



LEKWA-TEEMANE LOCAL MUNICIPALITY

OVERSIGHT REPORT 2024/2025

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEMBERS:

MPAC MEMBERS	GENDER
Cllr T Setsetse – Chairperson	Male
Cllr. T Komane – Member	Male
Cllr. A Nel – Member	Male
Cllr. L Duiker – Member	Female
Cllr. W Adams – Member	Male

COMMITTEE SUPPORT STUFF:

Mr. B Kokolosi – MPAC Officer

Table of Contents

1. FOREWORD OF THE CHAIRPERSON.....	3
2. REPORT TO COUNCIL	4
3. MPAC RECOMMENDATIONS	6
4. INTRODUCTION.....	6
5. LEGISLATIVE MANDATE FOR THE OVERSIGHT REPORT.....	7
6. 2024/25 OVERSIGHT ON THE ANNUAL REPORT PROCESS PLAN (Refer to the next page)	7
7. ANNUAL REPORT CHECK LIST	11
8. COMMENTS ON THE COMPONENTS OF THE ANNUAL REPORT	12
9. QUESTIONS AND REPOSSES ON THE ANNUAL REPORT	17
9.1. MANAGEMENT COMMENTS.....	17
9.2. COUNCILLORS AND WARD COMMITTEE INPUTS	23
9.3. PUBLIC & INTERESTED PARTIES COMMENTS ON THE ANNUAL REPORT	23
10. 2024/25 SITE INSPECTION REPORT	23
11. MFMA SECTION 32 REPORT.....	23
12. ATTACHMENTS	24
12.1. Annexure A – All Agendas related to Oversight Process	24
12.2. Annexure B – All minutes related to Oversight Process	24
12.3. Annexure C – All Attendance registers related to Oversight Process	24
12.4. Annexure D – Publicity statement on the 2024/25 Annual Report.....	24
12.5. Annexure E – Invitations and adverts related to Oversight Process	24
12.6. Annexure F – Auditor General Briefing Notes	24

1. FOREWORD OF THE CHAIRPERSON

The Municipal Council is vested with the responsibility to oversee the performance of their respective Municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA). This oversight responsibility of council is particularly important for the process of considering Annual Reports according to MFMA Circular 32.

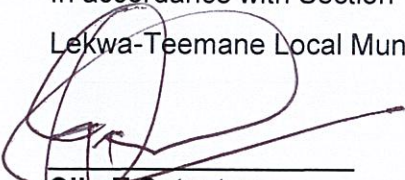
Taking into cognisance the process required by council to effectively undertake its oversight role, the establishment of Municipal Public Accounts Committee (MPAC) provides the necessary mechanism through which council can fulfill its oversight role. MPAC's function in this regard was to consider the Annual Report and prepare a draft Oversight Report for consideration by Council.

The Annual Report is a management report which intends to provide a record of activities of the municipality and its municipal entity during the 2024/25 financial year and provide a report on performance in service delivery and budget implementation for the financial year. It is a report that seeks to promote accountability to the local community for the decisions made throughout the year by the municipality or its municipal entity.

As part of its oversight responsibility the Municipal Public Accounts Committee of Lekwa-Teemane Local Municipality assessed and interrogated the draft 2024/25 Annual Report of the municipality and its entity with due diligence. The Municipal Public Accounts Committee has fulfilled its duties in accordance with the provisions of the Local Government Municipal Structures Act No.117 of 1998 and the Municipal Finance Management Act No. 56 of 2003 regarding the exercise of oversight.

The MPAC remains a functional committee and remains committed to the goal of an improved audit outcome and improved service delivery for the community of Lekwa- Teemane Local Municipality.

In accordance with Section 129 of the MFMA, I hereby table the 2024/25 Oversight Report for Lekwa-Teemane Local Municipality.


G. T. Setsetse

**Chairperson: Municipal Public Accounts Committee
Lekwa-Teemane Local Municipality**

2. REPORT TO COUNCIL

PURPOSE

This Oversight Report enables the Municipal Public Accounts Committee (MPAC) to discharge its oversight responsibilities by considering the 2024/25 Annual Report of Lekwa-Teemane Local Municipality, as required by Section 129 of the Municipal Finance Management Act No. 56 of 2003 (MFMA).

BACKGROUND AND DISCUSSION

Section 127(2) of the MFMA mandates that the mayor of a municipality must table the annual report in the Municipal Council within seven months after the end of the financial year. Accordingly, the 2024/25 Annual Report for Lekwa-Teemane Local Municipality was tabled on 30 January 2026.

In terms of Section 129(1) of the Municipal Finance Management Act, Council must consider the tabled annual report of the Municipality by no later than two months after the date on which the annual report was tabled in council in terms of Section 127 of the MFMA.

MFMA Circular 32 recommends the establishment of an Oversight committee to analyse and review the Annual Report. In the case of Lekwa-Teemane Local Municipality, the Annual Report is analysed and reviewed by the Municipal Public Accounts Committee as a committee of Council established in terms of Section 79A of the Municipal Structures Act No. 117 of 1998.

In line with section 127(5) of the Municipal Finance Management Act, the community must be invited to make representations in terms of the draft Annual Report. The copies of the draft Annual Report were made available to the public and placed at the municipal offices and public libraries for the community to access and make comments.

The Municipal Public Accounts Committee (MPAC) first considered, reviewed and analysed the 2024/25 draft Annual Report of Lekwa-Teemane Local Municipality at a meeting held on the 05th of March 2026 and from that meeting, the committee raised findings and comments which were forwarded to management for responses.

On 13 March 2025, the MPAC reconvened to evaluate the 2024/25 Annual Report alongside management's responses to the findings and comments raised by the committee.

The committee subsequently considered and consolidated the draft Oversight Report on the 2024/25 Annual Report.

According to Section 129 of the MFMA, Council must adopt an Oversight Report containing the council's comments on the Annual Report, which must include a statement whether the council—

- a) Has approved the annual report with or without reservations;
- b) Has rejected the annual report; or
- c) Has referred the annual report back for revision of those components that can be revised.

MFMA Circular 32 specifies that approval of the Annual Report without reservations, Council should be able to agree that the information contained in the report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon. It also signifies that the executive and administration have discharged in full, their accountability for decisions and actions and that their performance meets the criteria set by performance objectives and measures and is also acceptable to the community.

FINANCIAL IMPLICATIONS

- None.

LEGAL IMPLICATIONS

- The Municipal Finance Management Act 56 of 2003
- MFMA Circular 32 of 15 March 2006
- The Municipal Systems Act 32 of 2000
- The Municipal Systems Amendment Act 44 of 2003
- Municipal Structures Act 117 of 1998
- Circular 68 of 13 October 2021
- MFMA Circular 11 - Annual Reporting Guidelines - 14 January 2005

HUMAN RESOURCE IMPLICATIONS

- None.

PARTIES CONSULTED

- Members of the Council of Lekwa-Teemane Local Municipality
- The Local Community of Lekwa-Teemane Local Municipality
- Accounting Officer - Lekwa – Teemane Local Municipality

POWER OF APPROVAL

The authority to approve this draft Oversight Report rests with the Council of Lekwa-Teemane Local Municipality.

3. MPAC RECOMMENDATIONS

It is recommended that:

- 3.1. Council, after having fully considered the 2024/25 Annual Report of Lekwa-Teemane Local Municipality and the representations, approves the 2024/25 Annual Report with reservations due to the Municipality receiving adverse audit opinion.
- 3.2. The Oversight report be made public in accordance with Section 129(3) of the Municipal Finance Management Act.
- 3.3. The municipality must establish or have a functional contract management committee to curb irregularities and improve record-keeping in the technical department
- 3.4. The Accounting Officer must ensure that the findings of the Auditor-General are adequately addressed in order to improve the audit outcome
- 3.5. Instances of unauthorised, irregular, fruitless and wasteful expenditure must be reported to Council promptly, as required by Section 32 of the MFMA.

4. INTRODUCTION

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the Municipal Finance Management Act, 56 of 2003 requires the council to consider the annual report of its municipality and to adopt an oversight report containing the council's comments on the annual report. The purpose of the annual report is to:

- Provide a record of the activities of the municipality;
- Provide a report on performance in service delivery and against the budget;
- Provide information that supports the revenue and expenditure decisions made
- Promote accountability to the local community for decisions made

Municipal Public Accounts Committee appointed by Municipal Council in accordance with the provisions of Section 79 (1) (a)(b) and (c) of the Municipal Structures Act 1998, to amongst other things, oversee the content of the Annual Report on its behalf.

The 2024/25 Annual Report was tabled before Council sitting the 30th of January 2026. This was done in compliance with section 127 (2) of the Municipal Finance Management Act, 56 of

2003 which states that the mayor of the municipality must, within seven (7) months after the end of a financial year, table in the municipal council the Annual Report of the municipality and of any municipal entity under the municipality's sole or shared control.

