

ITEM A108/2025[7]

FINANCIAL REPORT AS AT 30 JUNE 2025

5/17/2

EXCO: 29 JULY 2025

**REPORT OF THE CHAIRPERSON OF PORTFOLIO COMMITTEE FOR
GOVERNANCE, ADMINISTRATION; BUDGET AND TREASURY**

1. PURPOSE

The purpose of this report is to table the Financial Report for June 2025 to the Council as per Section 71, 52,72, and Section 66 of the MFMA.

2. LEGAL REQUIREMENTS

Municipal Finance Management Act 56 of 2003

3. BACKGROUND

In terms of section 52 of the Municipal Finance Management Act 56 of 2003(MFMA) "The Mayor of a municipality must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality".

In terms of Section 66 of the Municipal Finance Management Act 56 of 2003 (MFMA), "The Accounting Officer of a municipality must, in a format and for periods as may be prescribed, report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits and in a manner that discloses such expenditure per type of expenditure.

In terms of section 71 of the Municipal Finance Management Act 56 of 2003 (MFMA) "The Accounting Officer of a municipality must no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant Provincial Treasury a statement in the prescribed format on the state of the municipality's budget

In terms of section 72 of the Municipal Finance Management Act 56 of 2003(MFMA) "The accounting officer of a municipality must, by 25 January of each year:

(a) assess the performance of the municipality during the first half of the financial year, considering –

(i)The monthly statement referred to in section 71 for the first half of the financial year.

(b) Submit a report on such assessment to -

- (i) The Mayor of the Municipality
- (ii) The National Treasury and
- (iii) The relevant Provincial Treasury

The accounting officer must as part of the review-

- (a) Make recommendations as to whether an adjustment budget is necessary; and
- (b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

3.1 MUNICIPAL BUDGET AND REPORTING REGULATIONS

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and enhancing medium term planning and policy choices on service delivery.

The objective of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process, and other relevant matters as required by the Act.

3.2 FINANCIAL OVERVIEW

The YTD Budget statement summary shown in the table below is prepared on a similar basis to the prescribed budget format, detailing Operating Revenue, Expenditure and Capital Expenditure.

- The YTD actual revenue billed is below the YTD budget by 1% and is at 99% at YE Budget.
- The YTD operating expenditure is below the YTD budget by 6% and is at 94% of the YE budget.
- The YTD expenditure of the capital budget reflects 79% performance against the YE budget as of 30 June 2025 including R199 Million WSIG budget that was approved for the Municipality under Schedule 6B.

Key Financial drivers

Highlights

- Collection rate has improved to 88% from 2023/24 Financial Year rate of 78%
- Monthly reconciliation to ensure completeness of revenue.
- Replacement of malfunctioning meters is ongoing.
- Conversion to smart Electricity metering system is at 99.2%
- Prepaid customers sitting at 5 685.
- UIFW processed at 98%

Low Lights

- Slow spending on Capex 79%.
- Hike in electricity charges has resulted in Consumers switching over to other sources of energy which includes solar and Gas. This will require downward budget adjustment.
- The impact Economic hardship has resulted in the reduction on consumption of services, increased unemployment, high debt book and low collection of revenue.
- Overspending on overtime on Service delivery departments and travelling and accommodation cost. This will require an upward increase during budget adjustment.

The improvement of Revenue from the last quarter is as a result of the following:

- The acceleration of the prepaid Electricity metering system at 99.2 %
- Full implementation of credit control system and implementation of the cut of list and issuing of demand letters.
- Monthly reconciliation to ensure completeness of revenue
- Replacement of malfunctioning meters to Prepaid.

Implementation of Prepaid Electricity metering

- As of fourth quarter, there were 5 685 (80% of 7 141) consumers on prepaid electricity with an amount of R 110 555 363.60 having been collected on prepaid sales during the billing period:
- Intervention meeting with all stakeholders and strategies are put in place to ensure that cost containment and Revenue collection.
- Council has approved the relief to Farmers and customers which were previously on prepaid to encourage them to effect the payment and to improve revenue collection.
- The municipality has also started disconnecting customers that are not on prepaid and have outstanding debts on monthly bases.
- Municipality has applied for funding for Smart water metering and busy revising the fund application in line with RT contract rate.
- Meter reading schedule has been developed. The meter reads have an app where picture of the meters can be viewed for verification of the meter readings provided. This also reduces estimated billing on the water
- The revenue enhancement, cost containment and reduction of UIFW'S strategies must be implemented to ensure sustainability of the business.

- UIFW's investigation of part 1 & 2 has been finalised Amount of R 221 Million has been approved by Council.
- 98% of historical UIFW has been processed by council and has been forwarded to Financial Misconduct board for consequence management.
- Municipality is exploring the opportunity new revenue sources which Solar and Grey water to sustain the revenue collection. Municipality hosted investment summit on the 14 November 2024 to attract investment in town.

3.2.1 OPERATING REVENUE

SUMMARY OPERATING REVENUE

Description	Ref	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	YE Variance %
R thousands									
Revenue									
Exchange Revenue									
Service charges - Electricity		265,322	235,322	30,989	235,654	235,322	331	0%	100%
Service charges - Water		71,770	69,770	4,623	64,147	69,770	(5,623)	-8%	92%
Service charges - Waste Water Management		29,031	30,164	2,558	29,897	30,164	(267)	-1%	99%
Service charges - Waste management		23,256	25,000	2,112	25,072	25,000	71	0%	100%
Sale of Goods and Rendering of Services		1,806	1,806	309	1,917	1,806	111	6%	106%
Agency services		9,623	12,160	547	9,108	12,160	(3,052)	-25%	75%
Interest earned from Receivables		37,193	51,158	5,026	58,152	51,158	6,995	14%	114%
Interest from Current and Non Current Assets		7,162	7,162	877	7,556	7,162	394	6%	106%
Rental from Fixed Assets		791	791	69	800	791	9	1%	101%
Operational Revenue		2,619	2,619	881	4,632	2,619	2,013	77%	177%
Non-Exchange Revenue									
Property rates		126,113	126,113	10,133	119,527	126,113	(6,586)	-5%	95%
Fines, penalties and forfeits		1,013	5,809	208	3,421	5,809	(2,388)	-41%	59%
Transfers and subsidies - Operational		247,286	247,286	34	239,229	247,286	(8,058)	-3%	97%
Interest		15,462	19,692	1,856	23,103	19,692	3,410	17%	117%
Gains on disposal of Assets		-	-	85	333	-	333		
Total Revenue (excluding capital transfers and contributions)		838,447	834,853	60,305	822,548	834,853	(12,305)	-1%	99%

Total revenue reflects the YTD actual variance of 1% below the YTD budget and 99% at YE.

