maintenance and repairs	20 vehicles Maintained and repaired	Number of vehicles Maintained and repaired	20 vehicles Maintained and repaired	Achieved	33 vehicle was maintained and repaired.	Lack of Funds	Repairs to be done next financial 1st quarter 2022/2023	Maintenance Report	R1 800 000
To procure fleet management system by June 2022	Fleet Management system	New project	Number of fleet management system procured	01 fleet management system procured	Not Achieved	0 fleet management system procured	Budget constraints	Mun admin system as currently used in the institution to be used for the fleet management system	Report	R500,000
To settle the emergency vehicles by June 2022	Settlement of emergency vehicles	11 emergency vehicles settled	Number of emergency vehicles settled	15 emergency vehicles settled	Not Achieved	None	Lack of Funds	The settlement of the 15 emergency vehicle will implemented in the next financial year	Report, proof of payment Certificate	R12 000 000

HUMAN RESOURCE MANAGEMENT

Prepared by: [Signature]  
 Date: [Date]



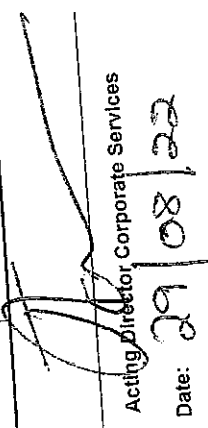
To implement the process and procedures of Human Resource (HR) policies by June 2022	Recruitment and Selection	05 Vacant and funded positions filled	% of vacant funded positions filled	100% Filling of vacant and funded positions	Achieved	100% vacant and funded posts filled. (30) Employees employed	None	None	Appointment letters	R98,805
	Internal Bursaries	9 Internal Bursaries maintained	Number of Internal Bursaries maintained	09 Internal Bursaries maintained	Achieved	30 Internal Bursaries maintained	None	None	Bursary letters	R592,831
	External Bursaries	3 External Bursaries maintained	Number of External Bursaries maintained	03 External Bursaries maintained	Achieved	3 External Bursaries maintained	None	None	Bursary letters	R691,636
To implement the WSP projects by June 2022	WSP Projects	02 WSP Projects Implemented	Number of WSP Projects Implemented	05 WSP Projects Implemented	Achieved	8 WSP Projects approved	None	None	WSP training report	R210,000
<b>EMPLOYEE ASSISTANCE PROGRAMME</b>										
To conduct employee wellness programmes by June 2022	Employee wellness and Counselling	4 wellness and counselling programmes conducted.	Number of wellness programmes conducted	2 wellness awareness programmes conducted	Achieved	2 wellness awareness programmes conducted	None	None	Wellness awareness programme attendance registers.	R571,651,62
To conduct substance abuse programmes by June 2022	Substance Abuse	3 substance abuse programmes conducted	Number of substance abuse programmes conducted	2 substance abuse programmes conducted	Achieved	5 substance abuse programmes conducted	None	None	Substance abuse programme registers.	
To conduct Occupational Health and Safety elements by June 2022	Occupational Health and Safety elements	42 Occupational Health and Safety elements conducted	Number of Occupational Health and Safety elements conducted	41 Occupational Health and Safety elements conducted (24 workplace inspections, 8 project audits, 2 safety awareness campaigns, 4 safety committee meetings, 2 servicing of fire extinguishers and hose reels).	Not Achieved	42 Occupational Health and Safety elements conducted (28 workplace inspections, 8 project audits, 2 safety awareness campaigns, 4 safety committee meetings, 0 servicing of fire extinguishers and hose reels done).	Supply Chain Management process which were withheld from February 2022 until May 2022 due to the order from National Treasury.	Servicing of fire extinguishers and hose reels will be done in the Q2 2022/2023	Workplace inspections and project audits reports, safety awareness campaigns attendance registers, safety committee meeting attendance registers, servicing of fire extinguishers and fire hose reels register	R8,345,566,35
To provide personal Protective Equipment by June 2022	Personal Protective Equipment	7592 Personal Protective Equipment (fire protection PPE) provided to Emergency Services employees, IWS, and CPS	Number of Personal Protective Equipment provided to IWS, Emergency Services, Municipal Health Services, CPS, Budget and Treasury, SDA, PED, Mayors and Speakers office employees	All Personal Protective Equipment provided to IWS, Emergency Services, Municipal Health Services, CPS, Budget and Treasury, SDA, PED, Mayors and Speakers office employees	Not Achieved	Personal Protective Equipment were provided to IWS, CPS, and Budget and Treasury only.	Delay in Supply Chain Bid Committee processes	All Personal Protective Equipment will be provided to employees in Q2 of the financial year 2022/2023	Memos, Proof of payments, Personal protective equipment issuing forms	
<b>LEGAL SERVICES</b>										

Handwritten notes or signatures on the right margin.

12/10/2022  
 Institutional Appointments  
 Report by Jan

Litigations	15 Litigations attended to	Number of litigations attended to	4 litigations attended to	Achieved	20 litigations attended to	None	None	Copies of Court Judgments Copies of Summons Copies of Deeds of settlement	R6,766,500.00
To manage litigations instituted against Sekhukhune District Municipality by June 2022	15 Litigations attended to	Reduced percentage (%) value of contingency liability for SDM	20% value of contingency liability reduced	Not applicable	No cases settled out of court	None	None	Comparative value of contingent liability Settlements of Court	
To reduce value of contingency liability for SDM by June 2022	15 Litigations attended to	Number of all service level agreements and other forms of agreements drafted or vetted	All of service level agreements or other forms of agreements drafted or vetted	Achieved	All (90) of service level agreements or other forms of agreements drafted (77) and 13 vetted	None	None	Copies of agreements	
To draft/vet service level agreements and other forms of agreements by June 2022	310 service level agreements and other forms of agreements	Number of legal opinions drafted	All legal opinions drafted	Achieved	All (7) legal opinions drafted	None	None	Copies of legal opinions	
To provide legally sound advice to SDM by June 2022	Legal opinions	10 legal opinions		Achieved					
<b>PERFORMANCE/MANAGEMENT</b>									
To facilitate Performance Makgolla by 30 June 2022	3 Performance Makgolla Sessions held	Number of Performance Makgolla facilitated	04 Performance Makgolla facilitated	Not Achieved	03 Performance Makgolla facilitated	First quarter performance Makgolla not held due to change of Political Leadership	To be facilitated in the next quarter	Attendance Registers, Makgolla Resolutions	R105,141.00
To develop 2022/2023 Institutional SDBIP by June 2022	2022/2023 Institutional SDBIP	Number of 2022/2023 Institutional SDBIP developed	01 2022/2023 Institutional SDBIP developed	Achieved	01 2022/2023 Institutional SDBIP developed	None	None	Signed 2022/2023 Institutional SDBIP	R0.00
To compile 2020/2021 Annual Report by January 2022	2020/2021 Annual Report	Number of 2020/21 Annual Reports developed	01 2020/21 Annual Report developed	Achieved	01 2020/21 Annual Report developed	None	None	Final 2020/2021 Annual Report and Oversight Report	R0.00
To facilitate performance assessments for senior managers by June 2022	Individual performance assessments for senior managers conducted	Number of performance assessments for senior managers conducted. (2020/21 Annual & 2021/22 Mid-term)	02 performance assessments for senior managers conducted. (2020/21 Annual & 2021/22 Mid-term)	Not Achieved	01 performance assessment for senior manager(CMS) conducted for (2020/21 Annual)	Tight schedule of the Panel members	Performance assessments to be held in the next financial year	2021/22 Mid-term and 2020/2021 Annual Assessment Reports	R0.00
To review PMS Policy and Framework by 30 June 2022	Review of PMS Policy and Framework	Number of PMS Policies and Frameworks reviewed	01 PMS Policy and Framework reviewed	Achieved	01 PMS Policy and Framework reviewed	None	None	Reviewed PMS Policy and Framework	R0.00

Back to Basics (B2B)		2020/2021 B2B quarterly reports in place	Number of quarterly Back to Basics (B2B) reports coordinated	04 quarterly B2B reports coordinated	Achieved	04 quarterly B2B reports coordinated	None	None	4 Quarterly B2B signed Reports	R0.00
<b>DISTRICT DEVELOPMENT PLAN (DDP) / INTEGRATED DEVELOPMENT PLAN (IDP)</b>										
Back to Basics (B2B)		2021/2022 IDP Framework/Process Plan in place	Number of IDP Frameworks/Process Plans developed	1 IDP Framework developed	Achieved	1 IDP Framework developed	None	None	*IDP Framework/Process Plan document for 2022/2023 *Council resolution	R0
To develop 2022/2023 IDP Framework/Process Plan by August 2021	Develop 2022/2023 IDP Framework/Process Plan	2021/2022 IDP Framework/Process Plan in place	Number of IDP Frameworks/Process Plans developed	1 IDP Framework developed	Achieved	1 IDP Framework developed	None	None	*IDP Framework/Process Plan document for 2022/2023 *Council resolution	R0
To review the Integrated Development Plan (IDP) for 2022/2023 by June 2022	Review of Integrated Development Plan (IDP)	2021/22 Integrated Development Plan (IDP) developed	Number of Integrated Development Plans (IDP) reviewed	1 Integrated Development Plan (IDP) reviewed	Achieved	1 Integrated Development Plan (IDP) reviewed	None	None	*Final IDP 2022/2023 *Council Resolution	R60,000
To facilitate the IDP Rep Forums by June 2022	Facilitate the IDP Rep Forums	2 IDP Rep Forums facilitated	Number of IDP Rep Forums facilitated	2 IDP Rep Forums facilitated	Not Achieved	Only 1 IDP Rep Forum Meeting was held on the 04 May 2022	Change of leadership that led to competing council activities	Meeting was rescheduled for second quarter	*Signed Minutes *attendance register	R 100,000
To facilitate review the District Development Plan (One Plan) by June 2022	Review of 2022/2023 District Development Plan (DDP)	2021/2022 District Development Plan (DDP) in place	Number of District Development Plans (DDP) reviewed	1 District Development Plan (DDP) reviewed	Achieved	1 DDP reviewed by CoGTA	None	None	Report	R100,000

  
 Acting Director Corporate Services  
 Date: 29/08/22

# FINANCIAL VIABILITY

1950  
1951  
1952  
1953

2021/2022 ANNUAL PERFORMANCE REPORT										
MEASURABLE OBJECTIVES	PROJECT	BASELINE 2020/2021	INDICATORS	ANNUAL TARGET 2021/2022	FINANCIAL VIABILITY		CHALLENGE	REMEDIAL	PORTFOLIO OF EVIDENCE	BUDGET 2021/2022
					PROGRESS ACHIEVED	ANNUAL ACTUAL PROGRESS				
Manual GRAP Compliant FAR  To provide sound financial management	Manual GRAP Compliant FAR	100% accounting of assets	% accounting of assets	100% accounting of assets	NOT ACHIEVED	62% modules implemented on SOLAR	As the activities are dependent on BCX (i.e. service provider) there is only one consultant allocated to the municipality and it takes long to implement some of the activities.	Timely implementation of the outstanding modules.	GRAP Compliant Fixed Asset Register/ Trial Balance	R4,806,000
	mSCOA implementation plan	70% achievement of mSCOA implementation plan	% of activities on mSCOA implementation plan achieved	100% of activities on mSCOA implementation plan achieved	NOT ACHIEVED	82% modules implemented on SOLAR	As the activities are dependent on BCX (i.e. service provider) there is only one consultant allocated to the municipality and it takes long to implement some of the activities.	Timely implementation of the outstanding modules.	Trial Balance/LG Portal Submission Reports	R0.00
	Functional budget steering committee	Credible budget prepared	Number of credible annual budgets prepared and implemented.	2 Credible Annual Budgets prepared and implemented.	Achieved	2 Credible Budgets prepared and implemented. (Annual Budget and Adjustment Budget)	None	None	Council resolutions/Draft Budget Documents	R0.00
	Procurement plan	2020/2021 procurement plan in place	Number of procurement plan developed	1 procurement plan developed	Achieved	1 procurement plan developed	None	None	Signed procurement plan	R0.00