The final step of reporting is for the municipality to consider and adopt the Annual Report in light of the findings contained in the Oversight Report. In terms of the new Guidelines, the Oversight Report must be compiled by MPAC in consultation with members of the community and other stakeholders.

5. LEGISLATIVE MANDATE FOR THE OVERSIGHT REPORT

Section 129 of the MFMA (Act 56 of 2003) state that, the Municipal Council of the municipality must consider the Annual Report of the municipality and by no later than two months from the date on which the Annual Report was tabled in Council, adopt an Oversight Report containing the Council comments on the annual report, which must include a statement whether the council has:

- Approved the Annual Report with or without reservations;
- Rejected the Annual Report; or
- Has referred the Annual report back for revision of those components that can be resolved.

6. 2024/25 OVERSIGHT ON THE ANNUAL REPORT PROCESS PLAN (Refer to the next page)

2024/25 OVERSIGHT ON THE ANNUAL REPORT PROCESS PLAN

DATE	TIME	ACTION/ ACTIVITIES/PURPOSE	VENUE	RESPONSIBILITY	INVITEES
30/01/2026	10:00	2024/25 Annual Report tabled in council by the mayor.	- Christiana Council Chamber	- Corporate Services - Office of the Speaker	Public
02/02/2026	-	Make the Annual Report Public within 7 days period.	- Public spaces	- Office of the MM	Public
03/03/2026- 04/03/2026	10:00	Public participation on the 2024/25 Annual report	- Bloemhof and Christiana	- MPAC members - Support Staff	- MPAC Members - Accounting Officer - Public - Council members - Ward committee members - All wards
05/03/2026	10:00	2024/25 Oversight on the Annual Report Meeting.	- Bloemhof Council Chambers	- MPAC members - Support Staff	Accounting Officer and Senior Managers

DATE	TIME	ACTION/ ACTIVITIES/PURPOSE	VENUE	RESPONSIBILITY	INVITEES
05/03/2026	-	Forward questions on the 2024/25 Annual Report to management for responses	-	- MPAC Members - Support Staff	N/A
10/03/2026	10:00	Project Oversight Visit	Bloemhof and Christiana	- MPAC members - Support Staff - Management	N/A
13/03/2026	10:00	- Consider and discuss management responses on 2024/25 Annual Report - Consolidation and finalisation of the 2024/25 draft Oversight Report.	Bloemhof Council Chamber	- MPAC Members - Support Staff	MPAC Managers and Management
31/03/2026	14:00	Tabling of the 2024/25 Oversight Report on the Annual Report in Council for adoption	Christian Council Chambers	MPAC Members and Council	- Public - Council
01/04/2026	-	Make the 2024/25 Oversight Report public and submit copies of the Oversight Report and copies of the Annual Report to Legislature,	-	- Accounting Officer - MPAC Support Staff	NA

DATE	TIME	ACTION/ ACTIVITIES/PURPOSE	VENUE	REPOSIBILITY	INVITEES
		Provincial Treasury, DLG&HS and Auditor General			

7. ANNUAL REPORT CHECK LIST

CHECK LIST OF THE ANNUAL REPORT AS PER SECTION 121 (3) OF MFMA, 56 OF 2003 AND MFMA CIRCULAR 11

CONTENT OF THE ANNUAL REPORT	YES/NO
a) Annual Financial Statement of the municipality	Yes
b) AG's report on the financial statements	Yes
c) Annual Performance report of the municipality prepared by the municipality in terms of section 46 of the municipal systems act.	Yes
d) Auditor General's report in terms of section 45 (b) of the Municipal System Act	Yes
e) An assessment by the Accounting Officer of any arrears on municipal taxes and services	Yes
f) Assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year.	Yes
g) Particulars of corrective action taken or to be taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d)	Yes
h) Any explanation that maybe necessary to clarify issues in connection with the financial statement	Yes
i) Any information as determined by the municipality	Yes
j) Any recommendations of the municipal's audit committee	Yes
k) Any other information as may be prescribed	Yes

8. COMMENTS ON THE COMPONENTS OF THE ANNUAL REPORT

LEGISLATIVE REQUIREMENT	COMPLIANCES	RESPONSE	RECOMMENDED CORRECTIVE ACTION
Annual financial statements- Section 121(3) (4); of MFMA.	1. Have the AFS of the municipality and that of municipal entity been included in the annual report?	Yes	None required in respect of the AFS
	2. Are both annual financial statement and annual report been audited	Yes	
	3. Are the AFS compliant with GRAP?	Yes	
	4. Is the audit report been included in the tabled annual report?	Yes	
	5. Any explanations that may clarify issues in connection with the financial statement?	Yes	
	6. Any assessment by the accounting officer on arrears on municipal taxes and service charges including that of MODA?	Yes	
	7. Any comment by the audit committee in relation to the AFS?	Yes	

Supply Chain Management Regulations and Policy	1. Has certain disclosures of SCM matters been included in the annual report as required.	Yes	None required, compliant
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1.1 DIVISION OF REVENUE ACT

LEGISLATIVE REQUIREMENT	COMPLIANCES	RESPONSE	RECOMMENDED CORRECTIVE ACTION
SECTION 123 OF MFMA AND CIRCULAR 11	1. Has the municipality had any allocation per DORA delayed or withheld	No	None
	2. Is there any disclosure on allocation made by the municipality to an organ of state, municipal entity or other municipality?	Yes, the Municipality has an entity	
	3. Are all compulsory disclosures contained in the notes to the Annual Financial Statements?	Yes	
	4. Has the municipality complied with the conditions of the grant?	Yes	
SECTION 124 (1)(2) Disclosure of councillors, Directors and Officials in the notes to the AFS	1. Have the salaries, allowances and benefits paid to councillors and the Municipal Manager, CFO and senior been disclosed?	Yes	None

	2. Is there a statement by the Accounting Officer, stating that salaries, allowance and benefits paid to councillors are within the upper limits of the framework envisage in section 219 of the constitution?	Yes	
	3. Have arrears for rates and services owed by councillors, in which the arrears were more than 90 days been disclosed including the name of the councillor?	Yes	
	4. Have salaries of the board of MODA, CEO and senior managers been disclosed?	Yes	

1.2 MUNICIPAL SYSTEMS ACT- PERFORMANCE MANAGEMENT

LEGISLATIVE REQUIREMENT	COMPLIANCES	RESPONSE	RECOMMENDED CORRECTIVE ACTION
Section 46 of the MUNICIPAL SYSTEMS ACT Annual Performance reports of the Municipality	1. Has the performance report been included in the annual report?	Yes	Performance enhancement plans will be introduced and tracked.
	2. Have all the performance target set in the budget, SDBIP, service agreements etc. been included in the report?	Yes	
	3. Does the performance evaluation in the annual	Yes	

	report compare actual performance with target expressed in the budget and SDBIP approved for the financial year?		
	4. In terms of key functions or services, how has each performed?	Performance is satisfactory and can be improved.	
	5. To what extent have targets been met?	The survey is not concluded yet	
	6. Are council and community satisfied with the performance?	The Council is largely content but sees potential for improvement	
	7. What actions have been taken and planned to improve performance?	Revised Post Audit Action Plan	
	8. Did the target set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and other senior manager?	Yes	
	9. Does the report evaluate the efficiency of mechanism applied to deliver the performance outcomes?	Yes	
	10. Taking into account the audit report and opinion and the views of the audit	Yes	

	committee, is performance considered to be efficient and effective?		
Performance of municipal entities and municipal service providers	1. Has an assessment been included in the Annual Report on the performance of the municipal entities?	Yes	
	2. Has the assessment been included in the annual report on the performance of all contracted service providers?	Yes	

PUBLIC PARTICIPATION

LEGISLATIVE REQUIREMENT	COMPLIANCES	RESPONSE	RECOMMENDED CORRECTIVE ACTION
Section 127 (2); 130 (1)(2)(3) and section 21A of MSA Council meetings open to public and certain public official	1. Was the public invited to the council sitting where the annual report was considered?	Yes	None required
	2. Did the Accounting Officer make public the annual report?	Yes	
	3. Was the annual report submitted to the AG; PT and DLG&TA?	Yes	
Written comments	1. Did the municipality receive any written	No	Enhance public understanding of the significance of

	submission on the Annual Report?		community engagement and motivate widespread participation in public processes
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9. QUESTIONS AND REPONSES ON THE ANNUAL REPORT

The MPAC office submitted a list of findings and comments on the 2024/25 Annual Report to the MM's office.