- **Electricity**
A positive YTD Actual vs Budget variance of 0 % and 100% of the YE Budget.
- **Water**
A negative YTD Actual vs Budget variance of 8% and 99% of the YE Budget.
The impact water losses due to the pipe burst by the contractor.
- **Waste water management** - A negative YTD Actual vs Budget variance of 1% and 99% of the YE Budget. Within the norm.
- **Waste Management** - A positive YTD Actual vs Budget variance of 0% and 100% of the YE Budget.
- **Sale of goods and rendering of services** - positive YTD Actual vs Budget variance of 6% and 106% of the YE Budget.
- **Agency Fees** – YTD Negative variance of 25% and 75% of the Year End budget due to temporary closure of Palala Offices.
- **Interest earned from Receivables** - A Positive YTD variance of 14% and 114% of the YE Budget mainly due to high debt book. Municipality is currently reviewing the debt book and item has been prepared to council for write- off indigents. Indigent system, credit control system and Prepaid Electricity implementation will assist in the

reduction of high debt book. The amount of R16 million has been written as uncollectible debt related to indigent consumers.

- **Rental of Equipment and facilities** – YTD positive variance of 1% and 101% of the YE Budget. Revenue was realised on the rental of Thusong Centre and Stadiums.
- **Interest from Current and Non-Current Assets** – YTD budget variance is above budget by 6% and 106% at YE budget mainly due low spending on Grant Funded Projects. The municipality has taken short term investments for the working capital and Grants received which has yield investment revenue.
- **Operational Revenue** – YTD positive variance of 77% and 177% of YE budget mainly due to recovery of the Economy, revenue was realised on the sale of tender documents and other sundry income. This will require downward budget adjustment.
- **Property rates:** The YE Actual vs Budget variance is 5% and 95% at YE. Within the norm.
- **Fines and Penalties**
YTD negative budget variance 41% and 59% YE variance.
- **Transfers and subsidies** – YTD positive budget variance 3% and 97% YE
- **Interest earned from non-Exchange** - positive variance of 17% and 117% due to high debt book.

3.2.2 OPERATING EXPENSES

Description	Ref	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	YE Variance %
R thousands									
Expenditure By Type									
Employee related costs		265,298	255,443	21,482	248,087	255,443	(7,356)	-3%	97%
Remuneration of councillors		15,401	15,401	1,183	14,369	15,401	(1,032)	-7%	93%
Bulk purchases - electricity		193,204	184,166	13,423	181,160	184,166	(3,006)	-2%	98%
Inventory consumed		53,431	58,596	3,991	51,083	58,608	(7,525)	-13%	87%
Debt impairment		33,726	38,726	7,743	38,726	38,726	0	0%	100%
Depreciation and amortisation		94,726	91,726	7,040	84,484	91,726	(7,242)	-8%	92%
Interest		19,601	20,604	329	4,653	20,604	(15,951)	-77%	23%
Contracted services		76,103	78,082	5,235	65,813	78,082	(12,269)	-16%	84%
Transfers and subsidies		1,054	2,054	63	2,103	2,054	49	2%	102%
Irrecoverable debts written off		6,000	16,584	-	16,155	16,584	(429)	-3%	97%
Operational costs		77,092	74,344	5,902	74,440	74,363	77	0%	100%
Losses on Disposal of Assets		-	-	-	352	-	352		
Total Expenditure		835,635	835,727	66,392	781,426	835,758	(54,332)	-7%	94%

Operating expenditure constitutes 7% YTD variance and 94% of YE Budget mainly due to the following:

Employee Costs and Remuneration of Councillors

Employees related costs: The YE actual variance is 3% lower than the YTD budget and 97% of the YE Budget mainly due to delays in filling of vacant positions.

Management has implemented strategy to filling on critical vacancies. YE Employee related cost constitutes 32% of Total YTD expenditure. Over time is at 7% of the Employee related cost Budget (R7M). Management must put mechanism in place to mitigate overtime.

The position for Director Social Services and Director Planning and development are still vacant.

Budget adjustment will be done to trade-off between vacancy not filled and increase on Overtime.

The remuneration of councillor's: YTD actual variance is 7% below the YTD Budget and 93% against the YE budget. This is due to the implementation of the Upper limit Circular of Councillors. All the Exco members are fulltime.

Bulk purchases: Electricity

The YTD variance is 2% below the YTD budget and 98% of the YE Budget. Municipality has applied for the Reduction of NMD to reduce cost of supply. Implementation of Electricity smart metering system is at 99.6%. Lephalale Electricity system is STS compliant. Budget adjustment required.

Inventory Consumed

YTD actuals show a variance of 13% which is lower than the YTD budget and 87% of the YE budget. Inventory consumed has included the payment for the abstraction of Raw Water from Mokolo Dam. The expenditure is mainly affected by the supply of free water the villages. Less materials have been drawn from the stores than expected.

Debt Impairment

YTD actual variance is 0% YTD Budget and 100% of YE Budget a journal has been processed every month based on the budget.

The debt impairment is calculated according to the credit control and debt collection policy. Municipality has high debt book as a result of uncollectible debts will conduct a campaign at Marapong and will present item for indigent write-off to Council.

Depreciation and amortisation

YTD actual variance is 8% below then YTD Budget and 92% against the YE budget. Depreciation is based on straight-line method over the useful life of the assets. Infrastructure assets account for most of the amount. The assets include movable assets i.e., office furniture, vehicles, equipment, and Immovable assets includes Community Assets, Smart meters etc.

Interest Charges:

YE actuals shows the variance of 77 % against the YTD budget and 23% of the YE Budget. Actuals on finance charges arise from finance lease on Zeeland water treatment plant. Provision on land fill site and the provision for post-employment benefits assessed and will be processed at Year End.

Transfer and subsidies

YE actuals shows the variance of 2% below YTD budget and 102% of the YE budget. more submission received from beneficiaries for payment.

Operational Costs: The YTD variance is 0% below the YTD budget and 100% at YE.
Contracted Services

YTD actuals show the variance of 16% and 84% of YE Budget. This is due to more maintenance being done inhouse. Below is the Table depicting above variance:

CONTRACTED SERVICES 2024- 25

DESCRIPTION	2024/26	2024/25	2024/26	2024/25
Consultants and Professional Services	Original Budget	ADJ budget	YTD June 30	YTD Variance
Accounting and auditing Services	3,754,841.00	3,254,841.00	3,025,615.79	93%
Forensic Investigation	2,500,000.00	1,500,000.00	623,507.20	42%
Internal audit Outsourcing and audit Committee	1,012,221.00	1,312,221.00	427,283.82	33%
Valuer	3,000,000.00	2,500,000.00	1,259,100.00	50%
Medical Services	301,551.00	301,551.00	98,590.00	33%
Human Resources	33,666.00	33,666.00	5,991.02	18%
Administrative and Support stuff- Credit Control	300,000.00	300,000.00	-	0%
Quality Control - Indigents system	300,000.00	862,723.30	462,826.10	54%
Project Management (IDP)	926,094.00	926,094.00	830,050.00	90%
Project Management(Zeeland transactional advisor)	1,300,000.00	1,300,000.00	-	0%
Project Management (IDP)	1,300,000.00	1,300,000.00	656,535.00	51%
Project Management (Development Agency)	3,000,000.00	3,000,000.00	2,782,080.00	93%
Employee wellness	681,850.00	681,850.00	706,802.50	104%
Research and Advisory	1,049,000.00	1,049,000.00	219,304.35	21%
Legal Services	5,244,999.00	7,744,999.00	7,298,396.58	94%
Total Consultants and professional Services	24,704,222.00	28,068,946	18,398,082	71%
Maintenance services -Sanitation	4,302,435.00	4,802,435	3,713,213.03	77%
Maintenance services -Water	1,562,384.00	1,562,384	1,218,497.85	78%
Maintenance services -Electricity	2,524,759.00	2,524,759	1,577,548.59	62%
Maintenance services -Waste	2,198,704.00	1,198,704	535,741.27	45%
_0573_Huilbos_Maintenance	2,064,790.00	64,790	-	0%
Maintenance services -Roads Buildings & Storm water (0540)	1,598,490.00	2,098,490	1,765,270.96	84%
Maintenance services -Vehicles	3,468,903.00	3,968,903	3,659,817.29	92%
Total Repairs and maintenance	17,720,465.00	16,220,465	12,470,089	77%
Prepaid vendors	10,000,000.00	16,500,000.00	16,499,471.73	100%
Security	20,347,459.00	16,963,678.00	17,061,600.96	101%
Water Meter reading	830,915.00	830,915.00	437,770.70	53%
Collection Cost	2,500,000.00	1,500,000.00	1,146,069.38	76%
Total Outsourced Services	33,678,374.00	36,794,693	35,144,903	96%
TOTAL	76,103,061.00	78,082,003	66,011,074	84%