Irregular expenditure in the 2020/21	Section 32 expenditure amount reported.	% Compliance with management of MFMA section 32	100% Compliance with management of MFMA section 32	Achieved	100% Compliance with management of MFMA section 32	None	None	None	Section 52 Report	R50,000
AFS preparations	Submission of AFS and APR to the AG within the legislated time frame	Compliance AFS and APR within the legislated time frame	Compliance AFS and APR within the legislated time frame	Achieved	Achieved	Achieved	Achieved	Achieved	Signed AFS and APR/Acknowledgement of receipt by AGSA	R1 650 000
Identification of potential areas to be billed	*Collections and Capturing of consumer Data from 5 areas identified for potential billing. *Billing of 5 identified areas for potential revenue	Number of areas with revenue potential to be billed	Collection of data and billing of 5 areas with revenue potential	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	Data Collection report and Summary of billing reports	R5,000 000
Meter reading	74% Verification and reading of 13100 customers' meters	% of customer's meters validated and read	75% Validation and reading of customers meters	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	Meter reading report	R7,500 000
Billing of Customers	Billing of 80% of 41133 customers	% of customers billed	90% of 41200 customers to be billed	Achieved	Achieved	Achieved	Achieved	Achieved	Billing report	R1,500,000.00
Improve collection rate	Improve the collection rate to 75%	% Improvement of collection rate	75% of revenue collected against the billing	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	Collection rate report	R4,500,000
	R241m. debt book	% Reduction of debt book	2% reduction of debt book	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	NOT ACHIEVED	Own revenue reports/Debtors age analysis report	R0.00

Submitted by: [Name]  
 Date: [Date]  
 Signature: [Signature]



Free basic services	Indigent register for 2020/2021	% of Indigent customers	10% increase in indigent customers	NOT ACHIEVED	10% increase in indigent customers	10% increase in indigent customers	Awaiting the appointment of provider to do indigent verifications	Awaiting the appointment of provider to supply the plastic meters by end of 1st quarter 2022	Indigent register for 2021/2022	R3,000,000
Payment of creditors	80% of valid, complete and received invoices paid ( 7 days before lapse of 30 days)	% of creditors paid within 30 days against all invoices	100% payment of valid and complete received invoices	Achieved	100% payment of valid and complete received invoices	100% payment of valid and complete received invoices	None	None	Monthly Payment Report	
Personnel budget	2020/2021 salaries paid by 25th and 3rd party payment paid on/before the 7th.	% payment of salaries 25th and 3rd party payment paid on/before the 7th.	100% payment of salaries 25th and 3rd party payment paid on/before the 7th.	Achieved	100% payment of salaries by the 25th and 3rd party payment on/before the 7th.	100% payment of salaries by the 25th and 3rd party payment on/before the 7th.	None	None	Salaries Payment Vouchers	
Travel claims	100% Travel claims paid by the 15 <sup>th</sup>	% Travel claims to be paid by the 15 <sup>th</sup>	100% Travel claims to be paid by the 15 <sup>th</sup>	Achieved	100% payment of travel claims paid by the 15 <sup>th</sup>	100% payment of travel claims paid by the 15 <sup>th</sup>	None	None	Payment Vouchers	

R13,856,000.00

Acting Chief Financial Officer

Date:

Accounting Officer: [Signature]  
 Date: [Signature]

# SPATIAL RATIONALE

113

SPATIAL RATIONALE

SPATIAL RATIONALE										
2021-2022 ANNUAL PERFORMANCE REPORT										
MEASURABLE OBJECTIVE	PROJECT	BASELINE 2020/2021	INDICATORS	ANNUAL TARGET 2021/2022	ACHIEVED/NOT ACHIEVED	ANNUAL ACTUAL PROGRESS	CHALLENGE	REMEDIAL	EVIDENCE	BUDGET 2021-2022
SPATIAL RATIONALE										
To facilitate Joint District Municipal Planning Tribunal (JDMPT) sittings by June 2022	Joint District Municipal Planning Tribunal (JDMPT) sittings	4 JDMPT sittings facilitated	Number of JDMPT sittings facilitated	4 JDMPT sittings facilitated	Achieved	7 JDMPT sittings were facilitated	None	None	*Signed Reports and minutes *Attendance registers	R 500,000
To facilitate Land Acquisition for District Municipal Offices by June 2022	Facilitate Land Acquisition for District Municipal Offices	Land owned by different entities is available for development	Number of hectares of land acquired for development of District Municipal Offices facilitated	10 hectares of land acquired for development of District Municipal Offices facilitated	Not Achieved	Community resolution was signed and 6 hectore of land is acquired for District Municipal Offices by end June 2022	The Padi Mamone Tribal Authority could not fulfil the initial request of 10 ha of land	Instead they gave the district 6ha of land	*Signed Reports registers *Attendance registers *Signed MOU(delete)	R 1,000
To process Land Development applications in line with the reviewed SDF by June 2022	Process Land Development applications in line with the reviewed SDF	Processed 23 Land Development applications in line with the reviewed SDF	% of received Land Development applications processed in line with reviewed SDF	100% of received Land Development applications processed in line with reviewed SDF	Achieved	100% (1) Land Development application received and processed in line with reviewed SDF	None	None	*Application register *Signed Support letters	R 0
To spatially reference the IDP and District Development Plan (DDP) capital projects by June 2022	Spatial referencing of IDP and District Development Plan (DDP) capital projects	50 District Development Plan (DDP) capital projects spatially referenced	% of IDP and District Development Plan (DDP) capital projects spatially referenced	100% IDP and District Development Plan (DDP) capital projects spatially referenced	Achieved	100% (53) IDP/DDP capital projects spatially referenced	None	None	Spatially referenced Maps	R 50,000



Director Planning & Economic Development

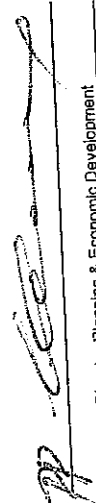
Date

# LOCAL ECONOMIC DEVELOPMENT

2021-2022 ANNUAL PERFORMANCE REPORT										
LOCAL ECONOMIC DEVELOPMENT										
MEASURABLE OBJECTIVE	PROJECT	BASELINE 2020/2021	INDICATORS	ANNUAL TARGET 2021/2022	PROGRESS ACHIEVED/NOT ACHIEVED	ANNUAL ACTUAL PROGRESS	CHALLENGES	REMEDIAL	EVIDENCE	BUDGET 2021-2022
To create 36 job opportunities through EPWP by 30 June 2022	Implementation of EPWP	36 job opportunities created through EPWP	Number of job opportunities created through EPWP	36 job opportunities created through EPWP	Achieved	36 job opportunities created through EPWP	None	None	Appointment letters	R8 180 000
To facilitate development of SMMEs and Cooperatives development strategy by 30 June 2022	Facilitate development of SMMEs and Cooperatives development strategy	None	Number of SMMEs and Cooperatives development strategy developed	1 SMMEs and Cooperatives development strategy developed	Not achieved	0 SMMEs and Cooperatives development strategy developed	Professional Service Provider not appointed due to tender validity period expiry	To advertise in the 1st quarter of 2022/2023 financial year	*SMMEs and Cooperatives development strategy	R400,000.00
To facilitate appointment of service provider for Enterprise and Supplier Development (ESD) Programme by June 2022	Facilitate appointment of service provider for Enterprise and Supplier Development (ESD) Programme	3 trainings provided through the ESD Programme	Number of service provider appointed for Enterprise and Supplier Development (ESD) Programme	1 service provider appointed for Enterprise and Supplier Development (ESD) Programme	Not achieved	Service provider not appointed	Procurement of the services of Professional Service Provider delayed due to weighing of better options to implement the programme	A tender was advertised and closed in July 2022. The process to appoint PSP to be finalised by end of 1st quarter 2022/2023 financial year	*Signed appointment letter	R200,000
To provide support to SMMEs and co-operatives by 30 June 2022	Support to SMMEs and Co-operatives	None	Number of SMMEs/Co-operative supported	20 SMMEs/Co-operatives supported	Not achieved	0 SMMEs/Co-operatives supported	Submissions reached SCM late to effect procurement of good and services	A tender was advertised and closed in July 2022. The process to appoint PSP to be finalised by end of 1st quarter 2022/2023 financial year	Reports	R2,000,000.00
To facilitate farmers support through Farmers Production Support Unit (Agri Park) at Vleeschboom by June 2022	Facilitate farmers support through Farmers Production Support Unit (Agri Park) at Vleeschboom (PED)	879 Farmers supported through Farmers Production Support Unit (Agri Park) at Vleeschboom	Number of farmers supported through Farmers Production Support Unit (Agri Park) at Vleeschboom	500 farmers supported through Farmers Production Support Unit (Agri Park) at Vleeschboom	Achieved	946 farmers supported with production inputs cumulative from 2nd quarter with 149 supported in 3rd quarter through Farmer Production Support Unit.	None	None	*Signed Reports	R7 454 960 (LDARD and DALRRD)

2021-2022  
2022

To facilitate development of Regional Industrial Development Master Plan for the Special Economic Zone (SEZ) by 30 June 2022	Facilitate development of Regional Industrial Development Master Plan for the Special Economic Zone (SEZ)	SEZ Business Plan in place	Number of Regional Industrial Development Master Plan developed	1 Regional Industrial Development Master Plan developed	Not achieved	0 Regional Industrial Development Master Plan developed	Professional Service Provider not appointed due to tender validity period expiry	To readvertise in the 1st quarter of 2022/2023 financial year	*Regional Industrial Development Master Plan	R1 500 000
To facilitate Small Scale Mining and Seminars and Workshops by 30 June 2022	Facilitate Small Scale Mining Seminars and Workshops	None	Number of Small Scale Mining Seminars and Workshops facilitated	2 Small Scale Mining Seminars and Workshops facilitated	Achieved	2 Small Scale Mining Seminars and Workshops facilitated	None	None	*Seminars and Workshop Reports *Attendance Registers	R100,000
To facilitate Economic Development Forums (Mining, Tourism, LED & Agric.) by 30 June 2022	Facilitate Economic Development Forums (Mining, Tourism, LED & Agric.)	4 Economic Development Forums (Mining, Tourism, LED & Agric.) facilitated	Number of Economic Development Forums (Mining, Tourism, LED & Agric.) facilitated	4 Economic Development Forums (Mining, Tourism, LED & Agric.) facilitated	Achieved	4 Economic Development Forums (Mining, Tourism, LED & Agric.) facilitated	None	None	*Signed Minutes Attendance Registers	R90,000
To enhance mining development within the district by June 2022	Generate reports for replacement of Malekane Steelbridge(SDA)	Old Malekane Steelbridge	Number of Malekane steelbridge replacement reports generated	4 Malekane steelbridge replacement report generated	Achieved	4 quarterly reports on Malekane Steel Bridge replacement generated	None	None	Signed Quarterly reports	R72,000,000
To facilitate review of SDM Tourism Strategy by 30 June 2022	Facilitate review of SDM Tourism Strategy	Tourism Strategy in place	Number of SDM Tourism Strategies reviewed	1 SDM Tourism Strategy reviewed	Not achieved	0 SDM Tourism Strategy reviewed	Professional Service Provider not appointed due to tender validity period expiry	To readvertise in the 1st quarter of 2022/2023 financial year	*Reviewed SDM Tourism Strategy	R500,000