9.1. MANAGEMENT COMMENTS

	MPAC FINDINGS AND COMMENT	MANAGEMENT RESPONSE
-	Has the draft Annual Report been made public after the tabling in Council on the 30th of January 2026? Did the Municipality invite the public to submit representations in connection with the Annual Report in accordance with Section 127 (5)(a)(i)(ii) of the MFMA and Section 21A of the Municipal Systems Act?	Yes, the Annual Report was publicized on the Municipal Offices, libraries and website to solicit public inputs/comments
-	The AG has indicated that the municipality did not have adequate systems and processes in place to correctly account for property rates as required by GRAP 23. Explain this finding by the AG.	Management had a meeting with the consultants where we outlined our dissatisfaction with the outcome. Service provider presented a turnaround plan and the agreement was reached to produce interim financial statements which will be subjected for review by treasury and AGSA. The interims will be submitted by end of April 2026 and the purpose of the review is to test the quality of the interim AFS and the implementation of PAAP. The current PAAP aims to address the root causes of the findings. The PAAP was drafted in January 2026 and submitted to AGSA for reviews and inputs.
-	The Auditor General issued adverse audit opinion for the 2024/25 financial year which indicate the financial statements contain	<u>Partially agreed with the finding:</u> <u>Agree with auditors:</u>

	material misstatements that are not confined to specific amounts. What measure the management will undertake to improve this audit outcome.	Proper reconciliation was not done to draw a clear distinction between tenant accounts and owner accounts: <u>Internal control finding.</u> The internal control deficiency here is that the municipality does not have enough capacity internally to prepare a valuation roll recon on a quarterly basis. In the current year, a recon was performed in December 2025 to try and reconcile the billing to the valuation, and the differences are being investigated in conjunction with the municipal valuer. And this recon will be performed for quarter three as well quarter four of the financial year <u>Disagree with the auditors:</u> This finding was raised on the basis of customer accounts instead of properties. The municipality still opens accounts for tenants, which are not billed for property rates. Property rates are only billed to owners of properties within the municipality.
-	The AG could not obtain sufficient evidence for capital work-in-progress related to roads, pavements, and stormwater	A Contract Management Committee (CMC) has been established comprising of CFO all Directors, SCM and Asset Managers to

	(R77,585,193). What deficiencies in the accounting records caused this, and what specific improvements to record-keeping and asset registers are planned to ensure auditability in the next financial year.	• Monitor all infrastructure projects from inception to completion. • Verify and certify work completed against payments processed. • Ensure all contractual documentation is complete, compliant, and centrally stored. • Track project milestones, variations, and retention amounts. Immediate capitalization of completed projects into the fixed asset register, supported by completion certificates and valuation reports where applicable.
-	Property rates were overstated (R9,530,878) due to billing issues, and traffic fines were not billed (understatement of R78,782,472). How will management improve the valuation roll and billing processes to comply with GRAP 23?	Property Rates <u>Disagreement with the Auditors:</u> Property Rates are calculated based on the market values per the valuation roll. However, the AG used customer statements to calculate the property rates instead of the correct source document. <u>Partially agreed with the finding:</u> <u>Internal Control Deficiency:</u> The main issue here is internal controls that is, from the sample that the AG picked the market values on the customer statements was different from the valuation roll hence the auditors recalculated these values incorrectly, as the source was not correct.

	To fix the internal control, the system vendor has been contacted to assist the municipality to ensure that the market values appearing on customer statements are the same as the market values on the valuation roll. This will soon be cleared as part of the data cleansing project. Traffic fines not being billed <u>Agreed with the auditors:</u> <u>Internal Control Deficiency:</u> This finding relates more to the cut off audit assertion, than the actual billing of traffic fines. The R78 million was raised in the 2024/25 AFS as part of revenue line items, however upon AG doing its work, it picked up that there actually tickets belonging to 2023/24 financial that were paid in 2024/25 financial and the municipality raised revenue in 2024/25 financial year instead of 2023/24. GRAP standards deals with accrual basis of reporting, i.e income is reported in the year in which it was earned, in this case tickets issued in 2023/24 must have been raised then, regardless of when the payment takes place A journal has been prepared to clear this finding, as management is aware of all the tickets belonging to 2023/24 financial year. Furthermore, on monthly basis management reviews and isolates tickets that don't belong in the current year and accounts for them correctly to ensure that this finding does not repeat.
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-	Lekwa-Teemane Development Agency's objectives not established or monitored. Why were these requirements overlooked, and how will compliance with regulation 7(1) and section 93B of the MSA be ensured?	The Lekwa-Teemane Local Development Agency's objectives are outlined in the SLA. The LTLD has operated for a long period without a Board of Directors. The Municipality has since appointed a Board and is in the process of registering the LTLD as a State-Owned Entity, as advised by AG.

9.2. COUNCILLORS AND WARD COMMITTEE INPUTS

No inputs received.

9.3. PUBLIC & INTERESTED PARTIES COMMENTS ON THE ANNUAL REPORT

No comments / questions received.

10. 2024/25 SITE INSPECTION REPORT

No inspection was conducted during the year under review.

11. MFMA SECTION 32 REPORT

During the year under review, the Municipality submitted Section 32 report to Council covering UIFW for the 2024/2025 financial year. The Municipal Public Accounts Committee (MPAC) considered, conducted an investigation and recommended that the UIFW expenditure amounting to R36 841 388.74 as per the provided registers be condoned and written off. The amount pertains to non-cash items, including debt impairment, diesel from garages that are not registered on CSD and interest charged on bulk accounts with Eskom and the Department of Water Affairs.

The latter accounts remain under dispute, as the view is that the Dr. Ruth Segomotsi Mompati District Municipality (DRRSM), as the Water Service Authority (WSA), should bear liability for the bulk water supply costs.

12. ATTACHMENTS

- 12.1. Annexure A – All Agendas related to Oversight Process**
- 12.2. Annexure B – All minutes related to Oversight Process**
- 12.3. Annexure C – All Attendance registers related to Oversight Process**
- 12.4. Annexure D – Publicity statement on the 2024/25 Annual Report**
- 12.5. Annexure E – Invitations and adverts related to Oversight Process**
- 12.6. Annexure F – Auditor General Briefing Notes**

Annexure A – All Agendas related to Oversight Process



NOTICE IS HEREBY GIVEN IN TERMS OF SECTION 79(2) OF THE MUNICIPAL STRUCTURES ACT NO-117 OF 1998, THAT A MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING WILL BE HELD ON 05 MARCH 2026, 10:00, BLOEMHOF COUNCIL CHAMBER AND VIRTUAL, TO DISCUSSS THE AGENDA ITEMS ATTACHED.

CLLR. T SETSETSE: MPAC CHAIRPERSON

02/03/2026

DATE



AGENDA

**LEKWA-TEEMANE
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
MPAC
MEETING**

DATE : 05 March 2026

TIME : 18:00

VENUE : Bloemhof Council Chamber and Virtual



LEKWA-TEEMANE LOCAL MUNICIPALITY "NW 396



PO Box 13, Christiana, 2680, Cnr . Robyn & Dirkie Uys Street

Tel: (053) 441-2206/3952 Fax (053) 441-3735

OFFICE OF THE MPAC CHAIRPERSON

Date : 05 March 2026
Time : 18:00
Venue : Bloemhof Council Chamber and Virtual

AGENDA

- 1. OPENING AND WELCOME**
- 2. CONFIRMATION OF QUORUM**
- 3. APPLICATION OF LEAVE OF ABSENCE AND ATTENDANCE REGISTER**
- 4. READING AND ADOPTION OF PROPOSED AGENDA**
- 5. MATTERS FOR DISCUSSION AND CONSIDERATION**
 - 5.1. Consideration of the 2024/25 Annual report.
- 6. WAYFORWARD AND CLOSURE**



NOTICE IS HEREBY GIVEN IN TERMS OF SECTION 79(2) OF THE MUNICIPAL STRUCTURES ACT NO-117 OF 1998, THAT A MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING WILL BE HELD ON 13 MARCH 2026, 10:00, BLOEMHOF COUNCIL CHAMBER AND VIRTUALLY, TO DISCUSSS THE AGENDA ITEMS ATTACHED.

CLLR. T SETSETSE: MPAC CHAIRPERSON

09/03/2026

DATE



AGENDA

**LEKWA-TEEMANE
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
MPAC
MEETING**

DATE : 13 March 2026

TIME : 10:00

VENUE : Bloemhof Council Chamber and Virtual



LEKWA-TEEMANE LOCAL MUNICIPALITY "NW 396



PO Box 13, Christiana, 2680, Cnr . Robyn & Dirkie Uys Street

Tel: (053) 441-2206/3952 Fax (053) 441-3735

OFFICE OF THE MPAC CHAIRPERSON

Date : 13 March 2026
Time : 10:00
Venue : Bloemhof Council Chamber and Virtual

AGENDA

1. OPENING AND WELCOME
2. CONFIRMATION OF QUORUM
3. APPLICATION OF LEAVE OF ABSENCE AND ATTENDANCE REGISTER
4. READING AND ADOPTION OF PROPOSED AGENDA
5. MATTERS FOR DISCUSSION AND CONSIDERATION
 - 5.1. Consideration of the 2024/25 Annual report.
6. WAYFORWARD AND CLOSURE

Annexure B – All minutes related to Oversight Process



LEKWA-TEEMANE LOCAL MUNICIPALITY "NW 396"



MINUTES OF THE LEKWA-TEEMANE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) MEETING HELD ON 05 MARCH 2026

Date : 05 March 2026
Time : 18:00
Venue : Virtual Platform

1. OPENING AND WELCOME

- 1.1. Cllr. Thabo Setsetse, the MPAC Chairperson opened the meeting and welcomed everybody present and everyone who joined the meeting virtually.