4. CAPITAL EXPENDITURE

The total capital expenditure is at 79% of the YE budget including the roll overs. The amount spent is R167 million against the YTD budget of R265 million, including DWS Schedule 6B approved budget of R168 million of which the Municipality has spent R138 million on the implementation of multiyear projects earmarked for the Replacement of Dilapidated Water AC (Asbestos Cement) pipes and the Refurbishment of Sewer Pump Stations.

CAPEX Expenditure 2024/25

TOTAL CAPITAL EXPENDITURE					
Description	Budget 2024/25	Adjustment Budget	Implementation Plan	YTD ACTUAL June 2025	YTD Variance %
MIG	47 903 750.00	47 903 750.00	33 709 103.66	33 780 743.75	100%
WSIG	142 101 000.00	142 101 000.00	142 101 000.00	127 105 536.34	89%
Energy Efficiency	4 000 000.00	4 000 000.00	4 000 000.00	3 954 399.99	99%
Municipal Disaster Grant		19 475 000.00	19 475 000.00	2 860 328.60	15%
Own Funding	30 089 200.00	30 339 200.00	30 339 200.00	20 543 437.51	68%
Total	224 093 950.00	243 818 950.00	229 624 303.66	188 244 446.19	82%

TOTAL CAPITAL EXPENDITURE-Roll Over

Description	Budget 2024/25	Adjustment Budget	Implementation Plan	YTD ACTUAL June 2025	YTD Variance %
Grants Funding - Disaster Relieve	7 600 000.00	7 600 000.00	7 600 000.00	4 066 013.52	54%
Own Funding	15 952 721.18	14 222 721.18	14 222 721.18	6 093 748.00	43%
Total	23 552 721.18	21 822 721.18	21 822 721.18	10 159 761.52	47%
TOTAL CAPEX BUDGET + ROLL OVER	247 646 671.18	265 641 671.18	251 447 024.84	198 404 207.71	79%

TOTAL CAPEX BUDGET + ROLL OVER

Description	Budget 2024/25	Adjustment Budget	Implementation Plan	YTD ACTUAL June 2025	YTD Variance %
MIG	47 903 750.00	47 903 750.00	33 709 103.66	33 780 743.75	100%
Energy Efficiency	4 000 000.00	4 000 000.00	4 000 000.00	3 954 399.99	99%
WSIG(Schedule 6B)	142 101 000.00	142 101 000.00	142 101 000.00	127 105 536.34	89%
Grants Funding - Disaster Relieve	7 600 000.00	27 075 000.00	27 075 000.00	6 926 342.12	26%
Own Funding	46 041 921.18	44 561 921.18	44 561 921.18	26 637 185.51	60%
TOTAL	247 646 671.18	265 641 671.18	251 447 024.84	198 404 207.71	79%

MUNICIPAL INFRASTRUCTURE GRANT (MIG)

Thabo Mbeki Sewer Network Sanitation Phase 2.

- The Project is 86% on progress. The outstanding work is the fencing of the sewage ponds and removal of the septic tank connecting the pipeline to the houses, testing and commissioning.
- The contractor requested extension of time until 31 July 2025 to complete the works. The contractor is currently in the process of energizing the project.

Sefithogo Access Road

- The contractor is currently on site and the progress of the project is on 71%.

Refurbishment of Thabo Mbeki Stadium

- The contractor is currently on site and the project progress is 80%. The project was intended to be completed on 30 June 2025, however due to the delay in manufacturing and delivery of the artificial soccer field turf, the project completion date has been extended to 31 August 2025.

27 Highmast light installation in various villages

- All the 27 highmast lights have been installed, and the contractor is currently awaiting energisation by Eskom. Project progress is 82%.

16 Highmast lights installation in various villages

- All the 16 highmast lights have been installed, and the contractor is currently awaiting energisation by Eskom. Project progress is 81%.

Extension and augmentation of water supply in Witpoort RWS 6

- Practical completion has been conducted on 29 April 2025, and the outstanding work consists of energisation of 4 borehole and package plant. Project progress is 95%.

WATER SERVICES INFRASTRUCTURE GRANT (WSIG)

Replacement of AC pipes and Upgrading of Water Network in CBD & Town

- The project progress is 100%, project completed.

Replacement of AC pipes and Upgrading of Water Network in Residential

- The project progress is 100%, project completed.

Replacement of AC pipes and Upgrading of Water Network in Onverwacht

- The project progress is 100%, project completed.

Marapong Bulk Water Supply Pipeline

- The previous contractor was terminated, and the new contractor was appointed in January 2025. The Municipality submitted Contract Price Adjustment (CPA) to DWS and is currently awaiting approval prior to handing over the site to the appointed contractor.

Marapong Bulk Water Supply Storage

- The contractor appointed on 16 November 2022. The department has requested a technical report before commencing with the work.
- The contractor completed the construction of the platform. The material for 1 of 2 tanks has been delivered on site, and the contractor is currently casting the ring beams for the two tanks. The anticipated completion date was 31 May 2025, however due to the delay in manufacturing of the steel tanks, the completion date has been revised to 31 July 2025.
- The project progress is 65%.

Own Funding Projects – are on various stages of procurement. Purchase of assets will be done through RT Projects. Funds have been reprioritised during budget adjustment.

CASH FLOW

The Municipality has the positive cash balance of R 74 776 920.00. Strategic decisions/resolutions to improve the cash Flow position to be implemented effectively. The municipality has taken short term investments for the working capital and Grants received which has yield investment revenue.