  
 Director: Planning & Economic Development

Date: \_\_\_\_\_  
 Signature: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

**SEKHUKHUNE DEVELOPMENT  
AGENCY**

2021/2022 ANNUAL PERFORMANCE REPORT										
DEPARTMENT: SEKHUKHUNE DEVELOPMENT AGENCY										
MEASURABLE OBJECTIVES	PROJECT	BASELINE 2020/2021	INDICATORS	ANNUAL TARGET 2021/2022	PROGRESS ACHIEVED/NOT ACHIEVED	ANNUAL ACTUAL PROGRESS	CHALLENGE	REMEDIAL ACTION	PORTFOLIO OF EVIDENCE	BUDGET 2021/2022
To jointly facilitate new approach to Special Economic Zone by June 2022	Special Economic Zone	SEZ Concept Document & Implementation Plan	Number of SEZ sessions jointly facilitated	X 4 SEZ sessions jointly facilitated	Achieved	4 SEZ Sessions jointly facilitated	None	None	*attendance register	R0.00
To secure strategic partner to invest in Green Automotive Manufacturing by June 2022	Green Automotive Manufacturing (Electrical Tuk-Tuks)	Signed MOU and Business Plan	Number of investors secured	X 1 investor secured	Achieved	1 x investor secured	None	None	signed agreement	R1 500 000.00
To facilitate Implementation of De-Hoop & Flag Boshielo Resource Management Plans by June 2022	De-Hoop & Flag Boshielo RMP's	Draft Dam Resource Management Plan's	Number of RMP's sessions facilitated	X 4 RMP's sessions facilitated	Not achieved	2 X RMP Sessions Facilitated	The project depends on Stakeholders availability	Request intervention from PED, to coordinate all stakeholders	*attendance register	R0.00
To conduct Minerals Research Study by June 2022	Mineral Research Study	Signed MOU and commitment letter	Number of Mineral research study conducted	X 1 mineral research study conducted	Not achieved	1 x Research Study not conducted	Agreement with implementing partners not yet concluded. MINTEK needs financial	Study to be conducted once the agreement with the implementing partners is concluded and funding is available	*Letters*copy of the study	R0.00
To facilitate partnership for Supply of Dry Sanitation Top Structures by June 2022	Dry Sanitation Top Structure	Signed memorandum of intend	Number of Dry Sanitation Top Structure supplied	X1000 Dry Sanitation Top Structure supplied	Not Achieved	X1000 Dry Sanitation Top Structure not supplied	The previous contractor was terminated due to legal issues	Receive Council Resolution permitting SDA as the implementing agent for the Sanitation top structures	reports	
To facilitate feasibility study and business plan for land Development by June 2022	Land Development of ERF 488	Transfer of property and Deed of donation agreement	Number of Feasibility studies and Business plans developed	X 1 Feasibility Study and Business Plan Developed	Not achieved	1 x Feasibility study and Business plan not developed	Service provider was only appointed at the end of the financial year, therefore made performance impractical at such a short period of time	SDA to be capacitated to run its affairs from SCM, Finance, HR	*advert copy*appointment letter*feasibility report	

*Handwritten signature*



To apply for Skills Development by June 2022	SETA Funding Application	SETA Accreditation Certificate	Number of SETA Funding Application Undertaken	X1 funding application undertaken	Achieved	X1 Funding application submitted	None	None	*appointment letter/funding proposals	R0
To facilitate Tourism Promotion and Development by June 2022	Tourism & Marketing	Tourism Route Development	Number of Tourism and Marketing activities Conducted	X 3 Tourism & Marketing activities conducted	Achieved	X 3 Tourism Marketing activities conducted	None	None	reports & attendance register	R0
To facilitate partnership program to empower emerging farmers by June 2022	Agang Cotton Initiative	Concept discussions	Number of Partnership facilitated for cotton initiative	X 1 partnership secured for cotton initiative	Not achieved	X1 Partnership not secured for cotton	No partnership agreement in place	To ensure that partners identified conclude an MOU with SDA	reports & attendance register	R0
To facilitate the appointment of panel of professional fundraisers by June 2022	Fundraising	Previous appointment letters	Number of Panel appointed for professional fundraisers	X 1 Panel of professional fundraisers appointed	Not achieved	X 1 Panel of professional fundraisers not appointed	Delay is supply chain processes led to this non delivery	SDA to be capacitated to run its affairs from SCM, Finance, HR	*copy of TOR's and advert	R0.00
To enhance SDA internal capacity by June 2022	AGM Reports	AGM Reports	Number of AGM meetings facilitated	1 AGM meeting facilitated	Not achieved	1X AGM meeting not facilitated	Schedule did not accommodate all key stakeholders	Plans to hold AGM Oct/Nov to accommodate nominations of the new Board members and introduce them	AGM Reports	
										2 420 000

*M. Mapho*  
 Acting CEO  
 Mr Mpho Mapho  
 Date 31/8/2022

**6. PERFORMANCE OF SERVICE PROVIDERS FOR 2021/2022 FINANCIAL YEAR PER KPA**

• **BASIC SERVICE DELIVERY AND INFRASTRUCTURE**

NAME OF SERVICE PROVIDER	SERVICE RENDERED	LEVEL OF PERFORMANCE	REMARKS
MGM Bluhray Engineers	Consultant	3	• Average performance
Lebaka Construction	Contractor	3	• Average performance
Eternity Star and Zacks Business Enterprise	Contractor	3	• Average performance
Zacks Business Enterprise	Contractor	3	• Average performance
Mulalo Business Enterprise	Contractor	3	• Average performance
Babina Tlou Trading & Projects	Contractor	3	• Average performance
Mothakge Phadima	Contractor	3	• Average performance
Masekwameng Traders JV Simango	Contractor	3	• Average performance
20 Elevation Construction and Landscaping	Contractor	2	• Poor performance
Bo MaMohlala	Contractor	3	• Average performance
Mont Consulting	Consultant	4	• Good performance
Irhalane construction	Contractor	4	• Good performance
Moepagauta JV Mafoko JJ	Contractor	3	• Average performance

HWA Engineers and Project Managers	Consultant	2	• Poor performance
Mulalo Business Enterprise	Contractor	2	• Poor performance
Lebaka Construction	Contractor	2	• Poor performance
Aphane Consulting Engineers (Pty) Ltd.	Consultant	4	• Good performance
Baphalaborwa 72 Construction	Contractor	4	• Good performance
SDVK	Contractor	4	• Good performance
Ntshiana & Maunyatlala JV	Contractor	4	• Good performance
Tubatse Consulting	Consultant	4	• Good performance
Madipadi	Contractor	4	• Good performance
Mothakge Phadima	Contractor	4	• Good performance
Zutari	Consultant	3	• Average performance
HLTC Construction	Contractor	3	• Average performance
TLOU INTEGRATED TECH CC	Consultant	3	• Average performance
Kgobokanang Business Project	Contractor	3	• Average performance
DWS Construction West	Contractor	3	• Average performance
Bamphile Bohlale	Supply and Delivery of Extension Cords for MHS	3	• Average performance
GREAT FOCUS MEDIA	Supply and Delivery of MHS Trophies	3	• Average performance

Skills Training	Supply and Delivery of Training Academy Instructional Material	3	• Average performance
LEHAYANA TRADING AND SUPPLY	Supply and Delivery of Blankets and Foam Mattresses	3	• Average performance

• GOOD GOVERNANCE AND PUBLIC PARTICIPATION

NAME OF SERVICE PROVIDER	SERVICE RENDERED	LEVEL OF PERFORMANCE	REMARKS
Africa Youth Consortium	Events Management	3	• Average performance
Teka	Events Management	3	• Average performance
Tshepang Marketing	Events Management	4	• Good performance
Le fase La Rona	Events Management	3	• Average performance
Nkapesane Trading	Events Management	2	• Poor performance
T.K. Sound	Events Management	4	• Good performance
KT Mogano	Review of AFS –SDM Prepare AFS-SDA	4	• Good performance
MNB Chartered Accountants	Review of AFS –SDA	4	• Good performance
Reliable Accountants JV T.M Consortium	Performing Information Communication and Technology Audit	4	• Good performance
SB Consulting T/A Chartered Accountants	Performing Regularity Audit	4	• Good performance
KUNENE-MAKOPO RISK SOLUTIONS	Insurance Broking	3	• Average performance
LOSKOP ALARMS	Armed Response	3	• Average performance

SESANA SECURITY	Physical Guarding	2	<ul style="list-style-type: none"> <li>• Poor performance</li> </ul>
MOGOLA SECURITY	Physical Guarding	2	<ul style="list-style-type: none"> <li>• Poor performance</li> </ul>
MABOTWANE SECURITY	Physical Guarding	3	<ul style="list-style-type: none"> <li>• Average performance</li> </ul>
TUBATSE SECURITY	Physical Guarding	3	<ul style="list-style-type: none"> <li>• Average performance</li> </ul>

• INSTITUTIONAL DEVELOPMENT AND ORGANISATIONAL DEVELOPMENT

NAME OF SERVICE PROVIDER	SERVICE RENDERED	LEVEL OF PERFORMANCE	REMARKS
ML Mateme Attorneys	Professional Legal Services	4	<ul style="list-style-type: none"> <li>• Good performance</li> </ul>
Dikgati Mphahlele Attorneys	Professional Legal Services	4	<ul style="list-style-type: none"> <li>• Good performance</li> </ul>
Verveen Attorneys	Professional Legal Services	4	<ul style="list-style-type: none"> <li>• Good performance</li> </ul>
SC Mdhuli Attorneys	Professional Legal Services	4	<ul style="list-style-type: none"> <li>• Good performance</li> </ul>
Mashcorp	Wireless upgrade and Internet Service Provider	3	<ul style="list-style-type: none"> <li>• Average performance</li> </ul>
FHIMA Consultancy and Projects	CCVTV and Biometrics	3	<ul style="list-style-type: none"> <li>• Average performance</li> </ul>
Telkom	Telephones and Internet	3	<ul style="list-style-type: none"> <li>• Average performance</li> </ul>
BCX	Financial System	3	<ul style="list-style-type: none"> <li>• Average performance</li> </ul>
Sage VIP	Payroll System	3	<ul style="list-style-type: none"> <li>• Average performance</li> </ul>
Amasondo Fleet Management	Fleet Management EMS Fleet	3	<ul style="list-style-type: none"> <li>• Average performance</li> </ul>
Fleet Africa	Fleet Management IVS Fleet	3	<ul style="list-style-type: none"> <li>• Average performance</li> </ul>
Ephraim Mogale Local	Office Rental	3	<ul style="list-style-type: none"> <li>• Average performance</li> </ul>

Municipality	Fire station		
Bumazi Properties	Office Rental District offices	3	• Average performance
Jane Furse Memorial	Office Rental IWS and EMS offices	3	• Average performance
SF Ndala	Office Rental IWS Maklereng offices	3	• Average performance
Double Barrel Security Services	Office Rental IWS Ephraim Mogale Regional Offices	3	• Average performance
K Boneng Training Institute	Learnership Training of 27 Unemployed learners in Water and Waste Water Reticulation NQF Level 2	3	• Average performance