2. CONFIRMATION OF QUORUM

- 2.1. A quorum was confirmed with four of five MPAC members present. The meeting proceeded accordingly.

3. APPLICATION OF LEAVE OF ABESENCE AND ATTENDANCE REGISTER

- 3.1. The attendance register was circulated and signed by members present.

The following was noted in relation to attendance and apologies:

A. MPAC Members Present:

1. Cllr. T Setsetse – MPAC Chairperson
2. Cllr. W Adams – MPAC Member
3. Cllr. K Duiker – MPAC Member
4. Cllr. A Nel – MPAC Member

C. Apologies.

1. None received.

4. READING AND ADOPTION OF THE PROPOSED AGENDA

- 4.1. The Chairperson presented the agenda, which was adopted as the agenda of the day, Cllr. Nel adopted and Cllr. Adams seconded.

5. MATTERS FOR DISCUSSION AND CONSIDERATION

5.1. Consideration of the 2024/25 Annual Report

- 5.1.1. The committee noted that the 2024/25 draft Annual Report was tabled before Council sitting on the 30th of January 2026 and was referred to MPAC for consideration.
- 5.1.2. The committee acknowledged that the Municipality received an adverse opinion for the 2024/25 financial year.
- 5.1.3. The committee examined the report and raised the following findings and comments:

	MPAC findings and comments
-	Has the draft Annual Report been made public after the tabling in Council on the 30 th of January 2026? Did the Municipality invite the public to submit representations in connection with the Annual Report in accordance with Section 127 (5)(a)(i)(ii) of the MFMA and Section 21A of the Municipal Systems Act?
-	The Auditor General issued adverse audit opinion for the 2024/25 financial year which indicate the financial statements contain material misstatements that are not confined to specific amounts. What measure the management will undertake to improve this audit outcome.
-	The AG has indicated that the municipality did not have adequate systems and processes in place to correctly account for property rates as required by GRAP 23. Explain this finding by the AG.

-	The AG could not obtain sufficient evidence for capital work-in-progress related to roads, pavements, and stormwater (R77,585,193). What deficiencies in the accounting records caused this, and what specific improvements to record-keeping and asset registers are planned to ensure auditability in the next financial year.
-	Property rates were overstated (R9,530,878) due to billing issues, and traffic fines were not billed (understatement of R78,782,472). How will management improve the valuation roll and billing processes to comply with GRAP 23?
-	Lekwa-Teemane Development Agency's objectives not established or monitored. Why were these requirements overlooked, and how will compliance with regulation 7(1) and Section 93B of the Municipal Systems Act be ensured?

5.1.4. The committee **resolved** that management must respond to all MPAC findings and comments on the 2024/25 draft annual report prior to the upcoming MPAC meeting.

6. WAYFORWARD AND CLOSURE

The chairperson adjourned the meeting at 19:30.

**Mr. T Setsetse: Chairperson – Municipal Public Accounts Committee
Lekwa-Teemane Local Municipality**

MPAC Resolution Register				
Agenda item nr	Resolution	Progress	Challenge/s	Responsible person
5.1.4	The committee resolved that management must respond to all MPAC findings and comments on the 2024/25 draft annual report prior to the upcoming MPAC meeting.			Acting Accounting Officer



LEKWA-TEEMANE LOCAL MUNICIPALITY "NW 396"



MINUTES OF THE LEKWA-TEEMANE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) MEETING HELD ON 13 MARCH 2026

Date : 13 March 2026

Time : 09:00

Venue : Bloemhof Council Chamber and Virtual

1. OPENING AND WELCOME

- 1.1. The MPAC Chairperson, Cllr. Thabo Setsetse, opened the meeting and welcomed all attendees, including virtual participants.

2. CONFIRMATION OF QUORUM

- 2.1. A quorum was confirmed with five out of five MPAC members present. The meeting proceeded as scheduled.

3. APPLICATION OF LEAVE OF ABESENCE AND ATTENDANCE REGISTER

- 3.1. The attendance register was circulated and signed by members present.

The following was noted in relation to attendance and apologies:

A. MPAC Members Present:

1. Cllr. T Setsetse – MPAC Chairperson
2. Cllr. T Komane – MPAC Member (Joined virtually)
3. Cllr. K Duiker – MPAC Member (Joined virtually)
4. Cllr A Nel – MPAC Member (Joined virtually)
5. Cllr. W Adams – MPAC Member (Joined virtually)

B. Municipal Officials Present:

1. Mrs. Z.K Kgatlha (Municipal Manager)
2. Mr KJ Leseisane (Director: Corporate Services)
3. Mr. T Moseki (Chief Financial Officer)
4. Mr. J.B Sparks (Director: Community Services)
5. Mr. S Lesie (Manager: Strategic Planning)
6. Mr. Bennet Kokolosi (MPAC Officer)
7. Mr. Bruce Motjetje (Manager PMS)

C. Apologies.

1. Director Technical Services could not join the meeting due to other commitments.

4. READING AND ADOPTION OF THE PROPOSED AGENDA

- 4.1. The Chairperson presented the agenda, which was adopted unanimously.

5. MATTERS FOR DISCUSSION AND CONSIDERATION

- 5.1. The Acting Municipal Manager, Mrs. K Kgatlha, led the management in presenting responses to MPAC findings regarding the 2024/25 Annual Report.
- 5.2. The committee reviewed the following management responses to MPAC queries: **(Refer to the next page)**

	MPAC FINDINGS AND COMMENT	MANAGEMENT RESPONSE
-	Has the draft Annual Report been made public after the tabling in Council on the 30th of January 2025? Did the Municipality invite the public to submit representations in connection with the Annual Report in accordance with Section 127 (5)(a)(i)(ii) of the MFMA and Section 21A of the Municipal Systems Act?	Yes, the Annual Report was publicized on the Municipal Offices, libraries and website to solicit public inputs/comments
	The Auditor General issued adverse audit opinion for the 2024/25 financial year which indicate the financial statements contain material misstatements that are not confined to specific amounts. What measure the management will undertake to improve this audit outcome.	We had a meeting with the consultants where we outlined our dissatisfaction with the outcome. Service provider presented a turnaround plan and the agreement was reached to produce interim financial statements which will be subjected for review by treasury and AGSA. The interims will be submitted by end of April 2026 and the purpose of the review is to test the quality of the interim AFS and the implementation of PAAP. The current PAAP aims to address the root causes of the findings. The PAAP was drafted in January 2026 and submitted to AGSA for reviews and inputs.

	The AG has indicated that the municipality did not have adequate systems and processes in place to correctly account for property rates as required by GRAP 23. Explain this finding by the AG.	<u>Partially agreed with the finding:</u> <u>Agree with auditors:</u> Proper reconciliation was not done to draw a clear distinction between tenant accounts and owner accounts: <u>Internal control finding.</u> The internal control deficiency here is that the municipality does not have enough capacity internally to prepare a valuation roll recon on a quarterly basis. In the current year, a recon was performed in December 2025 to try and reconcile the billing to the valuation, and the differences are being investigated in conjunction with the municipal valuer. And this recon will be performed for quarter three as well quarter four of the financial year <u>Disagree with the auditors:</u>
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		This finding was raised on the basis of customer accounts instead of properties. The municipality still opens accounts for tenants, which are not billed for property rates. Property rates are only billed to owners of properties within the municipality.
	The AG could not obtain sufficient evidence for capital work-in-progress related to roads, pavements, and stormwater (R77,585,193). What deficiencies in the accounting records caused this, and what specific improvements to record-keeping and asset registers are planned to ensure auditability in the next financial year.	A Contract Management Committee (CMC) has been established comprising of CFO all Directors, SCM and Asset Managers to • Monitor all infrastructure projects from inception to completion. • Verify and certify work completed against payments processed. • Ensure all contractual documentation is complete, compliant, and centrally stored. • Track project milestones, variations, and retention amounts. Immediate capitalization of completed projects into the fixed asset register, supported by completion certificates and valuation reports where applicable.