Lehaleale Local Municipality Investment Register for JUNE 2025

Description Vote Number Account Number	Absa (Call Account) 2069158294	Absa (Call-Conditional Grants) 4072 8944 39	Absa (Invest Tracker) 9380435067	Standard Bank (Call Account) 3600390003	Standard Bank (FIXED Deposits) 3600390002	Total Amount
Market value at beginning of the month/Year	5 842 258.56	6 722 738.08	14 871 829.57	25 344 981.29		53 781 727.50
Accrued interest for the month	44 755.29	35 520.18	92 164.59	163 422.54	540 821.92	876 684.52
Deposit during the month					25 000 000.00	25 000 000.00
Transfer to Investment Account						
Withdrawal from Investment Account	-586 613.85	-6 721 738.08	-14 871 829.57	-25 508 323.83	-25 540 821.92	-73 229 327.25
Services (Fees) Charges						
Market value at End of the month	6 308 408.00	36 520.18	92 164.59			6 429 084.77
Primary Bank Account						68 982 629.86
Pre - Paid Account						45 206.17
						74 776 920.00

The Municipality has generated R7.1 million in interest revenue during YTD current financial year.

Description Vote Number Account Number	Absa (Fixed Deposit) 2069158294	Absa (Conditional Grants) 4072 8944 39	Absa (Invest Tracker) 9380435067	Standard bank (FIXED Account) 3600390003	Standard bank (Call Account) 3600390003	Total Interest Investment Received
JULY	54,345.69	629,062.39	205,302.51			888,710.59
AUGUST	51,148.89	638,598.89	228,799.57			918,547.35
SEPTEMBER	46,353.69	407,733.89	220,794.86			674,882.44
OCTOBER	49,550.48	262,009.88	225,675.60			537,235.96
NOVEMBER	47,952.09	106,130.29	218,092.69			372,175.07
DECEMBER	51,148.89	383,897.88	88,839.68			523,886.45
JANUARY	51,148.89	377,084.49	80,190.95			508,424.33
FEBRUARY	44,755.28	228,335.83	70,843.75			343,934.86
MARCH	46,353.68	135,245.15	122,471.82		26,027.40	330,098.05
APRIL	49,550.49	186,348.37	237,251.74		156,326.97	629,477.57
MAY	49,550.49	177,683.96	109,987.31		162,546.91	499,768.67
JUNE	44,755.29	35,520.18	92,164.59	540,821.92	163,422.55	876,684.53
Totals	586,613.85	3,567,651.20	1,900,415.07	540,821.92	508,323.83	7,103,825.87

GRANT SPENDING

CONDITIONAL GRANTS FOR JUNE 2024-2025	DORA ALLOCATION	GRANTS RECEIVED	TOTAL EXPENDITURE	PERCENTAGE SPENT-DORA	PERCENTAGE SPENT OF ALLOCATION RECEIV
FMG (FINANCIAL MANAGEMENT GRANT)	1,800,000.00	1,800,000.00	1,800,000.00	100%	100%
DISASTER GRANTS	27,075,000.00	19,475,000.00	7,185,378.66	27%	37%
DWA (WSIG)	142,101,000.00	95,683,850.45	95,683,850.45	67%	100%
MIG	35,947,000.00	35,947,000.00	35,417,963.60	99%	99%
EPWP	1,311,000.00	1,311,000.00	1,311,000.00	100%	100%
ENERGY EFFICIENCY	4,000,000.00	4,000,000.00	3,954,400.00	99%	99%
LGSETA	420,641.14	420,641.14	420,641.14	100%	100%
TOTAL	212,654,641.14	158,637,491.59	145,773,233.84	68%	92%

Municipality has achieved 65% based on Dora allocation and spend 92% of the received.

EPWP -Positions have been appointed

MIG - Sefitlhogo road construction and Thabo Mbeki Stadium contractors have been appointed.

Energy Efficiency - Contractor has been appointed and is on site.

DWS - Marapong bulk project contractor has been appointed.

Revenue Management

The Municipality generates its operating revenue from property rates and service charges and in return the consumers are expected to pay for the services rendered to them by the municipality.

The revenue Enhancement strategy and Cost Containment Strategies development and presented to improve the financial sustainability of the Municipality.

Effective implementation of Credit Control and Debt collection form's integral part on the efficiency of the Process.

Collection rate for the financial year 2024/2025

The total amount billed for the period July 2024 to June 2025 is **R 576 495 728.09** vs the actual collected amount of **R 504 535 105.60** and the cumulative average collection to date is **88%** against the National Treasury Target of 95%.

The improvement of Revenue from the last quarter is as a result of the following:

- The acceleration of the prepaid Electricity metering system at 99.2 %
- Full implementation of credit control system and implementation of the cut of list and issuing of demand letters
- Monthly reconciliation to ensure completeness of revenue
- Replacement of malfunctioning meters

The following are the measures put in place to improve revenue collection:

- Municipality has appointed Livewire Engineering (Pty) Ltd in November 2022 to run prepaid vending management. The Municipality is currently accelerating the process to get all consumers to register for prepaid, and as at 30 June 2025 there were 5 685 (80% of 7 141) consumers on prepaid electricity with an amount of **R 110 555 363.60** having been collected on prepaid sales during the billing period: 1 July 2024 to 30 June 2025.
- Livewire has fitted 7 141 electricity meters with modems to enable them for prepaid metering and automated meter reading (AMR).
- Municipality is exploring the option of remote water metering reading system and is applying funding to install prepaid water metering system.
- The Municipality intends to implement flat rate at the villages to curb the cost of increasing cost of supply services as the village. This will be implemented as social income.
- The municipality is implementing the credit control system to fastrack the collection of debt below 90% days.
- The project for the replacement of standing meters to improve revenue is ongoing.
- The standard operating procedure has been reviewed to improve efficiency and full implementation of credit control.
- The billing cycle has been revised to align to the pay dates of the consumers.

- Meter reading schedule has been developed and shared with members of community to ensure transparency on meter readings.
- The Municipality is looking at implementing the self-reading water reading system.

The table below depicts the total revenue billed and amount collected for July 2024 to June 2025:

SERVICE TYPE	AMOUNT BILLED	AMOUNT COLLECTED	COLLECTION RATE
Property Rates	147 840 352.43	117 884 842.04	80%
Electricity	155 263 470.86	154 014 261.07	99%
Prepaid Electricity	110 555 363.60	110 555 363.60	100%
Water	87 021 494.06	67 419 920.05	77%
Sanitation	41 863 464.23	28 404 360.39	68%
Refuse	33 312 310.09	19 120 187.56	57%
Sundry Services	639 272.82	213 170.89	33%
Total	576 495 728.09	504 535 105.60	88%

The Municipality uses preferential allocation method on payments received for rates and service charges. The first preference is allocated to rates, followed by sewerage, refuse, water and electricity.

The collection rates of other service types are comparatively low as they fall in the accounts of consumers who reside in farms, Marapong, Thabo Mbeki and vacant stands that do not pay their accounts regularly.

The differences in the collection rate percentages is because some of the consumers in Marapong Township for example, are on Eskom's prepaid electricity and do not pay the municipality for water, refuse removal and sanitation services. Municipality intends to engage Eskom to enter a Memorandum of Understanding (MOU) for Eskom to suspend purchase of electricity for account holders who defaulted on rates and taxes payment of the municipality.