• FINANCIAL MANAGEMENT AND VIABILITY

NAME OF SERVICE PROVIDER	SERVICE RENDERED	LEVEL OF PERFORMANCE	REMARKS
Maxprof	VAT recovery	4	• Good performance
Ntiyiso	Meter reading	3	• Average performance
REVCON	Debt collection	3	• Good performance
MORAR	Assets management	3	• Good performance
Tsoga Tech	3 <sup>rd</sup> Party collection	2	• Poor performance
SOLAR	Financial system	2	• Poor performance

• SEKHUKHUNE DEVELOPMENT AGENCY

NAME OF SERVICE PROVIDER	SERVICE RENDERED	LEVEL OF PERFORMANCE	REMARKS
Ashcor Travels	Accommodation	4	• Excellent Good performance
Reakgona Travel services	Accommodation	3	• Average performance
Batlakwa Travels	Accommodation	3	• Average performance
Dio padre Trading	Accounting Services (Filing For SARS)	4	• Good performance
Ntantabele Trading	Catering	3	• Average performance
Mogalakwa Valuers	Property Valuation	4	• Good performance
Mokgonyana Falala trading	Catering	3	• Average performance
Hlapiadi a Nape PTY LTD	Catering	3	• Average performance
Michael Mohlala Trading and Projects	Catering	2	• Poor performance

**ANNEXURE D: 2021/2022**  
**Sekhukhune Development**  
**Agency Annual Report**



# SEKHUKHUNE DEVELOPMENT AGENCY



**Sekhukhune Development  
Agency**

---

REACHING NEW HEIGHTS

---

ANNUAL REPORT  
**2021/2022**



## TABLE OF CONTENTS

ITEM	TOPIC	PAGE
1.	INTRODUCTION	3
1.1	Legislative Framework for Annual Reporting	3
1.2	FOREWORD	4
1.3	ACTING CEO'S OVERVIEW & PERFORMANCE SUMMARY	5
2.	MANDATE	6
3.	FINANCES	6
3.1	Financial Overview	6
3.1.1	Assets	6
3.1.2	Revenue	6
3.1.3	Liabilities	6
3.1.4	Expenditure	7
4.	GOVERNANCE	7
4.1	SDA's Non-Executive Board Members	7
4.2	Board Meetings held	7
4.2.1	Annual General Meeting	7
4.3	Strategic Planning	8
4.4	Audit and Risk Committee	8
4.4.1	Risk	8
5.	Performance Overview 2021/2022 Financial Year	9
5.1	SDA PROJECTS AS PER THE APPROVED/AMENDED 2021/2022 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)	9
5.2	OVERVIEW OF SEKHUKHUNE DEVELOPMENT AGENCY PERFORMANCE 2021/2021 FINANCIAL YEAR	9
5.3	Outlined in the table below are 6 targets Not Achieved with challenges and remedial actions for 2021/2022 Financial Year	9
5.4	OUTLINED IN THE TABLE BELOW ARE 8 TARGETS ACHIEVED IN THE 2020/2021 FINANCIAL YEAR	10
5.5	SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN 2021/2022	10
6.	STAKEHOLDER ENGAGEMENT	11
6.1	STAKEHOLDER ENGAGEMENTS AND REVENUE GENERATING PROJECTS	11
6.2	LIMPOPO DEPARTMENT OF ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (LEDET) & LEDA	11
6.3	DE HOOP DAM RESOURCE MANAGEMENT PLAN MOA	11
7.	CONCLUSION	11



## 1. INTRODUCTION

Below is an outline of the structure for 2021/2022 SDA annual report together with mandatory supporting documents.

Sekhukhune Development Agency (SDA) herein presents annual report for 2021-2022 financial year. The annual report is a statutory requirement for all municipal entities in South Africa, primarily to report on performance during the year under review, guided by Municipal Finance Management Act (MFMA).

Circular 63 of 2012 states that contents of this annual report should encompass 1. Introduction; 2. Governance; 3. Project undertaken; 4. Organisational Development Performance; 5. Financial Performance; 6. Auditor General's Findings; 7. Appendices

However, this introductory chapter begins by presenting the legislative background, mandate, projects undertaken and financial sustainability, and a summary of the annual report process.

### 1.1 Legislative Framework for Annual Reporting

The Annual Performance Report (APR) for Sekhukhune Development Agency for the financial year 2021/2022 has been prepared in compliance with the provisions of the Local Government Municipal Finance Management Act which provides as follows:

Section 121 (3) (c) of the Local Government Municipal Finance Management Act, 2003 (Act no. 56 of 2003)

*"the annual report of the municipality must include the annual performance report of the prepared by the municipality/municipal entity in terms of section 46 of the municipal Systems Act" Section 46*

(1) of the Local Government Municipal Systems Act, 2000

*"a municipality/municipal entity must prepare for each financial year an annual report consisting of- a performance report reflecting-*

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

Sekhukhune Development Agency (SDA) is 100% owned by the Sekhukhune District Municipality and as a municipal entity, it is also required to comply with the basic requirements of the Local Government Municipal Systems Act 32 of 2000 read together with the provision of the Local Government Municipal Finance Management Act of 2003. The SDA has therefore also prepared its annual performance report in terms of the same guidelines and law provided for by the two above mentioned legislative provisions.

The reader should take note that Sekhukhune Development Agency does not have its own Performance Management Unit and has an agreement with the parent municipality to utilize the performance management unit of the parent municipality for planning, monitoring and evaluation of its performance alongside code of good practices provided for in the King IV Repro on Good Corporate Governance.



## 1.2 FOREWORD

### CHAIRPERSON OF THE BOARD OF DIRECTORS

**Mr Tshabedi Serote**  
**Chairperson of the Board**  
**Sekhukhune Development Agency**

Few weeks prior to the conclusion of 2021/2022 financial year, the Sekhukhune Development Agency (SDA) welcomed its newly appointed Board of Directors. This period was preceded by months of battling the drastic effects of economically restrictive COVID -19 alert levels. Entering office under such circumstances raised our levels of agility to deal with immense expectations from different role players.

I do not doubt that the Board of SDA appreciates the scale and enormity of these regional economic development challenges. During his welcome address of the three newly appointed board of Directors, The Shareholder Representative, thus, The Executive Mayor Hon. Cllr Julia Mathebe challenged us to develop a credible financial sustainability plan, reposition SDA as a key player in the local and the regional economy and ensures that the SDA obtains a clean audit opinion. In simplest terms we need to answer the question; why the SDA should exist.

The anticipated financial sustainability model would be able to reduce SDA's financial dependence on the parent municipality. The shareholder further implored the SDA Board to "Forster a pragmatic and coherent" relationship with the Local Economic Development (LED) Unit of the District and all the LED units of the local municipalities. More importantly, the shareholder advised that the Board fill the key vacant posts as per the approved SDA organogram and initiate a ten-year review of the Agency.

As the SDA Board, we could not have asked for a clearer and profoundly strategic input from the Shareholder. The Shareholder did not only provide us with a road map but also presented us with a compass to stay on course. However, for us to fulfil our fiduciary duties and meet the shareholder expectations, we will have to function within a coherent governance and reporting framework. It was for this reason that one of the focuses for the strategy session was to review, align and perfect the governance arrangements and instruments that currently exist. These include the By-Law, Shareholder Compact, Board Charter and Service Level Agreement between the parent municipality, thus Sekhukhune District Municipality (SDM) and SDA. These governance arrangements will also have to consider the legislation that governs the SDA which includes the Municipal Finance Management Act (MFMA), Municipal Systems Act, No 32 of 2000, and the Companies Act No 71 of 2008 as well as the non-regulatory King Report on Good Governance.

We are ready to serve!

**Mr Tshabedi Serote**



### **1.3 ACTING CEO'S OVERVIEW & PERFORMANCE SUMMARY**

**Mr Mpho Maepa**  
**Acting Chief Executive Officer**  
**Sekhukhune Development Agency**

We conclude the 2021/2022 Financial year with the appointment of the new Board of Directors led by the Chairperson of the Board, Mr Tshabedi Serote. This finds us while battling with aligning ourselves with the broader Economic Reconstruction and Recovery plan, and renewal strategies after many countries of the world have been impacted by the surge of Covid-19. The ushering of the reconfigured board presents an opportunity to chart a new strategic path that respond effectively and efficiently to the circumstances of post-Covid -19 environment.

Indeed, one of the lessons that pounced from Covid-19 is the eminent need to find creative ways and means to bring our communities to this daunting task of economic recovery.

For the Agency to change the socio-economic complexion of the district, the anticipated financial sustainability plan would play a vital role in enabling the Agency to recalibrate the interventions, projects and initiatives that have been identified and those underway to execute the strategy.

Sekhukhune District is an area of tremendous economic potential. Apart from its rich endowment with metals and minerals, it has a fairly established commercial agriculture, vast landmass with diverse fauna and flora. It also has a rich historical and cultural heritage and a host of key water catchment areas. These features, together with the resilient people of the region constitute the comparative advantages of Sekhukhune. SDA, therefore, exist to make the District realise its economic potential through amongst others diversifying the economy of the region and transforming its comparative advantages to competitive advantages.

Therefore, In the set context, the SDA is more relevant than it has been in the economic landscape of the District due to its positioning as a catalytic role player in creating high impact economic projects. With robust strategies expected to unfold in the short and mid-term, in consultation with our strategic stakeholders, SDA will be better positioned to orient its operations to District Development Model, Special Economic Zone, Financial sustainability of the agency, Controls and Audit Assurances, and strategic partnership initiatives and projects.

**Mr Mpho Maepa**



## 2. MANDATE

Mandate of Sekhukhune Development Agency (SDA)

The mandate of Sekhukhune Development Agency is captured in the 'By-law for establishing and operating Sekhukhune Development Agency' which was published in the Provincial Gazette Extraordinary no. 1863 dated 4 November 2010.

In terms of the By-law, the following are the **five strategic objectives** of SDA:

To act as an engine for economic growth by diversifying and expanding the SDM economic base

To secure a stable and sustainable financial base for the future development of the Agency

To initiate, identify and implement high impact economic development Projects

To develop businesses that create sustainable job opportunities

To source funds for economic development concepts and convert these into projects aimed at transforming the district into the first economy

Based on the above five strategic objectives, Sekhukhune Development Agency has to ensure that the projects and programmes that are identified on an annual basis are aligned to the strategic objectives. The operation of SDA must also be informed in the same vein.

More importantly, the strategic objectives must inform the planning, implementation monitoring as well as review of the SDA Programmes.

The annual performance agreement between SDA Chairperson and Executive Mayor should also mirror the same strategic objectives. The SDA performance as assessed by the parent municipality on a quarterly basis as part of performance lekgotla reporting framework. The SDA reports starts from management, to sub-committees of the board, board of directors then to parent municipality.

## 3. FINANCES

### 3.1 Financial Overview

#### 3.1.1 Assets

In the 2020/2021 financial year, the total assets for Sekhukhune Development Agency stood at R3 276 899 and net assets at R1 357 224 as compared to the total asset position of R1 843 277 and net assets at (R311 670) in 2019/2020 financial year. The main contributor of the assets is a property (land) that was donated by Sekhukhune District Municipality which is referred to as portion 1 of Erf 488 Groblersdal Extension 5.

The property is zoned as public open space (park) which means it can only be used as such. The value of the land is estimated at R900 000.00. In the financial year under review, SDA has appointed transfer attorneys to officially register the property under the name of the Agency, this will enable the agency to attract possible development application for purposes of revenue generation.