	Property rates were overstated (R9,530,878) due to billing issues, and traffic fines were not billed (understatement of R78,782,472). How will management improve the valuation roll and billing processes to comply with GRAP 23?	Property Rates <u>Disagreement with the Auditors:</u> Property Rates are calculated based on the market values per the valuation roll. However, the AG used customer statements to calculate the property rates instead of the correct source document. <u>Partially agreed with the finding:</u> <u>Internal Control Deficiency:</u> The main issue here is internal controls that is, from the sample that the AG picked the market values on the customer statements was different from the valuation roll hence the auditors recalculated these values incorrectly, as the source was not correct. To fix the internal control, the system vendor has been contacted to assist the municipality to ensure that the market values appearing on customer statements are the same as the market values on the valuation roll. This will soon be cleared as part of the data cleansing project. Traffic fines not being billed
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	<u>Agreed with the auditors:</u> <u>Internal Control Deficiency:</u> This finding relates more to the cut off audit assertion, than the actual billing of traffic fines. The R78 million was raised in the 2024/25 AFS as part of revenue line items, however upon AG doing its work, it picked up that there actually tickets belonging to 2023/24 financial that were paid in 2024/25 financial and the municipality raised revenue in 2024/25 financial year instead of 2023/24. GRAP standards deals with accrual basis of reporting, i.e income is reported in the year in which it was earned, in this case tickets issued in 2023/24 must have been raised then, regardless of when the payment takes place A journal has been prepared to clear this finding, as management is aware of all the tickets belonging to 2023/24 financial year. Furthermore, on monthly basis management reviews and isolates tickets that don't belong in the current year and accounts for them correctly to ensure that this finding does not repeat.
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	Lekwa-Teemane Development Agency's objectives not established or monitored. Why were these requirements overlooked, and how will compliance with regulation 7(1) and Section 93B of the MSA be ensured?	The Lekwa-Teemane Local Development Agency's objectives are outlined in the SLA. The LTLDA has operated for a long period without a Board of Directors. The Municipality has since appointed a Board and is in the process of registering the LTLDA as a State-Owned Entity, as advised by AG.

Committee Observations:

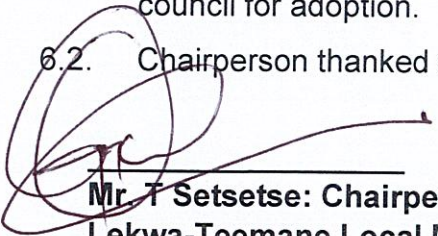
- 5.3. Based on the responses presented by management the Committee resolved on the following recommendations:

That:

- 5.3.1. Council, after having fully considered the 2024/25 Annual Report of Lekwa-Teemane Local Municipality and the representations, approves the 2024/25 Annual Report with reservations due to the Municipality receiving adverse audit opinion.
- 5.3.2. The Oversight report be made public in accordance with Section 129(3) of the Municipal Finance Management Act.
- 5.3.3. The municipality must establish/have a functional contract management committee to curb irregularities and improve record-keeping in the technical department
- 5.3.4. The municipality must ensure that the findings of the Auditor-General are adequately addressed in order to improve the audit outcome
- 5.3.5. Instances of unauthorised, irregular, fruitless and wasteful expenditure must be reported to council promptly, as required by Section 32 of the MFMA.

6. WAYFORWARD AND CLOSURE

- 6.1. The committee resolved to forward the 2024/25 draft Oversight report to council for adoption.
- 6.2. Chairperson thanked attendees and adjourned the meeting at 12:30.



**Mr. T Setsetse: Chairperson – Municipal Public Accounts Committee
Lekwa-Teemane Local Municipality**

Annexure C – All Attendance registers related to Oversight Process

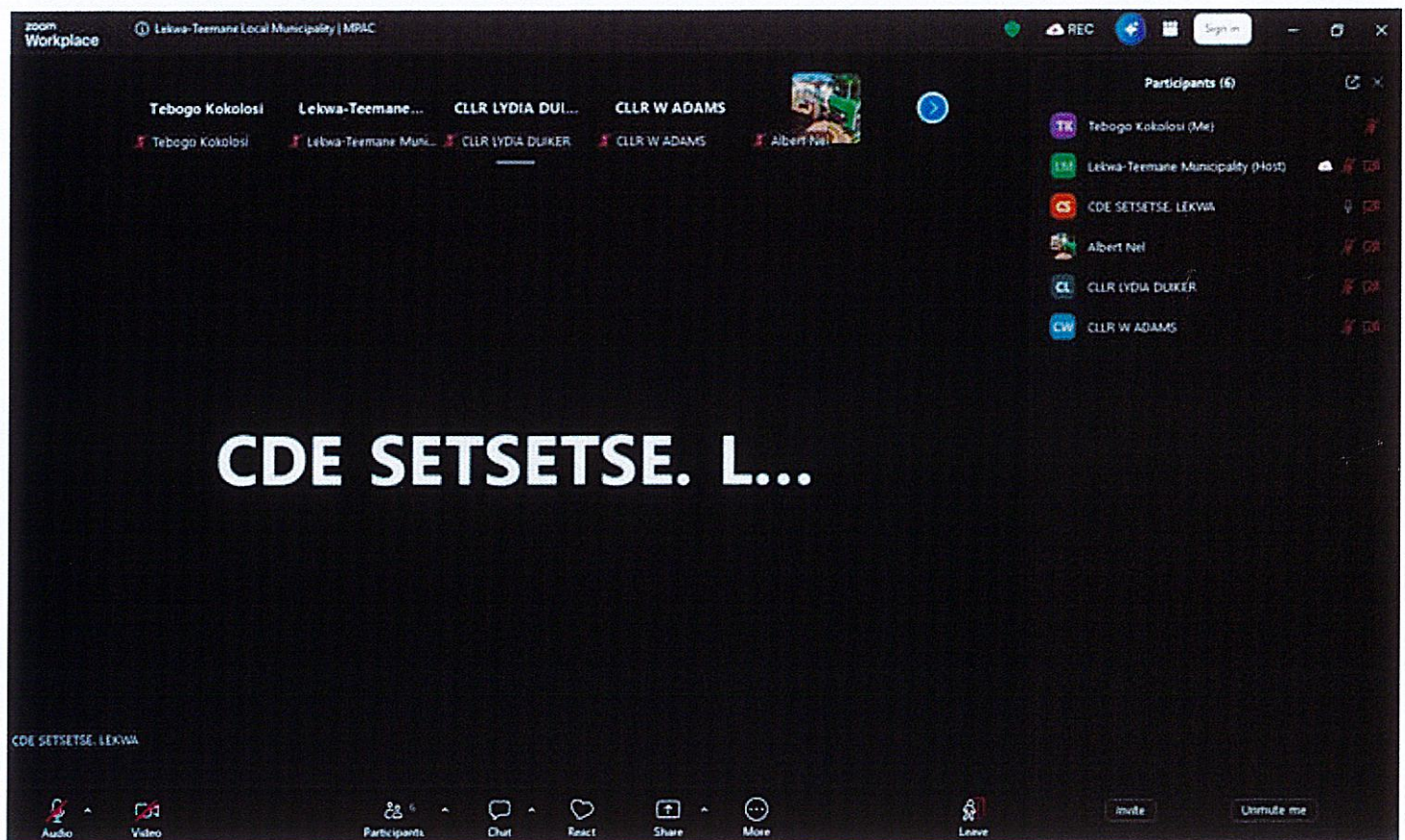
Attendance Register

Municipal Public Accounts Committee: Lekwa-Teemane Local Municipality

Date: 05 March 2026

Time: 18:00

Venue: Virtual Platform





LEKWA-TEEMANE LOCAL MUNICIPALITY "NW 396



PO Box 13, Christiana, 2680, Cnr . Robyn & Dirkie Uys Street

Tel: (053) 441-2206/3952 Fax (053) 441-3735

ATTENDANCE REGISTER

MPAC MEETING – LEKWA-TEEMANE LOCAL MUNICIPALITY

Date : 13 March 2026

Venue : Bloemhof Council Chamber

Time : 09:00

MPAC MEMBERS				
INITIALS AND SURNAME	INSTITUTION	CONTACT NUMBER	E-MAIL ADDRESS	SIGNATURE
Clr. T Setsetse	LTLM	063 705 6296	setsetseth@yahoo.com	
Clr. A Nel	LTLM	082 561 9089	ekalbertnel@gmail.com	
Clr. T Komane	LTLM	0631691619	Komanetebogo944@gmail.com	

**Annexture D – Publicity
statement on the 2024/25 Annual
Report**



**LEKWA-TEEMANE LOCAL
MUNICIPALITY
"NW396"**

PO Box 13, Christiana, 2680,
Cnr. Robyn & Dirkie Uys Streets
Tel: (053) 441 2206
Fax: (053) 441 3735



Website: www.lekwateemane.co.za

OFFICE OF THE MUNICIPAL MANAGER

Enquiries: Mr. TB Motjetje 072 602 3325

Date: 02/02/2026

MASIPALA WA SELEGAE WA LEKWA TEEMANE

**ITSISENG YA SETŠHABA: PEGO YA NGWAGA YA MASIPALA E BULETSWE
SETŠHABA**

Go itsisiwe go ya ka **Karolo 127(5)** ya Molao wa Taolo ya Matlotlo a Masipala, 2003 (Molao wa 56 wa 2003), mmogo le **Karolo 21A** ya Molao wa Tsamaiso ya Masipala, 2000 (Molao wa 32 wa 2000), gore Pego ya Ngwaga ya Masipala wa Lekwa Teemane ya ngwaga wa madi wa [2024/2025] e setse e beilwe kwa Lekgotleng la Khansele mme e buletswe setšhaba gore e elwe tlhoko le go tsenngwa dikakantsho.