The Municipality is also providing refuse removal services to informal settlements and rural areas to comply with national legislation. The Municipality is however, not billing these services. Consumer awareness campaign will be conducted at the Villages to encourage residents to pay for the services at a flat rate. This will enable the municipality to sustain services provided to the villages.

The municipality is in the process of replacing the malfunctioning metres which are resulting in water losses.

4 METER READING CYCLE AND DATE OF THE ACCOUNT

The meter reading cycle run from the 1st of the current month till the last day of the month of the following month. With the new billing systems accounts are sent electronically on the same day billing is completed. Invoices for Government Institution accounts are prepared and forwarded within 3 days after billing is done. Interest is charged on debts over the 30 days and older. After billing run the credit control and debtor collection policy is implemented i.e whereby a cut off is done for customer which did not adhere to the due date. A 14 days' notice is issued to customer for cut of the accounts over 30 days prior the implementation The due date for the payment included on the statement to remind customers to pay their accounts regularly.

A process flow has been implemented to ensure the process is followed monthly and timely. Management is exploring the process of automating the process in the EMS.

5. FINANCIAL ANALYSIS – PERFORMANCE

Performance Indicator	Municipal Key Indicators					
	2019/20 Audited outcome	2020/21 Audited Outcome	2021/22 Audited outcome	2022/23 Audited Outcome	2023/24 Audited Outcome	2024/2025 Unaudited
Operating Revenue exc Capital transfers	93%	98%	90%	83%	96%	99%
Operating expenditures	91%	98%	99%	96%	89%	94%
Operating surplus/Deficit	67 031 630.00	70 313 994.00	64 203 060.00	18 470 780.00	57 463 279.19	41 122 000.01
% capital expenditure	60%	77%	73%	23%	81%	79%
% Conditional grants performance	63%	95%	98%	25%	97%	92%
Cash/cost coverage	2.70	2.60	3.07	1.66	1.26	1.57
Debt to revenue ratio	22.50	26.30	9.77	1.29	1.23	6.60
Current ratio	2.50	2.10	1.20	1.92	3.95	2.01
Collection rate	83%	83%	81%	75%	78%	88%
Cash/Cash equivalent	84 516 211.00	94 824 641.00	92 765 400.00	91 260 172.00	60 426 612.57	74 776 920.00
Net outstanding debtors	286 099 572.00	147 190 535.00	191 449 398.00	246 457 974.00	387 053 910.00	359 808 682.00
Outstanding creditors	75 788 613.00	169 657 907.00	271 201 500.00	180 812 692.00	114 283 386.00	229 408 919.76

The Municipality's financial position by end of June 2025 had a positive net asset to the value R1,5 billion.

Current Ratio – 2.01: 1

The current ratio is within the norm which means the municipality is capable to cover short-term liabilities more 2.01 times with its current assets. The ratio improved due to the debt settlement agreement signed with the DWS to convert debt to Long-term.

Cash/Cost Coverage ratio 1.57: 3

The ratio indicates the municipality's inability to meet its monthly fixed operating commitments from cash and short-term investments for 3 Months, i.e for how many months cash is available to cover the fixed monthly commitments. Percentage Cost coverage (R-value all cash at a particular time plus R-value investments, divided by R-value monthly fixed operating expenditure) YTD.

Employee related Costs as a percentage of Total operating Expenditure

Employee related cost is sitting at 32% which is within the norm of 25 – 40%. Overtime constitutes 7 % of the salary bill. The Municipality must implement strategies to reduce overtime and explore the shift system.

Actual Borrowings

The total outstanding borrowings as of June 2025 is R88.4 Million which includes Outstanding Financial lease for Zeeland R25.6 million and DWS long term debt R 62.7 million. DBSA loan has been paid up. The loan repayment for Zeeland is paid monthly and the interest on the loan 14% per annum based on the weighted average capital of EXXARO.

6. DEBTORS REPORT

The current debtors balance is R 822.9 million of which R 751.4 million is for accounts that are older than 90 days and has been handed to the debt collectors.

Internal credit control strategies are in place and cut offs are performed on monthly basis to ensure that all outstanding debts on accounts within 30 – 60 days are collected on time.

The cleansing of the debt book is in progress to improve the debt collection ratio.

The municipality is implementing the credit control system to fast-track the collection of debt below 90% days.

The debt collector, Double M Medprac Solutions (Pty) Ltd got appointed in October 2024 to collect debts over 90 days and has collected an amount of R 13 797 370.96 by 30 June 2025.

The Tables below depicts the debtors per income source, category and government debt

Debtors by Income Source

TotalsPerServiceType	Total	Current	30 days	60 days	90 days	120 days	150 days	Over 180 days
Advance Payment	(24 881 144.07)	(25 287 062.59)	145 702.09	2 494.54	34 262.21	1 487.01	1 028.88	220 933.79
Electricity	151 229 963.76	11 831 926.80	5 054 380.59	3 987 582.80	3 279 125.10	3 024 756.29	2 803 752.65	121 268 429.53
Property Rates	248 049 439.97	10 478 451.33	6 568 841.69	6 435 278.39	5 972 271.29	5 690 150.27	5 510 739.43	207 382 707.57
Waste Disposal	123 959 296.37	3 015 281.05	2 422 623.12	2 227 678.63	2 080 076.93	2 040 374.90	2 030 991.98	110 142 279.76
Water	207 662 060.14	7 462 974.23	5 271 470.01	4 983 477.70	4 239 544.45	3 915 479.03	4 663 222.35	177 125 892.37
Sanitation	105 505 889.86	3 691 794.66	2 578 672.32	2 297 740.90	2 175 742.86	2 126 208.60	2 559 819.36	90 035 911.16
Traffic Fines	1 841 235.00	197 350.00	16 900.00	43 025.00	70 025.00	53 025.00	53 000.00	1 407 910.00
Sundry debtors	9 614 211.57	67 761.06	59 313.96	59 440.14	59 200.66	57 172.17	58 429.60	9 252 893.98
	822 980 942.60	11 459 466.54	22 117 913.78	20 016 718.10	17 910 248.50	16 908 653.27	17 720 984.25	716 846 958.16

Debtors by Customer Category

ServiceDesc4	Total	Current	30 days	60 days	90 days	120 days	150 days	Over 180 days
Agricultural Properties	89 536 034.35	(1 445 844.72)	2 032 822.80	1 684 716.21	1 850 843.61	1 779 260.09	1 735 386.38	81 598 849.98
Business Properties	37 257 138.90	5 621 384.45	1 639 501.92	1 741 359.91	1 173 709.04	1 059 744.79	1 824 839.09	24 196 599.60
Government	20 620 527.46	180 802.79	977 016.28	1 428 006.22	897 220.03	756 868.75	755 693.95	15 623 921.44
Residential Properties	675 567 241.99	7 103 124.02	17 468 572.78	14 861 635.76	13 988 475.82	13 312 781.64	13 405 084.83	595 427 587.14
TOTAL	822 980 942.60	11 459 466.54	22 117 913.78	20 016 718.10	17 910 248.50	16 908 653.27	17 720 984.25	716 846 958.16