#### 3.1.2 Revenue

The total revenue for Sekhukhune Development Agency in the 2021/2022 financial year stood at R5 687 026 compared to R5 687 026 in 2020/2021 financial.

#### 3.1.3 Liabilities

Sekhukhune Development Agency incurred liabilities amounting to R1 919 675 in the 2021/2022 financial year as compared to liabilities of R2 154 947 in the 2020/2021 financial year.

The liabilities relate to three main items;

- Unspent conditional grant from Industrial Development Corporation amounting to R 1 526 829



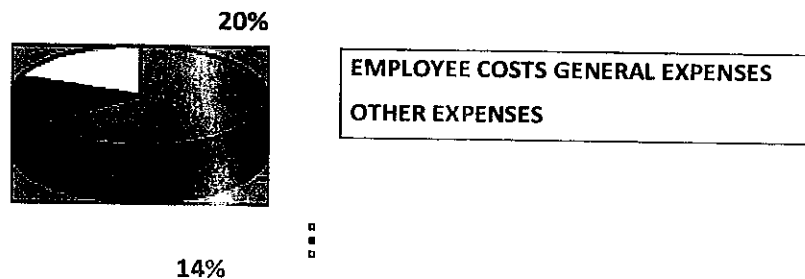
- Trade and other payables amounting to R392 846.

### 3.1.4 Expenditure

The total expenditure incurred by Sekhukhune Development Agency in the 2021/2022 financial year stands at R4 018 132 as compared to R3 520 617 in the 2020/2021 financial year. Employee costs that were incurred in the 2018/2019 financial year contributed to R2 658 622 as compared to R2 628 955 in 2017/2018 financial year. Payment for members of the SDA Board that were incurred in the 2021/2022 amounted to R575 646 as compared to expenditure of R258 676 in the 2020/2021 financial year.

#### Expenditure SDA 2021/2022

##### SDA: Expenditure Percentage



## 4. GOVERNANCE

### 4.1 SDA's Non-Executive Board Members

- Ms L J Mahlangu (Chairperson)
- Ms F M Blake (resigned)
- Mr M H Mampuru
- Mr S M Masemola
- Mr K G Mkhwanazi
- Ms M V Makanyane

### 4.2 Board Meetings held

The following are the Board Meetings held:

No. of Meetings	Q1 21/22	Q2 21/22	Q3 21/22	Q4 21/22
<b>Board Meeting</b>	01 30 August 2021	01 14 Dec 2021	01 25 Jan 2022	01 26 April 2022
TOTAL				04
<b>Special Meeting</b>	01 08 July 2021	01 25 Nov 2021		
TOTAL				02
<b>AGM</b>	0	0	0	0
TOTAL				0

#### 4.2.1 Annual General Meeting

The AGM was planned for the 4<sup>th</sup> Quarter of 2021/2022 and could not proceed due to termination of the Board that served from 01 May 2021 to July 2022. The term for the



Interim Board runs from 28 July 2022 until the new Board is appointed.

### 4.3 Strategic Planning

This strategic plan document is a reviewed version of the one developed by the current board in March 2017. The strategic plan document was supposed to be reviewed in the year 2020 however due to challenges of high board vacancy as well as limitations imposed by Covid-19 restrictions, the review was deferred for 2021. The strategic view session was conducted on the 26-28 August 2021. The reviewed strategic plan incorporates inputs by the parent municipality as the shareholder, government departments and agencies in the economic development space as well as private sector and industry specialists.

This strategic plan was developed through consultation with Board members, staff, and other stakeholders, including the Executive Mayor of Sekhukhune District Municipality. Other inputs that contributed to the strategy came from experts in various fields within the scope of the SDA business. An analysis of the Sekhukhune area and the organisation in the current milieu and possible future scenarios provided a basis for consideration of the role SDA could play, and how it could take up its mandate in the short to medium term.

### 4.4 Audit and Risk Committee

Sekhukhune Development Agency has a standing arrangement with the parent municipality to share services of Audit and Risk Committees. The Audit Committee considers and makes recommendations on matters provided under section 165 and regulation 9 of the MFMA and MPPR respectively while among other matter advice Management and Council on matters pertaining to the Annual Financial Statements before submission to Auditor General of South Africa.

In terms of legislative prescripts, the Audit Committee members should meet at least 4 times per annum as per its approved charter. During the current financial year seven meetings were held.

The Members of the Audit Committee that served for the period 1<sup>st</sup> July 2021 to 30 June 2022, and their attendance were as follows:

NAME OF MEMBER	STATUS	NUMBER OF MEETING HELD
Mr. M Mokwele	Chairperson ( Resigned as the Audit Committee Member with effect from the 4th of January 2022)	4
Ms. M Ndlovu	Member & Chairperson -Appointed as the chairperson with effect from the 1 <sup>st</sup> April 2022	4
Ms. T Mathabathe	Member	4
Ms. M Mothelesi	Member	4
Adv. L Thubakgale	Member	4

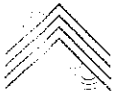
#### 4.4.1 Risk

Risk Management Committee forms part of the shared services with the parent municipality. The Risk Management Committee (RMC) is an oversight committee responsible to the Accounting Officer (AO) for the monitoring of risk management which includes assisting in designing, implementing, and coordinating the institution's risk management initiatives.

### 4.5 Audit Outcomes

The following is the comparative analysis of Audit Outcomes from Auditor-general South Africa (AGSA):





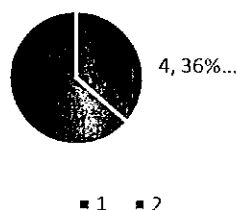
### 5. Performance Overview 2021/2022 Financial Year

#### 5.1 SDA PROJECTS AS PER THE APPROVED/AMENDED 2021/2022 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP).

In the 2021/2022 financial year, Sekhukhune Development Agency had a total of 11 planned targets. Out of 11 targets, 04 were achieved and 07 were not achieved which represents 36% overall performance, a decline of 17% in comparison to the previous financial year.

The figure below further illustrates the same scenario as depicted above

2021/2022 SDBIP  
Performance



#### 5.2 OVERVIEW OF SEKHUKHUNE DEVELOPMENT AGENCY PERFORMANCE 2020/2021 FINANCIAL YEAR SDA PROJECTS AS PER THE APPROVED/AMENDED 2020/2021 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP).

In the 2020/2021 financial year, Sekhukhune Development agency had a total of 15 planned targets. Out of 15 targets, 08 were achieved and 07 were not achieved which represents 53% overall performance, an improvement of 17% in comparison to the previous financial year.

The figure below further illustrates the same scenario as depicted above

SDBIP Performance 2020/2021



#### 5.3 Outlined in the table below are 6 targets Not Achieved with challenges and remedial actions for 2021/2022 Financial Year.

TARGET NOT ACHIEVED	CHALLENGES	REMEDIAL ACTION
De-Hoop & Flag Boshielo Tourism Development -RMP's	The project depends on Stakeholders' availability	Request intervention from PED , to coordinate all stakeholders
Mineral Research Study	Agreement with implementing partners not yet concluded. MINTEK needs financial	Study to be conducted once the agreement with the implementing partners is concluded and funding is



		available
Dry Sanitation Top Structure	The previous contractor was terminated by parent municipality due to pending legal matters.	Receive Council Resolution permitting SDA as the implementing agent for the Sanitation top structures
Land Development of ERF 488	Service provider was only appointed at the end of the financial year, therefore made performance impractical at such a short period of time	SDA to be capacitated to run its affairs from SCM, Finance, HR
Agang Cotton Initiative	No partnership agreement in place	To ensure that partners identified conclude an MOU with SDA
Fundraising	Delay in supply chain processes led to this non delivery	SDA to be capacitated to run its affairs from SCM, Finance, HR
AGM Reports	Schedule did not accommodate all key stakeholders	Plans to hold AGM Oct/Nov to accommodate nominations of the new Board members and introduce them

#### 5.4 OUTLINED IN THE TABLE BELOW ARE 8 TARGETS ACHIEVED IN THE 2021/2022 FINANCIAL YEAR

PROJECTS	NUMBER OF TARGETS	PROGRESS	REMARKS
Special Economic Zone	1	Achieved	To Jointly Facilitate new approach to Special Economic Zone.
Green Automotive Manufacturing (Electrical Tuk-Tuks)	1	Achieved	Strategic partner Secured to invest in Green Automotive Manufacturing.
ETA Funding Application	1	Achieved	Skills Development funding applied
Tourism & Marketing	1	Achieved	Tourism Promotion Marketing and Development facilitated

The prevailing legislation also provides that when the Sekhukhune Development Agency assesses its performance for year under review, it is also a requirement that such performance be compared with the previous financial year. The targets were allocated in terms of those that promote local economic development and those falling under administration.

#### 5.5 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN 2021/2022

Section 53 (1) (ii) of the Local Government Municipal Systems Act, 2003 provides that the major of the municipality is charged with the responsibility to consider and approve the Service Delivery and Budget Implementation Plan for 2021/2022 financial year. For 2021/2022 financial year, Sekhukhune Development Agency has set 22 targets to deal with issues of economic development.



## 6. STAKEHOLDER ENGAGEMENT

### 6.1 STAKEHOLDER ENGAGEMENTS AND REVENUE GENERATING PROJECTS

As part of its mandate, the agency hold regular meetings and engagements with stakeholders to exchange ideas on how to take the agency forward. The following sectors and departments were engaged.

### 6.2 LIMPOPO DEPARTMENT OF ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (LEDET) & LEDA

SDA participated in the task team meetings for Fetakgomo-Tubatse Special Economic Zone as part of crafting a new approach for SEZ .

### 6.3 DE HOOP DAM RESOURCE MANAGEMENT PLAN MOA

An MOA to advance the De Hoop Dam Resource Management Plan was signed by the parent municipality with Department of Water and Sanitation.

## 7. CONCLUSION

The 2020/2021 Financial year has seen unprecedented Economic devastation as a result of the resignation of the Acting CEO. Global economy has seen a significant decline and contradiction, South Africa as a developing economy is not an exception. SDA as a municipal entity created to stimulate economic growth will have to leverage on national and provincial public policy interventions such as the economic recovery plan of its parent municipality.

The escalating high levels of unemployment also imposed on the agency an immediate challenge of igniting growth in the small and medium enterprise space as the driver for job creation. This approach and strategy should be blinded with the efforts to unlock catalytic projects as the main mandate of the agency.

### ACCOUNTING OFFICER

Mr Mpho Maepa  
ACTING CHIEF EXECUTIVE OFFICER

17/01/2023

DATE



Sekhukhune Development Agency  
Annual Financial Statements  
for the year ended 30 June 2022  
Auditor General South Africa  
Registered Auditors

**ANNEXURE E: 2021/2022**  
**Audit Committee Report –**  
**SDM and SDA**

## REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2022

We are pleased to present our report for the financial year ended 30 June 2022. The Audit Committee (Committee) has been established as an independent committee in terms of section 166 of the MFMA Act No.56 of 2003. The Committee has adopted formal terms of references which are regularly updated and approved by council.