Pego e ka elwa tlhoko ka diura tse di tlwaelegileng tsa tiro kwa diofising tse di latelang:

• Ofisi ya Masipala – Christiana
• Ofisi ya Masipala – Bloemhof
• Laeaborari ya – Christiana
• Laeaborari ya – Bloemhof

Pego gape e teng mo webosaeteng ya Masipala: www.lekwateemane.co.za

Baagi botlhe ba lalediwa go romela **dikakantsho tse di kwadilweng** mo Pegong ya Ngwaga mo lobakeng lwa **malatsi a le 21** go tloga ka letsatsi la phasalatso ya kitsiso eno.

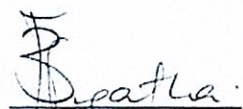
Dikakantsho di ka romelwa ka:

- Imeile: registry@lekwa-teemane.co.za or motjetjeb@lekwa-teemane.co.za
- Go isiwa ka seatla: Ofisi ya Masipala, Bloemhof and Christiana
- Poso: PO Box 13, Christiana, 2680.

Dikakantsho tsotlhe di tshwanetse go supa sentle:

“Dikakantsho ka Pego ya Ngwaga ya Masipala [2024/2025]”

E ntshitswe ke:

A handwritten signature in black ink, appearing to read 'Molaodi', is written over a horizontal line.

MOLAODI WA MASIPALA
ZK KGATLHA

MASIPALA WA LEKWA TEEMANE
LETSATSI: 02/02/2026



**LEKWA-TEEMANE LOCAL
MUNICIPALITY
"NW396"**

PO Box 13, Christiana, 2680,
Cnr. Robyn & Dirkie Uys Streets
Tel: (053) 441 2206
Fax: (053) 441 3735

Website: www.lekwateemane.co.za



OFFICE OF THE MUNICIPAL MANAGER

Enquiries: Mr. TB Motjetje

Date: 02/02/2026

LEKWA TEEMANE PLAASLIKE MUNISIPALITEIT

**OPENBARE KENNISGEWING: BESKIKBAARHEID VAN DIE MUNISIPALE
JAARVERSLAG VIR OPENBARE INSPEKSIE**

Kennis word hiermee gegee ingevolge artikel 127(5) van die Wet op Munisipale Finansiële Bestuur, 2003 (Wet 56 van 2003), saamgelees met artikel 21A van die Wet op Munisipale Stelsels, 2000 (Wet 32 van 2000), dat die Lekwa Teemane Plaaslike Munisipaliteit se Jaarverslag vir die [2024/2025] finansiële jaar aan die Raad voorgelê is en vir openbare inspeksie en kommentaar beskikbaar is.

Die Jaarverslag kan gedurende normale kantoorure by die volgende munisipale kantore besigtig word:

• Munisipale kantoor – Christiana
• Munisipale kantoor – Bloemhof
• Munisipale Biblioteek – Bloemhof
• Munisipale Biblioteek – Christiana

Die verslag is ook beskikbaar op die Munisipaliteit se amptelike webwerf:
www.lekwateemane.co.za

Lede van die publiek word genooi om **skriftelike kommentaar** op die Jaarverslag binne **21 dae** vanaf die datum van publikasie van hierdie kennisgewing in te dien.

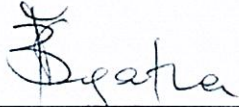
Skriftelike kommentaar kan soos volg ingedien word:

- E-pos: registry@lekwa-teemane.co.za or motjetjeb@lekwa-teemane.co.za
- Handaflewering: Munisipale kantoor, Bloemhof en Christiana
- Pos: PO Box 13 Christiana, 2680.

Alle voorleggings moet duidelik gemerk word:

“Kommentaar op die Munisipale Jaarverslag [2024/2025]”

Uitgereik deur:



ZK KGATLHA

MUNISIPALE BESTUURDER

Lekwa Teemane Plaaslike Munisipaliteit

Datum: 02/02/2026



**LEKWA-TEEMANE LOCAL
MUNICIPALITY
"NW396"**

PO Box 13, Christiana, 2680,
Cnr. Robyn & Dirkie Uys Streets
Tel: (053) 441 2206
Fax: (053) 441 3735



Website: www.lekwateemane.co.za

OFFICE OF THE MUNICIPAL MANAGER

Enquiries: Mr. TB Motjetje

Date: 02/02/2026

PUBLIC NOTICE

AVAILABILITY OF THE MUNICIPAL ANNUAL REPORT FOR PUBLIC INSPECTION

Notice is hereby given in terms of **section 127(5) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)**, read together with **section 21A of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)**, that the **Lekwa Teemane Local Municipality Annual Report for the [2024/2025] Financial Year** has been tabled before Council and is hereby made available for **public inspection and comment**.

Availability of the Annual Report

The Annual Report may be viewed during normal office hours at the following municipal offices:

• Municipal Office – Christiana
• Municipal Office – Bloemhof
• Municipal Library – Bloemhof
• Municipal Library – Christiana

The Annual Report is also available on the Municipality's official website:

www.lekwateemane.co.za

Public Comments

Members of the public, stakeholders, and interested parties are invited to submit **written comments or representations** on the Annual Report within **21 days** from the date of publication of this notice.

Comments may be submitted as follows:

- **Email:** motjetjeb@lekwa-teemane.co.za or motsamaig@lekwa-teemane.co.za
- **Hand delivery:** Municipal Offices, Bloemhof and Christiana
- **Postal address:** P O Box 13, Christiana 2680

All submissions must clearly indicate:

“Comments on the Municipal Annual Report [2024/2025]”

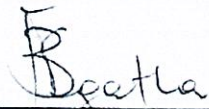
Purpose of Public Participation

The public viewing and comment process forms part of the Municipality's commitment to:

- Transparency and accountability;
- Public participation in municipal governance; and
- Compliance with legislative reporting and oversight requirements.

All comments received will be considered during the oversight process in accordance with applicable legislation.

Issued by:



ZK KGATLHA
MUNICIPAL MANAGER
Lekwa Teemane Local Municipality
Date of Publication: 02/02/2026

Annexure E – Invitations and adverts related to Oversight Process

PUBLIC NOTICE



**LEKWA-TEEMANE
LOCAL MUNICIPALITY
"NW 396**



PO Box 13, Christiana, 2680, Cnr . Robyn & Dirkie Uys Street

Tel: (053) 441-2206/3952 Fax (053) 441-3735

OVERSIGHT REPORT IN RESPECT OF 2024/25 ANNUAL REPORT

Notice is hereby given in terms of section 129 (3) of the Municipal Finance Management Act 56 of 2003 read together with section 21 (A) of the Municipal Systems Act 32 of 2000, that Lekwa-Teemane Local Municipality Council has adopted the Oversight Report on the 2024/25 Annual Report on the **31st of March 2026**.