GOVERNMENT DEBTS

The amount owed by Government Department is R 20.6 million

Department Names	Sum of Balance	Sum of Days 0 Amt	Sum of Days 30 Amt	Sum of Days 60 Amt	Sum of Days 90 Amt	Sum of Days 120 Amt	Sum of Days 150 Amt	Sum of Days 180P Amt
Department Of Agriculture	316 786.75	34 194.42	18 785.72	23 634.48	19 676.84	20 410.42	26 948.28	173 236.78
Department Of Education	1 879 380.77	98 670.25	79 622.76	87 408.25	86 265.92	70 670.65	87 268.80	1 567 832.64
Department Of Health	1 234 940.11	584 211.01	17 281.34	17 131.78	16 982.08	16 828.33	16 674.58	566 860.99
Department Of Land Affairs	166 786.97	1 921.87	2 804.41	2 804.24	2 784.06	2 763.90	2 743.72	149 954.77
Department of Nature Conservation	162 023.51	20 172.74	19 884.88	19 117.80	18 839.34	315.75	3 015.73	80 666.67
Department Social Development	23 866.10	23 866.10	-	-	-	-	-	-
Department of Economic Development	3 081.36	3 081.36	-	-	-	-	-	-
Department of Justice	68 840.84	3 188.11	3 162.93	3 117.75	3 082.58	3 031.56	2 998.47	50 269.24
Department of Public Works	13 500 561.23	360 803.11	412 345.14	386 043.46	426 219.00	447 927.47	448 020.33	11 726 608.94
Department of Public Works - National	2 986 827.29	340 734.95	393 185.19	341 484.81	317 713.62	189 324.18	165 444.46	1 247 960.10
Department of Public Works - Provincial	234 024.36	372 087.39	25 530.46	532 661.65	2 274.28	2 249.25	2 224.19	41 181.92
Department of Transport	22 027.12	412.73	1 406.43	657.15	470.26	486.78	466.39	18 159.39
Umpopo Economic Development Agency	13 363.25	1 580.25	3 008.02	2 964.84	2 921.66	2 878.48	-	-
Grand Total	20 620 527.46	180 802.79	877 016.28	1 429 006.22	837 220.03	756 866.75	755 693.95	15 623 921.44

The Government debt as at 30 June 2025 is sitting at R 20.6 million and the outstanding debts are followed up with government on monthly basis.

Process of expediting payments

Invoices for Government Institution accounts are prepared and forwarded within 3 days after billing is done.

Government debts are forwarded to COGHSTA to assist Municipality with Debt collection through Government Debt Forum that is held quarterly between the Municipalities and relevant Government Departments.

Credit control department is expediting the account on weekly basis in line their payment timelines and to date the department are paying on monthly basis, however the challenge remains Public Works that cites that they are in the process of verifying their asset registers and registering the 57 village schools which are currently being charged property rates but not being paid.

Low collection rate is still concerning the following initiatives are in place to improve the collection rate:

- Monthly Revenue enhancement meetings are held with debt collector and all stakeholders to review debt collection performance, share all challenges and strategies to improve the collection rate.
- The standard operating procedure has been reviewed to improve efficiency and full implementation of credit control.
- Appointment of Customer Care Unit Clerk on progress to improve of customer care and timeous resolving of customer queries.
- Strengthening and improving working relationship between municipality and debt collector with the common goal of improving revenue collection.
- Monitoring and evaluation of performance at taking corrective action for continuous improvement.
- Municipality appointed Livewire Engineering (Pty) Ltd in November 2022 to run prepaid vending management.
- The Municipality appointed the debt collector, Double M Medprac Solutions (Pty) Ltd with the contract of 3 years effective from October 2024. It is expected that the debt collector will assist the Municipality in collecting its revenue.
- The Municipality has on 10 April 2025, implemented percentage blocking on electricity prepaid customers where 30% of the electricity purchases is withheld to pay the debt

over 30 days. The amount collected between 10 April 2025 and 30 June 2025 amounted to R 4 459 439.16. Below is the Table depicting monthly 30% collections:

MONTHS	AMOUNT
Apr-25	1 029 794.46
May-25	1 729 415.89
Jun-25	1 700 228.81
TOTAL	4 459 439.16

- The Municipality has during 2024/2025 financial year, written off an interest amount of R 2 360 695.13 on accounts of customers that came forth to make payment arrangements. The initiative encouraged the customers with long outstanding debt to start making payments on their accounts.

Data Cleansing

The municipality is currently busy with the data cleansing project. This process investigates all the accounts that are inactive and closed by the municipality.

Indigent Accounts

- No one should be denied access to basic services because of their inability to pay, households with combined income of less than R4 400 qualify to apply for indigent status. In return treasury is giving Equitable shares.
- The Municipality will be starting with the process to register indigents and ensure the indigent register is submitted to Council in Quarter 1 of 2025/2026.

Prescribed debts

- The current debt book includes the debts that are more than three years and have therefore prescribed.
- Prescription of debts occurs when the debt is over 3 years, and such debtors are untraceable even after been handed over to the debt collector. With the assistance of the debt collector the prescribed debt will be identified, extracted and presented to council for write-off once all the processes have been followed.
- The municipality is targeting to write-off the amount over R28 Million for debt relating to companies that are sequestrated and deregistered, the final verification is in progress.

Revenue Enhancement Strategy

- In order to deliver service delivery and ensure operational efficiency the following initiatives have been implemented:
- The municipality has appointed the service provider for the credit control and indigent management system.
- Training and strengthening of governance committees and end users on SCM Policies

- Workflows in the financial system has been reviewed to ensure the system of internal financial control
- Segregation of duties has been outlined to avoid conflicting roles.
- Financial system process flow has been implemented to ensure no payment without Purchase order. All payments are processed in the financial system to ensure Audit trail.
- Weekly Meetings for fast tracking for Capex expenditure
- Safeguarding Municipal assets – Security is strengthened at the workshop. Budget allocated to strengthen security at the strategic assets.
- Supply Chain are conducting market analysis to ensure value for Money in Procurement.
- Terms of reference for appointment of the transaction advisory services for the prefeasibility study report for Paarl Wastewater Treatment and Purchase of Zeeland Water Treatment Plant has been completed and approved by specification committee. The procurement process is underway.

6 STRATEGIES TO ENHANCEMENT REVENUE

- In order to deliver service delivery and ensure operational efficiency the following initiatives have been implemented:
- The municipality has appointed the service provider for the credit control and indigent management system.
- Training and strengthening of governance committees and end users on SCM Policies
- Workflows in the financial system has been reviewed to ensure the system of internal financial control
- Segregation of duties has been outlined to avoid conflicting roles.
- Financial system process flow has been implemented to ensure no payment without Purchase Order. All payments are processed in the financial system to ensure Audit trail.
- Weekly meetings for fast tracking for Capex expenditure
- Safeguarding Municipal assets – Security is strengthened at the workshop. Budget allocated to strengthen security at the strategic assets.
- The overtime policy is currently under review for implementation in 2023/24 Financial year.
- Supply Chain Management Office is conducting market analysis to ensure value for money in procurement.
- Terms of reference for appointment of the transaction advisory services for the prefeasibility study report for Paarl Wastewater Treatment and purchase of Zeeland Water Treatment Plant has been completed and approved by specification committee. The procurement process is underway.