The Committee consist of the members listed hereunder and should meet at least four times per annum as per its terms of references although special meetings may be called as the need arise. Below is the attendance held and attendance was tabled as follows

<b>NAME OF MEMBERS</b>	<b>STATUS</b>	<b>TOTAL NO. OF MEETINGS</b>	<b>NO. OF MEETINGS ATTENDED</b>
Mr. M Mokwele	AC Chairperson – Resigned with effect from 05 <sup>th</sup> January 2022	4	1
Ms. M Ndhlovu	AC Chairperson- With effect from 1 <sup>st</sup> April 2022	4	2
Adv. L Thubakgale	Member	4	3
Ms.M Mothelesi	Member	4	4
Mr.M Mathabathe	Member	4	3

### AUDIT COMMITTEE RESPONSIBILITIES

The Committee reports that it has complied with its responsibilities arising from section 166 of the Municipal Finance Management Act 2003 (MFMA) section 79 of the Municipal Structure Act 117 1998 and paragraph 14 (2) (a) of the Local Government: Municipal Planning Management Regulations, 2001. The Committee also reports that it has adopted an appropriate formal terms of references, has regulated its affairs in compliance with these terms and has discharged all its responsibilities as contained therein

### THE EFFECTIVENESS OF INTERNAL CONTROL AND INFORMATION COMMUNICATION TECHNOLOGY (ICT ) GOVERNANCE

The Internal Control system was not entirely effective for the year under review although some improvements were registered in some control activities. From the various reports of the Internal Audit and Auditor General Report for 2021-2022 it became clear that more still needs to be done by both council and Administration in ensuring that the Municipality obtain a clean audit and that services delivery is effective rendered.

The Committee also reviewed the progress with respect to the ICT governance. Although there were some significant progress on the ICT internal control. The Committee report its dissatisfaction with the lack of ICT strategy and minimal progress made with the implementation of the disaster recovery plan and the business continuity plan. This continued to be a high risk for the municipality.

### **THE QUALITY OF REPORTING**

The Committee is of the view that the contents of the quarterly reports of the Municipality that it has been made privy to, have improved significantly. The performance management system for managers accountable to the Municipal Manager has been operating though not as efficient as the municipality would have liked the system to be. The committee has been part of the performance assessments of the managers accountable to the Municipal Manager for the year under review.

### **RISK MANAGEMENT**

Progress on the District Municipality risk management was reported to the Committee on a quarterly basis. The Committee is satisfied that the actual management of risk is receiving attention although there are areas that still require improvement. Management should take full responsibilities for the entire Enterprise Risk Management Process and continue to support the Chief Risk Officer to further enhance the performance of the Municipality. The Committee was dissatisfied about the capacity in the Risk Management to support the Chief Risk Officer.

### **HUMAN RESOURCES**

The Committee were concerned with slow filling of vacant position and request management to speed up the process of filling all the senior positions and key positions in the municipality

### **AUDIT PROCESS**

The Committee is satisfied with how the audit process were handled by the Auditor General South Africa as there were constant interaction with the Auditor General South Africa during the course of the audit. The Committee is further satisfied that the Audit report for 2021-2022 Financial Year was issued as per the audit strategy as agreed between the Auditee and the Auditor General South Africa. The Committee recommend that Management of the Municipality must submit the credible Annual Financial Statements. From the Audit report of the Auditor General South Africa on the annual financial statement of the Municipality, it was noted that the Municipality has sustained the qualified audit opinion. We recommend that management should develop and implement an action plan to address all the findings as raised by the Auditor General (SA) in order to strengthen the efficiency and effectiveness of the system of internal controls over financial reporting

## Evaluation of the Financial Statements

### The Audit Committee has:

- Reviewed and discussed the audited annual financial statement..
- Reviewed the AGSA management letter and responses thereto
- Reviewed compliance with legal and regulatory provisions
- Reviewed significant adjustment resulting from the audit process;
- Reviewed the audit report

We concur with and accept the Auditor General South Africa report on the annual financial statements, and are of the opinion that the audited annual financial statement be accepted and read together with the report of the Auditor General South Africa.

### ANNUAL REPORT FOR 2020-2021 FINANCIAL YEAR

The Committee has considered the annual report for 2021-2022 financial year and recommend that management should ensure that Management and governance structures review the Annual Report.

### Appreciation

The Committee wishes to thank the Municipal Council, AGSA, Management and the staff for continued commitment to improve effective control environment and good governance and for their support. .

P.P. Rij Matjokane

Chairperson of the Audit Performance Committee

Ms M Ndlovu

Date: 17 January 2022



## REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2022

### AUDIT COMMITTEE REPORT

The Audit Committee (the Committee) is pleased to present the report for the financial year ended 30 June 2022. The Committee has been established as an independent committee in terms of section 166 of the Municipal Finance Management Act No.56 of 2003. The Committee adopted formal terms of references which are regularly updated and approved by Council.

#### Audit Committee members and attendance

The Committee consist of members listed hereunder and should meet atleast four times per annum as per its terms of references although special meetings maybe called as the need arises.

For the 2021-2022 financial year, 2 meetings were held due to changes or lack of leaderships in the agency. The attendance was as follows:

NAME OF MEMBERS	STATUS	TOTAL NO.OF MEETINGS	NO. OF MEETINGS ATTENDED
Mr. M Mokwele	AC Chairperson- Resigned with effect from the 05 <sup>th</sup> January 2022	4	1
Ms. M Ndlovu	AC Chairperson with effect from 01 April 2022	4	2
Adv. L. Thubakgale	Member	4	2
Ms. M Mothelesi	Member	4	2
Ms. M Mathabathe	PAC Chair Member with effect from 01 April 2022	4	2

The Committee reports that it has considered its charter which was ultimately approved by Council which is the parent of the Sekhukhune Development Agency and charter regulates its affairs and detailed the responsibilities and expectations of the Committee.

#### The Effectiveness of the Internal Control

The Committee noted the work of the assurance service providers, both internal and external auditors through reports that were submitted. The reports were noted with concern by the Committee regarding the number of significant internal control deficiencies.

Management has given assurance that effective corrective action will be implemented in respect of all internal control weakness. The Audit committee will monitor these going forward.

### **Risk Management**

The Committee fulfils an oversight role regarding the financial reporting risk, internal financial controls, fraud risk and information and technology as it relates to financial reporting. The Chairperson of the risk management committee or the Chief Risk Officer report progress on the risk management process to the Committee on a quarterly basis. The Committee is dissatisfied that the actual management of risk is not receiving attention. Management should take full responsibility for the entire Enterprise Risk Management Process and continue to support the Chief Risk Officer to further enhance the performance of the Agency

### **Human Resources**

The Committee is dissatisfied that the agency is not receiving attention from the Municipality. The agency has been running with the Acting Chief Executive Officer and without the Finance Manager and the Board Secretary for a long period. Management should ensure that the critical positions are filled and that they receive necessary support from the shareholder.

### **The Quality of Reporting**

The Committee is of the view that the contents of the quarterly reports of the agency that has been made privy to have improved. Management must improve on the submission deadlines.

### **Financial Management**

The Committee is dissatisfied with the budget allocation for the agency and request that the shareholder support the agency so that the agency can realise its objectives.

### **Audit Process**

The Committee is satisfied with how the audit process were handled by the Auditor General South Africa (AGSA) as there were constant interaction with the Auditor General South Africa during the course of the audit. The Audit Committee is further satisfied that the Audit report for 2021-2022 was issued as per the audit strategy as agreed between the Committee and the AGSA. The Committee applauded management of the agency that they submit the credible Annual Financial Statements and the Chairperson of the Board and his team for ensuring that unqualified audit opinion is maintained. The Committee recommend that management should implement an action plan to address all the findings as raised by the AGSA in order to strengthen the efficiency and effectiveness of the system of internal controls over financial reporting.

## Evaluation of the Financial Statements

### The Audit Committee has:

- Reviewed and discussed the audited annual financial statement..
- Reviewed the AGSA management letter and responses thereto
- Reviewed compliance with legal and regulatory provisions
- Reviewed significant adjustment resulting from the audit process;
- Reviewed the audit report

We concur with and accept the AGSA report on the annual financial statements, and are of the opinion that the audited annual financial statement be accepted and read together with the report of the Auditor General South Africa.

### Annual Report for the 2021-2022 Financial Year

The Committee has considered the annual report for 2021-2022 Financial year and recommend that management and governance structures should review the annual report so that the report is credible .

### Appreciation

The Committee wishes to thank the Municipal Council, AGSA, Board, Management and the staff for continued commitment to improve effective control environment and good governance and for their support. .

  
 P P \_\_\_\_\_

**Chairperson of the Audit Performance Committee**

**Ms M Ndlovu**

**Date: 17 January 2022**

# SDA Action Plan

**- SEKHUKHUNE DEVELOPMENT AGENCY - EXTERNAL AUDIT ACTION PLAN 2021/22**

**Summary of audit issues raised by AGSA during the 2021/22 audit**

Audit Findings	No Of Issues Raised	No of Issues Resolved	Number of Issues Outstanding	Comments/Details of issues outstanding	New Matters	Recurring Matters
Non-current assets	1	0	1		1	0
Unspent conditional grants and receipts	1	0	1		1	0
Payables from exchange transactions	1	0	1			0
Revenue- IDC Grants	1	0	1		1	1
Expenditure -General expenses	1	0	1		1	
Irregular expenditure	1	0	1			1
Restatement of corresponding figures	1	0	1			1
<b>TOTAL</b>	<b>7</b>	<b>0</b>	<b>7</b>		<b>4</b>	<b>3</b>

Percentage progress 0%

**Non-Current Asset**

Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Officer	Narrative to Progress
1	Matters affecting the auditor's report	Overstatement on the value of land by the valueR300 000 of structures on the land	New	Inadequate reviewing processes before submission of the annual financial statements for audit purposes.	1. Improvement of the reviewing processes on the annual financial statements. 2. Process a prior period error journal and disclosure note. 3. Update the Fixed Assets Register with the revised Valued land	01-Dec-22	2023- May-31	CEO	

Unspent conditional grants and receipts

Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Officer	Progress	Reference to Disclosures
1 Unspent conditional grants and receipts	Matters affecting the auditor's report	The IDC grant was incorrectly classified as a conditional grant. The said funds do not exist as a conditional grant and there do not qualify to be classified as such	New	Inadequate reviewing processes before submission of the annual financial statements for audit purposes.	1. Improvement of the reviewing processes on the annual financial statements. 2. Process a prior period error journal and disclosure note. 3. Prepare the interim financial statements.	01-Dec-22	2023-May-31	CEO		

Payables from exchange transactions

Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Official/Person	Progress	Warranty
1	Matters affecting the auditor's report	Inclusion of invoices that did not relate to 2021/22 period and inclusion of invoices that were paid during the period	Recurring	Inadequate reviewing processes before submission of the annual financial statements for audit purposes.	1. Improvement of the reviewing processes on the annual financial statements. 2. Process a prior period error journal and disclosure note. 3. Prepare the interim financial statements.	01-Dec-22	2023- May-31	CEO		



REVENUE - IDC grant

Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Officer	Progress	Narrative
1	REVENUE -IDC grant Matters affecting the auditor's report	Overstatement of revenue with expenses incurred on the IDC grant.	New	Inadequate reviewing processes before submission of the annual financial statements for audit purposes.	1. Improvement of the reviewing processes on the annual financial statements. 2. Process a prior period error journal and disclosure note. 3. Prepare the interim financial statements.	01-Dec-22	2023- May-31	CEO		

Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Official	Progress	Narrative Description
1 General Expenses	Matters affecting the auditor's report	Expenditure allocated to the incorrect vote.	New	Inadequate reviewing processes before submission of the annual financial statements for audit purposes.	<ol style="list-style-type: none"> <li>1. Improvement of the reviewing processes on the annual financial statements.</li> <li>2. Process a prior period error journal and disclosure note.</li> <li>3. Prepare the interim financial statements.</li> </ol>	01-Dec-22	2023- May-31	CEO		