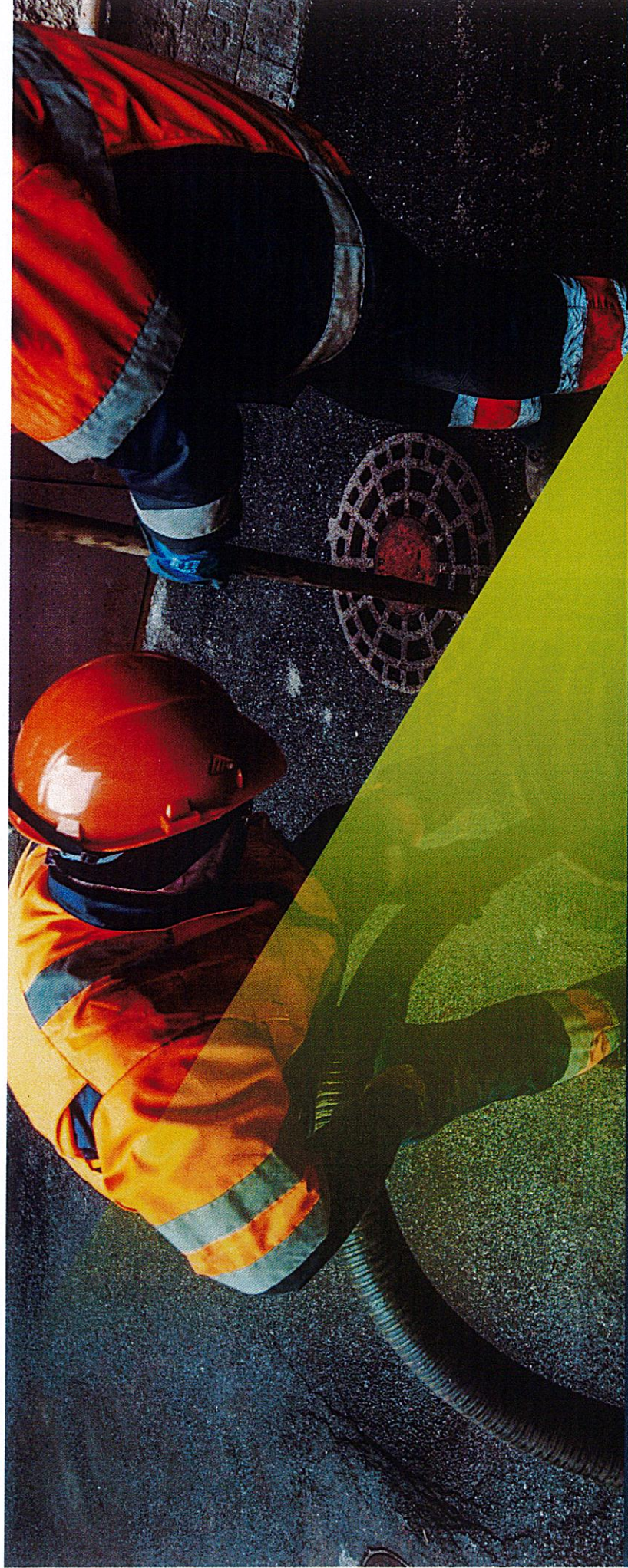
The 2024/25 Oversight Report in respect of the 2024/25 Annual Report is available for inspection by members of the public and stakeholders. The Oversight Report is also available on the Municipal website (www.lekwateemane.co.za) as well as in all the Municipal Offices and Libraries.

TOWN	BUILDING
BLOEMHOF	Bloemhof Municipal Offices
	Bloemhof Library
	Coverdale Library
	Boitumelong Clinic
CHRISTIANA	Christiana Municipal Offices
	Christiana Library

Enquiries may be directed to the Office of the Municipal Manager or Municipal Public Accounts Committee on: 053 285 0850. Address: Cnr. Dirkie Uys & Robyn Streets, Christiana 2680 or P.O. Box 13 Christiana 2680.

**Mrs. Z.K Kgatlha - Municipal Manager
Lekwa-Teemane Local Municipality**

Annexure F – Auditor General Briefing Notes



Lekwa – Teemane Local Municipality

30 January 2026



AUDITOR - GENERAL
SOUTH AFRICA

Our mission to advocate for an effective government

MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

VISION

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability

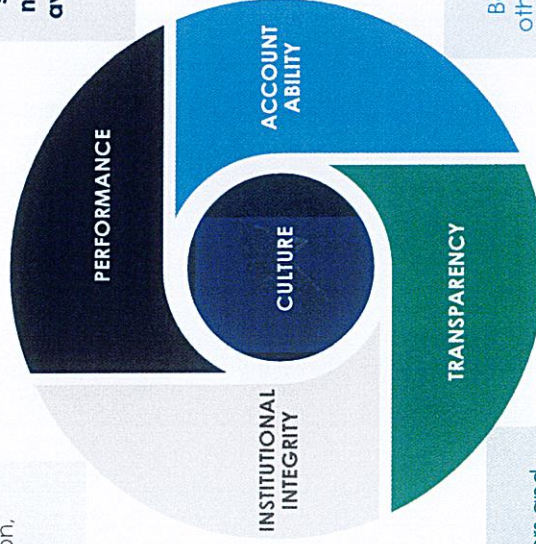


AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Implement and maintain **institutionalised controls** to ensure leadership and officials **behave ethically, comply with legislation and act in best interest** of institution, **avoiding conflicts of interest**

Demonstrate commitment to improving lived realities of South Africans by **delivering on legislated mandate and strategic objectives aligned to people's needs**, being **financially sustainable**, and **avoiding harm to public and public sector institutions**

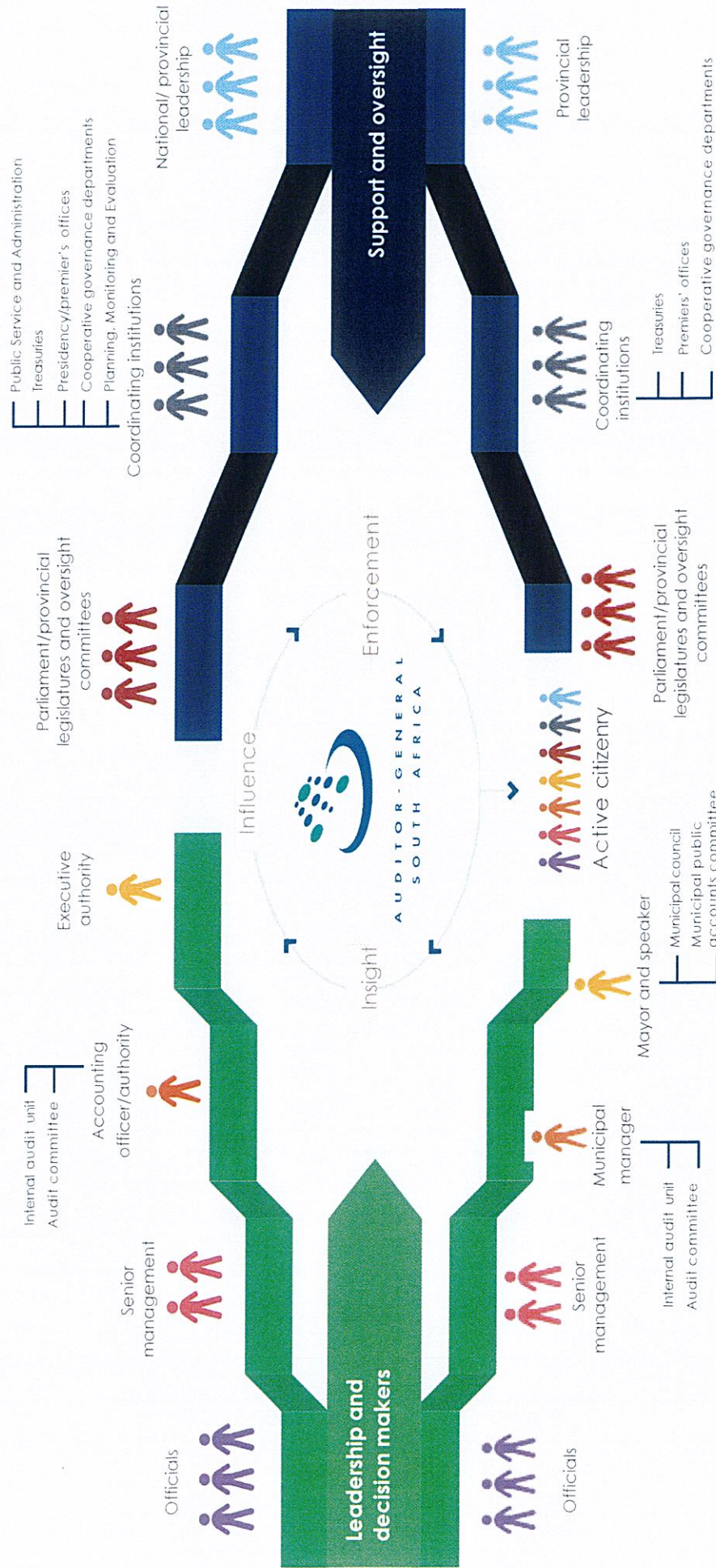


Provide public, oversight, auditors and other stakeholders with **timely, relevant and reliable information on institution's finances, performance, use of resources and compliance with legislation**

Be responsive to public, oversight and other stakeholders through **reporting and providing answers on mandated responsibilities fulfilled, actions taken and decisions made**; ensure **swift consequences** for transgressions and poor performance



All have a role to play in accountability ecosystem



2023-24 Progress on commitments

4

Commitments

Overall reflections on implementation commitments

Implemented

- The Mayor should, through the selection panel, submit a report with recommended candidates for the municipal manager position to Council to enable the urgent finalisation of the appointment by 30 May2025.