Strategies to improve revenue collection

- Implementation of sub system to enhance collection of revenue through the internal Credit Control Office.
- Replacement of old standing meters for the supply of water meters.
- Application of water restriction at Marapong areas for debt collection.

- Consumer awareness Notices are issued to inform consumers of the cut of date for payments.
- Effective monitoring of billing system to improve credit control.
- Installation of water smart metres.
- DBSA capacity support on revenue enhancement.
- Continuous update of the system with the supplementary valuation roll to ensure accurate billing of property rates.
- Monitoring of Revenue enhancement initiatives

7 COST CONTAINMENT

All Directorates have committed to adhere to cost containment as outlined in Circular 82 issued by National Treasury

EXPENDITURE	BUDGET	TOTAL AMOUNT	%
OVERTIME	17,221,925.00	18,377,827.84	107%
CONSULTANTS	22,596,278.00	14,698,959.11	65%
TRAVELLING	2,935,005.00	1,505,289.49	51%
ACCOMMODATION	2,537,900.00	2,062,384.63	81%
TOTAL	45,291,108.00	36,644,461.07	81%

The municipality has implemented the cost containment strategies.

Municipality has spent 81% of the budget and are committed to implement cost containment strategies to reduce the operational cost in the next financial year.

Municipality to cut on traveling and accommodation, consultant and overtime cost for the next quarter only legislative meetings to be attended.

8 STRATEGIES FOR COST CONTAINMENT

- Reduce travelling and accommodation
- Municipality stopped providing staff with tea and coffee.
- Stringent reduction of overtime to 50%
- Booking for accommodation 3 Star.
- Telephone reduced to R200 per employee where applicable.
- Pool cars to be used by official without car allowance.
- Where possible Team and Zoom Meetings are encouraged
- Online and onsite training where possible.
- Paperless for council /EXCO /MPAC Items Agenda save on printing and overtime and transport costs.
- Rapid response to queries, overtime only allocated for emergencies threatening life and health.
- Filling for some vacant position delayed and staggered to save employee related costs and align to treasury regulations.
- Parking of municipal fleet after working hours.
- Full Implementation of time and attendance.
- Attach attendance register for offsite meetings and training.
- Pre- authorisation of trips outside town.

9 WITHDRAWAL REPORT

The Total payment of creditors as 30 June 2025 amounts to R935 Million. The creditors consist of suppliers which are providing services within the municipal area.

Section 65 of MFMA requires the Municipality to pay suppliers within 30 days. BTO department is following up with end users on Monthly basis to adhere to month end deadlines and ensure that invoices due for payment are timeously forwarded to expenditure Department for Payment.

SUMMARY SECTION 65 REPORTS: WITHDRAWAL REPORT

DESCRIPTION	1st QUARTER	2nd QUARTER	3rd QUARTER	4th QUARTER	TOTAL
ESKOM(ELECTRICITY BULK)	56,910,580.99	69,900,371.24	47,723,479.26	44,528,831.30	219,063,262.79
EXXARO COAL(WATER BULK)	15,722,905.44	23,472,303.97	22,317,864.89	18,689,130.17	80,202,204.47
CAPITAL PROJECTS	45,723,113.48	43,494,385.05	27,859,127.95	44,036,653.76	161,113,280.24
SALARIES	57,186,688.93	69,796,637.32	70,133,414.57	68,606,209.89	265,722,950.71
CREDITORS	33,741,142.23	31,093,766.31	21,775,439.85	28,131,848.39	114,742,196.78
CONTRACTS	28,828,455.30	20,455,355.34	24,437,516.51	20,437,459.50	94,158,786.65
TOTAL	238,112,886.37	258,212,819.23	214,246,843.03	224,430,133.01	935,002,681.64

TOP 20 SUPPLIERS

SUPPLIER NAME	AMOUNT PAID
Eskom Holdings SOC Ltd-Limpopo	28,948,714.61
DIKGALE AND SEBEGO ENERGIES	5,243,439.13
DEPARTMENT OF WATER AND SANITATION	4,958,521.92
BLANKO INVESTMENT	2,823,217.01
EXXARO COAL	2,716,744.43
LPG: PMG ROAD & TRANSPORT	2,151,966.68
MAMPUDI SECURITY SERVICES	1,816,034.09
Eskom Holdings SOC Ltd-Limpopo	1,200,781.10
AMIBASE	992,337.00
KT S GENERAL TRADER	901,542.61
DASMAF TRADING AND PROJECTS	884,433.83
SEBATA MUNICIPAL SOLUTIONS	805,913.63
MMELA CAPITAL(RF)	754,212.68
LIVEWIRE ENGINEERING AND CONSULTING	719,192.75
BPM2 Consulting Engineers	686,391.61
MALETEBOGO BUSINESS ENTERPRISE	479,137.50
TSIKO PROJECTS ENTERPRISE	418,000.00
AUSTIN MUSTUNG BLUE ICE	368,265.12
CATHU CONSULTING	350,750.00
CROSS OVER CONSULTING	315,698.07

10 DWS DEBTS / INTERGOVERNMENTAL RELATIONS

Department Of Water and Sanitation Payment Plan						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Capital	114 024 297	130 138 957	109 614 583	89 090 210	68 565 836	48 041 463
Interest	27 517 089		-	-	-	-
Deposit Paid	(11 402 430)		-	-	-	-
Payments	-	(20 524 373)	(20 524 373)	(20 524 373)	(20 524 373)	(20 524 373)
Interest writte off	-					(27 517 089)
Total	130 138 957	109 614 583	89 090 210	68 565 836	48 041 463	0

The municipality is a water service authority and has signed an agreement in 2015 to supply raw water in line with the Water Service Act and the licence that has been issued to the Municipality.

DWS has been supplying raw water to the municipality from 2015 after completion of MCWAP 1 project. The amount of R141 million was outstanding when debt arrangement was entered into in 2022/2023 financial year. The long-term settlement agreement was signed for the settlement of raw water liability with the Department in February 2023.

Interest

Interest was charged on overdue accounts since 2017 till June 2022. The balance of interest owed will be written off upon full settlement of capital amount and future interest were frozen.

Deposit amount

Municipality was requested to pay 10% of the capital amount as part of the settlement agreement. The amount was paid on R11 Million 28 February 2023.

Repayment Schedule.

Three equal instalments of R6 841 458 are made annually. These payments are made within 5 days after the receipt of equitable share trench by the Municipality. The amount of R20 482 089.06 was paid by 30 June 2024 in line with the debt arrangement. The outstanding debts is R82 Million. Amount of R20 482 089 ,06 will be paid by 30 June 2025.

Department OF Water and Sanitation Payment Schedule	
	Amount
Capital	114,024,297.03
Interest	
Deposit Paid	(11,402,429.70)
Payments :	
12/9/2023	(6,934,304.35)
22/02/2024	(6,849,857.29)
21-06-2024	(6,697,917.42)
16/10/2024	(7,301,487.46)
16/10/2025	(7,133,663.62)
18/06/2025	(4,958,521.92)
Total Outstanding	62,746,115.27

11 SUPPLY CHAIN MANAGEMENT REPORTS

The municipality utilising bid committee system in line with Supply Chain Management Policy to source good and services from suppliers Procurement department is

centralised to ensure transparency and segregation of duties. Inzalo Financial system is utilised with workflows in line with system of delegations to instil the culture of Governance and Control.