**Irregular expenditure**

Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Official/Pers	Progress	Remarks to Progress
1 Expenditure Management	Irregular expenditure	As disclosed in note 27 of the annual financial statements, irregular expenditure to the amount of R442 566 was incurred as a result of non-compliance with recruitment processes	Recurring	Administrative processes were not followed REMCO& Board resolution to effect the promotion	Report to parent municipality in line with MFMA sec 102	01-Dec-22	2023- May-31	CEO	Non-compliance with the recruitment process- Awaiting investigation report from SDM head of legal	

Restatement of corresponding figures

Item	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan/Description	Start Date	Completion Date	Responsible Official	Progress	Reference to Disclosures
1	Restatement of corresponding figures	1. As disclosed in note 21 of the annual financial statements the corresponding figures for the 2021 financial period have been restated as a result of an error in the financial statements of the entity at, and for the year ended 30 June 2021	Recurring	SDA currently does not have its own financial system in place hence it rely on SDM to run its day to day financial affairs	SDA Board have approved the acquisition of Financial System through competitive bidding (Tender).	01-Dec-22	2023-05-31	CEO	Drafting of TOR for the acquisition of new system is in progress and will be advertised when done	

# **SDM Action Plan**



Provision for Impairment on Debtors										
Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Official/Person	Progress	Narrative to Progress
Provision for Impairment on Debtors	Matters affecting the auditor's report	The calculation on the provision for the impairment of debtors was incorrectly calculated due to a formula which did not pull correctly on the schedule of impairment calculation.	New	Inadequate reviewing processes before submission of the annual financial statements for audit purposes.	<ol style="list-style-type: none"> <li>1. Improvement of the reviewing processes on the annual financial statements.</li> <li>2. Process a prior period error journal and disclosure note.</li> <li>3. Prepare the interim financial statements.</li> </ol>	01-Dec-22	2023-May-31	CFO		

Receivables from Non-exchange transactions

Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Official/Person	Progress	Narrative to Progress
Receivables from Non-exchange transactions	Matters affecting the auditor's report	Overstatement of the receivables from non-exchange transactions by an amount which could have been classified as a contingent asset.	New	Inadequate reviewing processes before submission of the annual financial statements for audit purposes.	<ol style="list-style-type: none"> <li>1. Improvement of the reviewing processes on the annual financial statements.</li> <li>2. Process a prior period error journal and disclosure note.</li> <li>3. Prepare the interim financial statements.</li> </ol>	01-Dec-22	2023-May-31	CFO		



Expenditure										
Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Official/Person	Progress	Narrative to Progress
Employee cost	Matters affecting the auditor's report	Limitation of scope on leave files	New	Non-availability of the leave files required as audit evidence during the audit.	1. Improvement of the document management systems. 2. The missing leave files are to be located and filed properly for audit purposes.	01-Dec-22	2023-May-31	Senior manager - corporate services		
Expenditure cut-off	Matters affecting the auditor's report	Transactions not recorded in the correct period.	New	Long-over due supplier invoices processed in the current financial year for payment.	1. Improvement of the supplier invoice management system. 2. Centralization of the supplier invoices. 3. Implementation of the invoice tracker.	01-Dec-22	31-Jan-23	All senior managers		

Supply Chain Management										
Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Official/Person	Progress	Narrative to Progress
Supply Chain Management	Matters affecting the auditor's report	Non-compliance with the supply chain laws and regulations during the procurement of goods and services. The irregular expenditure of R76 758 555 were identified during the audit process and herewith the below findings raised by AG : i. Awards made to the persons in the service of the state ii. Tenders were awarded to the bidders that did not score the highest points in the evaluation process. iii. Quotations were awarded without apply preference points. iv. Awards were made	Recurring	Lack of review and monitoring of compliance with law and regulations.	1. The supply chain management policy of the municipality will be revised to strengthen the controls around the implementation of the applicable procurement processes. 2. A checklist on compliance with the applicable procurement processes will be developed and implemented to assist in preventing any instances of non-compliance with the relevant legislation of procurement. 3. Training of the supply chain bid committees will be conducted for building capacity in the application of the relevant procurement processes.	01-Dec-22	31-Jan-23	SCM Manager		
Supply Chain Management	Matters affecting the auditor's report	The performance of contractors or providers was not monitored monthly	New	No adequate contract management processes in place.	1. The performance of the contractors will start monitored on the monthly basis.	01-Dec-22	31-Jan-23	SCM Manager		

Cash Flow Statement

Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Official/Person	Progress	Narrative to Progress	
1	Cash Flow Statement	Matters affecting the auditor's report	Difference between management and auditor's calculations.	New	Inadequate reviewing processes before submission of the annual financial statements for audit purposes.	1. Improvement of the reviewing processes on the annual financial statements. 2. Process a prior period error journal and disclosure note. 3. Prepare the interim financial statements.	01-Dec-22	31-May-23	SCM Manager		

Statement of changes in net assets

Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Official/Person	Progress	Narrative to Progress
1 Statement of changes in net assets	Matters affecting the auditor's report	Difference between management and auditor's calculations.	New	Inadequate reviewing processes before submission of the annual financial statements for audit purposes.	1. Improvement of the reviewing processes on the annual financial statements. 2. Process a prior period error journal and disclosure note. 3. Prepare the interim financial statements.	01-Dec-22	31-May-23	SCM Manager		

Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	Action Plan Description	Start Date	Completion Date	Responsible Official/Person	POE	PROGR ESS	Narrative to Progress
Performance Management	Matters affecting the auditor's report	Planned targets for indicators were not specific in clearly identifying the nature and required level of performance and measurable.	New	Performance indicators were not well defined, targets were not specific and measurable	A thorough review of the SDBIP will be done during adjustment in January 2023	1/Feb/23	20/Jun/23	Manager PMS	Attendance register and Adjusted SDBIP and quarterly reports		
Performance Management	Matters affecting the auditor's report	Reported targets did not agree with the planned target as per approved in service delivery agreement	Recurring	Reported targets were not consistent compared to planned targets	A thorough review of the Performance report versus SDBIP will be done through a workshop with all managers to ensure consistency of planned targets and indicators against the reported achievement SDBIP and the Annual Performance Report	1/Feb/23	20/Jun/22	Manager PMS	Attendance register and quarterly reports		
Performance Management	Matters affecting the auditor's report	Various indicators	Recurring	Achievement reported in Annual performance report materially differed from the supporting evidence	Monthly and quarterly performance reports together with portfolio of evidence will be monitored thoroughly by PMS then be submitted to internal audit for review	1/Feb/23	20/Jun/22	Manager PMS	Attendance register and quarterly reports		

Management Report Finding								
Component	Description of Finding	Finding Status	Root Cause	Action Plan Description	Target Date	Responsible Official/Person	Progress to Date	POE
1. Internal Audit	Audit Committee did not advise the accounting officer on matter relating to Accounting Policies	Recurring	The audit committee did not review and advise the accounting officer and management on the appropriateness of the accounting policies specifically the impact that any changes in accounting may have and approve the changes	1. The Accounting Policies will be submitted to the Audit Committee for review on an annual basis for review before submitted to council for approval in May each year.	April annually	Acting Chief Audit Executive		Minutes of the Audit Committee
2. Internal Audit	Internal Audit External Quality Review	Recurring	The Acting Chief Audit Executive did not execute her duties to ensure that the external quality review is conducted for the internal audit unit.	1. External quality review is planned to take place in 2022-2023 fourth Quarter 2. The internal audit files for three to five years should be ready for appraisal. 3. Appoint service provider to conduct the external quality review. 4. Submit the quality review report to management, audit committee and municipal council.	31 June 2023	Acting Chief Audit Executive		External Quality Review Report
3. Internal Audit	Feasibility and Cost-effectiveness of outsourcing the Internal Audit Services was not conducted	Recurring	Accounting Officer did not ensure that the feasibility and/or cost-effectiveness assessment for outsourcing financial audits was performed.	1. Item will serve in council detailing the reasons for outsourcing of Internal Audit	31-Mar-23	Acting Chief Audit Executive		Council Resolution
Internal Audit	Chief Audit Executive position not appointed permanently	New	The Accounting Officer did not ensure that the Chief Audit Executive is permanently appointed as per the MFMA.	Recruitment for the position of the Chief Audit Executive to take place in 2022-2023 Financial Year	31-Mar-23	Accounting Officer/ Director Corporate Service		Appointment letter for the Chief Audit Executive

Internal Audit	No training was conducted during the year for Internal Audit and the membership of the unit is not up to date with the Institutes for Internal Auditors for South Africa	Recurring	<p>The internal audit unit did not take responsibility to implement the AGSA recommendation from the 2019/20 and 2020/21 audit to have the internal audit unit members trained.</p> <p>The Chief Audit Executive did not execute her responsibility to ensure that the Internal Audit members have appropriate required technical training and proficiency in auditing</p>	<p>The Internal Audit training plan for 2022-2023 Financial Year is approved, and Internal Auditors will attend in the third and Fourth Quarter 2022-2023 Financial Year. The Bursary Policy has a clause which indicate that the Municipality is not liable to pay the membership for the municipal employees.</p>	30th April 2023	Acting Chief Audit Executive/ Director Corporate Services	Certificate for attendance of training, Proof of payment for Membership and Bursary Policy
Internal Audit	The Audit Committee should include brief commentary on the effectiveness of the finance function in its Audit Committee Report which is included in the Annual Report	New	The audit committee did not execute its roles and responsibilities as recommend on Public Sector Audit Committee Forum (PSACF)	<p>Internal Audit will submit an item on the Budget and Treasury Office Managers CV, Qualification to the Audit Committee once per year. The Audit Committee will assess the finance function, appropriate of the expertise, experience and resources of the finance function and experience of the senior members of the management responsible for the financial function...</p>	April annually	Acting Chief Audit Executive	Minutes of the Audit Committee

Audit Findings	Description of Finding	Action Plan Description	Management response	Responsible Official/Person	Status
<b>IT GOVERNANCE</b>					
1. Lack of Information and Communication Technology Governance framework	The Information and Communication Technology Governance (ICTG) framework was not formally documented and approved by the Council, as previously reported. Lack of ICTG framework may result in Information and Communication Technology (ICT) resources and processes not being utilised effectively within the municipality. The municipality may fail to leverage ICT efficiencies and opportunities in delivering required services to the municipality and the public	ICT management and the municipal council is advised to prioritise the approval of the ICT Governance framework. ICT management should thereafter ensure that the formally approved ICT Governance framework document is communicated to the relevant officials for implementation and its compliance is regularly monitored.	Management note and accepts the recommendations made by Auditor General however the policy has already served and is approved by Council on the 26 October 2022.	Manager ICT	Completed
2. Lack of Information and Communication Technology Strategy Plan	It was noted that the municipality did not have a formally documented and approved Information and Communication Technology (ICT) strategic plan in place, as previously reported in order to ensure alignment of ICT goals with the direction the municipality's business needs. Furthermore, assurance could not be provided to ascertain how the IT projects, IT risk and IT budget are determined. A lack of an ICT strategic plan might result in misalignment of ICT goals to the strategic objectives and goals of the municipality and ICT operations not meeting the business needs of the municipality.	The ICT management should ensure that an ICT strategic plan entailing the following key aspects is in developed and approved by the relevant parties: <ul style="list-style-type: none"> <li>•The organisation's goals and objectives pertaining to IT</li> <li>•IT risks to be mitigated</li> <li>•Purpose of the IT environment</li> <li>•The general approach towards technology, i.e. should the organisation stay at the forefront of technology, or would a more conservative approach be appropriate</li> <li>•The structure of the IT environment</li> <li>•Services the IT department has to deliver</li> <li>•Facilities used by IT</li> <li>•Planning guidelines and constraints (e.g. expected growth and finances)</li> <li>•Resource requirements</li> <li>•IT Projects identified that needs to be undertaken to drive the implementation of the IT Strategic Goals</li> </ul> The ICT management should also ensure that the approved ICT strategic plan is communicated to all the relevant parties for implementation and its compliance is regularly monitored.	<ul style="list-style-type: none"> <li>•Management agrees with the finding however the Master System Plan has been advertised awaiting the Management to appoint the service provider</li> </ul>	Manager ICT Acting Municipal Manager	In progress
3. Information and Communication Technology vacancies not filled	It was noted that the Information and Communication Technology (ICT) department was reporting to the Department of Corporate Services and the ICT structure was incorporated within the organisational structure that was approved by Council on 28 May 2021. Through the review of the structure it was noted that there were 13 approved positions within the ICT structure however, the following posts which deemed to be critical within ICT department were not filled during 2021/22 audit cycle under review	ICT Management should ensure that all critical ICT positions as per approved ICT organisational structure are filled.	Management agrees with the finding however the new ICT Manager position has been filled with effect from the 1st September 2022.	Manager HR	Completed