Below is a table that summarises the Procurement for 2024/24 Financial year. Lephalale Municipality has developed a procurement plan and weekly meetings as an endeavour to accelerate the execution of the plans and acceleration of service delivery.

Summary of Procurement

	RFQ	Tender	Total	RFQ	Tender	Total	RFQ	Tender	Total
RFQ	64	44	16	-	3	1	-	-	-
Tender	50	33	12	-	1	2	1	-	1
Total	114	77	28	-	1	2	4	1	1

12 GOVERNANCE / PRIORITIES

PROGRESS ON 2023/24 YE AUDITS

The municipality has achieved Unqualified Audit opinion in 2023/24 financial year. The Municipality implemented an audit action plan to monitor progress on the closing of the outstanding audit findings.

UIFW'S REDUCTION STRATEGY

Summary of UIFW REPORT AS 30 June 2025

Closing Balance@30/06/2021	Closing Balance@30/06/2022	Closing Balance@30/06/2023	Additions 2023/24	Approved by Council 2023/24	Closing Balance 2023/24	Additions 2024/25	Approved by Council 2024/25	UIFW@30 April 2025
48,774,293.00	5,889,901.00	5,889,901.00	4,347,610.00	(5,889,901.00)	4,347,610.00	-	(4,347,610.00)	-
450,449,913.00	277,943,668.00	59,215,957.00	36,524.00	(57,040,342.00)	2,212,139.00	-	(2,212,139.00)	-
19,631,392.00	21,090,467.00	1,474,230.00	-	(2,886.00)	1,459,601.00	2,693.46		1,462,294.46
518,855,598.00	304,924,036.00	66,580,088.00	4,384,134.00	(62,933,129.00)	8,019,350.00	2,693.46	(6,559,749.00)	1,462,294.46

The amount of R221 Million has been approved by council for write off in June 2022 and has been processed in the financial statement for 2021/22. The amount of R 244 million has been investigated and has been processed by the end of the 2nd quarter of 2022/23. The amount of balance of R62.8 million has been processed council by end of 3rd Quarter of 2023/24.

The report has been referred to the Financial Misconduct Board for consequence management.

Council has appointed the Financial Misconduct Board and LPT has facilitated training to the financial misconduct board. The board is currently busy with the compilation of the terms of reference. Upon finalisation of TOR processing of the UIFW report will continue.

The balance of R 3.7 million has been presented to council and has been referred to MPAC for investigation.

R 2.2Million – relates to historic irregular expenditures.

R 1.4 million – Relates to the Marapong Cemetery due to exorbitant pricing by Service Provider. The municipality has withheld retention money in lieu of recovering the costs.

Addition of R 36 524 is related to excess of procurement threshold.

Amount for R 2 500.00 relates to late payment for small Eskom invoices.

The (UIFW) Unauthorised, irregular, and fruitless and wasteful expenditure disclosed in the financial statements were investigated by the Internal Audit Unit to determine whether any official is liable for losses incurred because of this expenditure and reports were presented to Council to be written off.

The Internal Audit Unit of the Municipality was requested to investigate to determine if there is any official liable for the UIFW. Some of the findings were as follows:

- (a) The reasons for the UIFW related to the composition of the BAC which has since been rectified. The implications thereof were that all bids adjudicated during the period were regarded as irregular.
- (b) LLM has concluded 3-year agreements with various PSP. Any payment to the PSP for the duration of the contract is regarded as irregular and increases the value of the UIFW register and opening balances to the AFS.
- (c) The fruitless expenditure related to interest charged on outstanding Eskom account as the Municipality was in financial distress and could not pay Eskom on time. Most of the disclosed fruitless and wasteful expenditure was caused by interest on late payments.

A report was tabled before Council for processing. Council referred the reports to MPAC for further investigation. MPAC referred the report back to the AO for further investigation. Consequently, the UIFW were disclosed in the Annual Financial Statements for auditing by the AGSA.

The AGSA reviewed the AFS and raised findings on the process followed as this is contrary to National Treasury procedural guidelines. AGSA raised findings on this process and then concluded that no proper investigations were conducted during the year as the base to write off the unauthorised expenditure, fruitless and wasteful expenditure, and irregular expenditure by Council. Hence the prior year's errors were not corrected in the AFS.

The AGSA has since recommended that proper procedures prescribed by the NT be followed to clear the prior years' errors and reduce the amount of the UIFW figures registers as these affects the opening balances in the AFS and must be corrected.

National Treasury has since outlined procedural guidelines to clear the UIFW and this must be followed to the letter to reduce the value of the UIFW. In terms of section 32(2)(b), irregular expenditure may only be written off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable. The Council Committee responsible for investigating the UIFW referred to in 32(2) (b is the MPAC and not the Internal Audit Unit. National Treasury has directed Municipalities to develop a strategy to reduce the UIFW.

Implementation of the strategy will be reported to Treasury on quarterly basis for monitoring. A panel of consultant has been appointed to Investigate the UIFW's. The investigation will be conducted in the 2nd quarter.

13 CHALLENGES

- Revenue collection rate is 88%, which is below the target of 95%
- Slow progress on capex expenditure may lead to National Treasury and Department withholding funds.
- Supply of free basic services to rural areas putting pressure on operating revenue.
- Increasing overtime.
- Increased cost on consultants / contracted services.

14 WAY FORWARD

- Implementation of Cost Containment Strategies.
- Implementation of Revenue Enhancement Strategy
- The implementation of UIFW reduction Strategy.
- Centralise invoices to Expenditure Department to ensure suppliers are paid within 30 days.
- Fast tracking Capex expenditures.
- Application or takeover of Eskom licence at Marapong and new area or agreement with Eskom to implement % blocking.
- The Municipality must conduct skills audit to improve operational efficiency.
- Management to put stringent control on overtime, travelling and accommodation where possible do more with less.

15 STAFF IMPLICATIONS

None

16 FINANCIAL IMPLICATIONS

- Municipality is fast racking capital spending to avoid the withdrawal of funding by National Treasury.
- The Municipality will also continue to implement the revenue enhancement initiatives and cost containment strategies to remain financially viable.

17 OTHER PARTIES CONSULTED

- Executive Management

18 ATTACHMENTS

Financial Report - C-Schedule is attached as an **ANNEXURE**.



ScheduleC - M12
2025.xlsx

RECOMMENDED

1. That the June 2025 Financial Report be noted as per Section 71, 52, 72, and Section 66 of the MFMA.
2. Be referred to MPAC for further scrutiny.

ITEM A108/2025[7]

FINANCIAL REPORT AS AT 30 JUNE 2025

5/17/2

COUNCIL: 29 JULY 2025

RESOLVED

1. That the June 2025 Financial Report be noted as per Section 71, 52,72, and Section 66 of the MFMA.
2. Be referred to MPAC for further scrutiny.

CFO