<p>4. Lack of ICT Steering Committee Terms of Reference (ToR) and committee not operational.</p>	<p>The Municipality did not have an approved Information and Communication (ICT) Steering Committee Terms of Reference (ToR) document in place. As a result, the ICT steering committee meetings to discuss ICT related matters that affect the municipality were not held during the financial year under review, as was also previously reported</p> <p>Lack of ICT steering committee ToR and non-operational committees has resulted in no formal forums to discuss ICT initiatives in support of business initiatives. This could result in ICT resources and projects not being effectively managed and deployed to support the municipality's business objectives and goals</p>	<p>ICT management and the municipal council are advised to prioritise the approval of the Terms of Reference. Furthermore, ICT steering committee meetings should then be held as indicated in the charter and ToR.</p>	<p>Management agrees with the finding however the ICT Steering Committee Terms of reference has been approved by council on the 26th October 2022.</p>	<p>Manager ICT</p>	<p>Completed</p>
<p>5. Service level agreements for information and communication technology outsourced services were not adequately designed</p>	<p>The Municipality did not have an approved Information and Communication (ICT) Steering Committee Terms of Reference (ToR) document in place. As a result, the ICT steering committee meetings to discuss ICT related matters that affect the municipality were not held during the financial year under review, as was also previously reported</p> <p>Lack of ICT steering committee ToR and non-operational committees has resulted in no formal forums to discuss ICT initiatives in support of business initiatives. This could result in ICT resources and projects not being effectively managed and deployed to support the municipality's business objectives and goals</p>	<p>ICT management should ensure that the agreements between the municipality and the service providers are reviewed and updated to include the above mentioned processes. ICT management should also ensure that the services provided by the ICT service providers are formally monitored through reviews and analysis of service provider performance reports.</p> <p>ICT management should also ensure that evidence confirming the monitoring of the services provided is in place and available for reference purposes.</p>	<p>Management agrees with the finding</p> <ul style="list-style-type: none"> <li>• Meeting between SDM, SAGE VIP was convened on the 21st November 2022 to discuss the draft SLA.</li> <li>• The SDM Legal Unit to draft SLA and send to SAGE VIP.</li> <li>• The Quarterly Service Providers monitoring, and evaluation meetings shall be convened to monitor all SLA and be rated as per their Quarterly performance.</li> </ul>	<p>Manager ICT</p>	<p>In progress</p>

<p>6. Lack of a formally documented and approved business case for the SAGE 300 payroll system implementation project</p>	<p>The municipality planned to implement the SAGE 300 payroll system in order to replace the VIP application system and for appropriate management and accessibility of payroll and human resource management processes. The project was planned to be completed and implemented by November 2022. However, this project was not included within the Integrated Development Plan (IDP) of the municipality.</p> <p>Furthermore, a documented and approved business case for the SAGE 300 payroll system project was not in place, as a result the audit team was unable to confirm the following:</p> <ul style="list-style-type: none"> <li>• That the expected benefits which the new system is supposed to deliver to the municipality, has been clearly documented.</li> <li>• That the expected benefits of the new system have been documented based on the SMART principle, i.e. Specific; Measurable; Achievable; Relevant; and Timed-based goals.</li> <li>• That the way in which the documented benefits are to be realised by the new system after implementation has been clearly documented.</li> </ul>	<p>Management should ensure a formal business case for the SAGE 300 payroll system project is documented and approved by all the relevant officials. Benefits to be realised by the new system should be clearly documented and monitored throughout the project to ensure that the expected benefits are in fact achieved.</p> <p>ICT management should also ensure that the approved business case for the SAGE 300 project is available for audit purposes</p>	<p>Management agrees with the finding however Sage 300 Payroll System project is documented in the ICT Projects Register.</p>	<p>Manager ICT</p>	<p>Completed</p>
<p><b>INFORMATION TECHNOLOGY SECURITY MANAGEMENT</b></p>					
<p>7. Information and Communication Technology Security policy was inadequately designed</p>	<p>During the audit, Sekhukhune District Municipality had reviewed and updated the Information and Communication Technology (ICT) Security policy. However, the policy was only approved on 29 June 2022 by the Council which was towards the end of the financial year under review. Furthermore, the ICT Security policy was inadequately designed as it did not include the following key aspects:</p> <ul style="list-style-type: none"> <li>• Enforcement procedures (i.e. consequence management and monitoring of compliance)</li> <li>• Applying security by disabling Auto-run of content from removable media</li> <li>• Default accounts to be renamed and default passwords to be changed before deployment in the network</li> <li>• Change notifications to the administrators group being required by policy for all devices, operating systems, databases, and applications</li> <li>• Monitoring and management of unauthorised software, (e.g. Software management process)</li> <li>• The acceptable machine activity limit/lockout session</li> <li>• Password configuration settings for Active Directory and all the application systems utilised at the</li> </ul>	<p>ICT management should ensure that the ICT Security policy is reviewed and consider including the above-mentioned key aspects and prioritise the approval of the policy. Once it has been approved, it should be communicated to all relevant parties and compliance with the policy should be monitored.</p>	<p>Management agrees with the finding however The ICT Security Policy will be amended and presented to council for approval.</p>	<p>Manager ICT</p>	<p>In progress</p>

<p>8. Inadequate IT Security Awareness program</p>	<p>A formal IT Security Awareness Program was not developed and implemented for the financial year under review as previously reported, to ensure that employees were able to recognize and respond appropriately to real and potential security threats. Lack of security awareness training program could result in delayed response to incidents of security breaches that can negatively expose the municipality's systems.</p>	<p>ICT management should ensure that IT Security Awareness Program is formally documented and approved by relevant persons. Furthermore, the program should include the following training at minimum:</p> <ul style="list-style-type: none"> <li>• Training staff on secure authentication</li> <li>• Training staff on identifying social engineering attacks</li> <li>• Training staff on sensitive data handling</li> <li>• Training staff on causes of unintentional data exposure</li> <li>• Training staff of identifying and reporting incidents</li> </ul>	<p>Management agrees with the finding however ICT Security Policy to be amended and include the ICT Security Awareness Program.</p>	<p>Manager ICT</p>	<p>In progress</p>
<p>9. Firewall management processes were not adequately designed and implemented</p>	<p>Although the municipality had approved the ICT firewall policy, it was noted that the policy was only approved on 29 June 2022 by the Council which was towards the end of the financial year under review. Furthermore, it was noted that the policy did not include the following key aspects, as previously reported:</p> <ul style="list-style-type: none"> <li>• Firewall Password and authentication configuration settings.</li> <li>• Detail a process to follow to upgrade the firewall and ensure optimal performance.</li> <li>• Firewall backup/ redundancy and recovery process as a result, the municipality had only one firewall and there was no firewall backup in place. It was also noted that the firewall configuration file was not regularly backed up. Furthermore, the risk was not documented in the risk register and continuously monitored.</li> <li>• Although firewall administrative activities and firewall traffic were logged, evidence confirming the monitoring of such logs were not available.</li> </ul>	<ul style="list-style-type: none"> <li>• ICT Management should review and update the documented firewall policy and procedure to include the key aspects mentioned above.</li> <li>• ICT management should also ensure that evidence confirming the review and monitoring of firewall administrative activities and firewall traffic is in place and available for audit purposes.</li> </ul>	<p>Management agrees with the finding however the Firewall Policy has been amended and will serve in the next Management Meeting</p>	<p>Manager ICT</p>	<p>In progress</p>

<p>10. Inadequately designed Security Incident Management policy</p>	<p>Although the municipality had approved the Security Incident Management policy during the year, it was noted that the policy was only approved on 29 June 2022 by the Council which was towards the end of the financial year under review. Furthermore, it was noted that the security incident management policy did not outline the following aspects:</p> <ul style="list-style-type: none"> <li>• Help desk contact details (email; contact number for the help desk etc.) for logging incident management activities;</li> <li>• Response procedures including those for escalation, controlled recovery from an incident and communication to internal and external people or organisations;</li> <li>• The procedure to be undertaken in case of an information security event or incident, e.g. type of non-compliance or breach, occurring malfunction, messages on the screen and immediately reporting to the point of contact and taking coordinated actions.</li> </ul> <p>The lack of adequately designed security incident management policies and procedures might result in inconsistent processes being followed when handling security incidents. This might also result in delayed</p>	<p>ICT Management should review and update the documented Security Incident Management policy. Ideally, this policy should include the following aspects, amongst others:</p> <ul style="list-style-type: none"> <li>• Defining information security incidents</li> <li>• Categorisation and priority levels</li> <li>• Logging of details relating to the security incident</li> <li>• The procedure to be undertaken in case of the identification and reporting of a potential information security incident</li> <li>• Responsible persons within the municipality to be contacted and escalation procedures</li> <li>• Communication to internal and external people or authorities</li> <li>• Isolating and investigating the security incident and corrective actions to be taken</li> <li>• Handling of forensic evidence</li> <li>• Closure of investigation and reporting</li> <li>• Software tools to assist with the identification of information security vulnerabilities and incidents</li> <li>• Maintaining of statistics and trend analysis</li> <li>• Corrective actions to prevent recurrence</li> <li>• Formal disciplinary process for dealing with employees who commit security breaches</li> </ul> <p>Furthermore, the approved Incident Management policy should be circulated to relevant users for awareness and</p>	<p>Management agrees with the finding however Help Desk Policy has been approved by council on the 26th October 2022</p>	<p>Manager ICT</p>	<p>In progress</p>
<p>11. Information and Communication Technology User account management policy was not approved</p>	<p>It was noted that the Information and Communication Technology (ICT) User Access Management policy was only approved on 29 June 2022 by the Council which was towards the end of the financial year. Without an approved ICT User account management policy that is communicated to users, it would not be possible to ensure that processes and procedures for access controls are consistently implemented on systems.</p>	<p>ICT Management should ensure that the approved ICT User account management policy is distributed to the relevant key stakeholders for implementation and that compliance with the policy is monitored regularly.</p>	<p>Management agrees with the finding however The User Account Management Policy shall be amended and sent to council for approval.</p>	<p>Manager ICT</p>	<p>In progress</p>

# **ANNEXURE G: 2021/2022 Community Consultation Report**

# **ANNEXURE H: 2021/2022 Oversight Report**