Not implemented

- The Mayor and the Mayoral Committee to conduct monthly reviews and hold discussions with the Accounting Officer on PAAP implementation,

Not implemented

- The Mayor to receive a monthly progress report from the Accounting Officer regarding the investigation of UIFW

Not implemented

- The Mayor further commits to hold quarterly engagement with the audit committee regarding the implementation of internal audit and AGSA recommendations

- The Mayor and the Mayoral Committee to conduct monthly reviews and hold discussions with the Accounting Officer on PAAP implementation,





Lekwa – Teemane local municipality – 2024-25

5

Last year of previous administration

Audit outcomes

Audit outcome	2024-25	2023-24	2022-23	2020-21
Material findings – compliance with legislation	Yes	Yes	Yes	Yes
Material findings – performance report	Yes	Yes	Yes	Yes

Financial statements – Adverse Opinion

- **Materially misstated:** Pervasive misstatements covering almost all financial line items and disclosures
- **Audit outcome:** The municipality's audit outcome changed in the current year from a disclaimer to an adverse audit opinion. The movement in audit outcomes is attributed to a reduction in the number of financial statement line items for which information was not submitted. The material differences were still identified during the audit process.
- **Financial reporting consultant costs:** R5 269 905 for AFS preparation, asset management and tax services.

Performance planning, reporting and achievement

Completeness of performance indicators:

- The SDBIP included all performance indicators, and accordingly, no findings were identified on the completeness of performance indicators.

Material findings on reliability of reporting on achievements:

- Reported achievement is not supported by credible and reliable information and
- Could not determine if the reported achievements were correct, as material misstatements were identified due to unreliability of the billing system.
- The actual achievement for performance indicators did not agree to the achievements reported

Achievements of planned targets

- Only 58% of key service delivery targets achieved

Compliance and irregular expenditure

- **Material non-compliance areas:** Material misstatements in submitted financial statements; prevention of unauthorised, irregular and fruitless and wasteful expenditure; expenditure management; consequence management; strategic planning and performance management; procurement and contract management, Revenue Management and Grant Management; conditional grant and oversight
- **Irregular expenditure** decreased by R6 626 112 from the prior year however it is still concerning that the municipality continues to incur irregular expenditure on fuel, either by procuring fuel without following the normal quotations process or without a contract, and without providing justifiable reasons for deviating from procurement regulations. This is attributed to the municipality not implementing adequate preventative measures, such as pre-procurement checklists, to ensure compliance with the required procurement processes.

Unqualified with no findings (clean) Unqualified with findings Qualified with findings Adverse with findings Disclaimed with findings Outstanding audit



Financial statements: accounting for financial performance

6

Quality of financial statements

- The municipality relied heavily on consultants for AFS preparation, resulting in minimal to no reviews by the CFO, internal audit, or the audit committee to detect errors and ensure GRAP compliance before issuance.
- Late commencement of AFS preparation by consultants created time pressure, preventing adequate review and resulting in multiple errors.
- Despite improved record-keeping and marginally better audit outcomes, material differences remained between the supporting schedules and the AFS. This raises concerns regarding the effectiveness and value for money of the consultants engaged in the preparation of the financial statements.

Key observations – since previous year

- An improvement in record keeping was noted, evidenced by a reduction in line items with limitations resulting from non-submission of information.
- Appointment of MM assisted in ensuring resolution of audit issues and smooth audit process.

Main qualification areas

- Revenue from exchange and non-exchange transactions
- Receivables from exchange and non-exchange transactions
- Payables from exchange transactions and VAT payables
- Property, plant and equipment
- Unauthorized, Irregular and Fruitless and Wasteful Expenditure
- Segment information, distribution losses and service concession

What caused improvement?

- The municipality implemented initiatives to involve coordinating institutions, including a SALGA-appointed consultant, to assist in resolving prior-year qualification areas, such as the correct accounting for VAT payables.
- Improved oversight by the Municipal Manager and enhanced management follow-up resulted in the timely submission of supporting documentation for some financial statement line items. This improvement is attributed to management's increased proximity to the audit process, including continuous reconciliation of the RFI register and the use of audit steering committee meetings as a platform to resolve outstanding matters.





Lekwa – Teemane local municipality – 2024-25

7

Financial planning and performance



Unfunded budget	Yes
Budget for capital expenditure below norm	10.5%
Unauthorised expenditure – overspending	R56 m
Going concern uncertainty	Yes
Debt-collection ratio	20%
Eskom and water boards debt in arrears	R354 m
Water losses (above norm)	Not disclosed
Fruitless and wasteful expenditure	R16 m

Accountability and consequences

Closing balances	R242m	Irregular expenditure	R387 m	Fruitless and wasteful expenditure	R6.4 m
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Compliance findings on consequence management

- Irregular and unauthorised expenditure identified in previous year not investigated to determine if any person was liable for expenditure
- Disciplinary board not functional



Use of consultants for financial reporting

8

WHAT WE FOUND

R5.269 million (2023-24: R13.538 million) – total cost of financial reporting consultants

Reasons consultants were ineffective

Work of consultants not adequately reviewed

Poor project management

Nature of consultant work

- Preparation of annual financial statements- R2 235 860
- Asset management – R656 000,45
- Tax services – R2 378 045,53

Reasons for appointing consultants

- Lack of skills – The municipalities has finance team that has the qualifications however, needs the training for financial reporting

Additional insights

- Material misstatements raised on the work done by consultants and this to lack of reviews by both the municipality and the consultants
- The municipality did not develop and implement a skills transfer plan to equip the finance unit with the technical skills required to prepare GRAP-compliant AFS.
- The municipality does not have an approved consultancy reduction plan



Performance planning and reporting for service delivery

9

Useful and reliable performance reporting enables transparency on service delivery, accountability and effective decision-making

Quality of performance report

- The audit identified significant weaknesses in the systems and processes used to collect, collate, and validate performance information. In several instances, reported achievements were not supported by adequate and appropriate evidence, resulting in material differences between reported performance and underlying operational records. These deficiencies undermine the reliability of performance information and increase the risk of material misstatement.
- Although the municipality complied with mandated submission deadlines, internal processes remain weak. The AGSA highlighted that internal control deficiencies and poor-quality review processes contributed to the submission of performance reports containing material errors and unsupported achievements. These breakdowns in internal review processes limit management's ability to identify and correct misstatements timeously.

Key observations – since previous year

- Lack of proper monitoring of projects that are currently underway (lack of project management) and this was evidenced the contractor issued a practical completion certificate for the construction of paved roads and stormwater infrastructure at Boitumelong Extension. However, upon verification of the project, poor quality workmanship was identified by both the municipality and auditors.
- No measures in place for the monitoring, tracking and validating actual performance before reporting
- Record-keeping challenges continue to affect the quality of information

Material findings on performance reports – Reliability findings

- Reported achievement is not supported by credible and reliable information
- Could not determine if the reported achievements were correct, as material misstatements were identified due to unreliability of the billing system.
- The actual achievement for performance indicators did not agree to the achievements reported

Findings caused by

- Municipality's inability to implement adequate financial management, characterized by poor revenue collection, dependence on equitable share allocations, and an unfunded budget, which limited the municipality's ability to fund operations and achieve service delivery targets.
- The accounting officer and PMU did not ensure that there are clear processes to collate and consolidate information to be reported in the annual performance report and process to keep portfolio of evidence
- The Accounting Officer failed to develop standard operating procedures outlining clear roles and responsibilities for the PMU to review collated information and confirm reported actual achievements.
- The Accounting Officer did not ensure that project managers had the necessary skills and capacity to manage construction project contracts throughout the project lifecycle, which limited the municipality's ability to identify poor workmanship at an early stage and hold contractors accountable, thereby compromising value for money on the project. This was further evidenced by the material non-compliance in audit report relating to relating municipal inability to manage contracts.



Material irregularities (MIs) identified and status

10

1 (One) MI on non-compliance and suspected fraud resulting in:

- 0 Material financial loss (estimated RXXX)
- 0 Misuse of material public resource
- 0 Substantial harm to general public
- 1 Substantial harm to public sector institutions

MI is resolved only when all possible steps have been taken to:

- Recover financial losses or remove/address harm caused
- Effect consequences – for officials and third parties involved
- Prevent any further losses and harm
- Prevent re-occurrence through improved internal controls

No actions were taken to address XX% of matters until we issued notifications

Status of MIs

	0	Resolved MI
	0	Appropriate action taken to resolve MI
	0	Appropriate action not taken – decision on invoking our powers in process
	0	Recommendations included in audit report
	0	Referral to other investigating bodies
	0	Referral and recommendations
	1	Referral and remedial action
0	0	Response received on notification – in process of assessing action
	0	Recently notified



Key findings in information technology (IT) environment

11

WHAT WE FOUND

- **Accountability for effective IT governance resides with accounting officers** of municipalities and accounting authorities of municipal entities, who, over several years, have not discharged this responsibility
- Local government's weak IT control environment can largely be attributed to **poor IT governance practices**

Observations

- The municipality was invoiced for a SAGE 200 system. Using the SAGE module usage report, we assessed the utilisation of modules, and it was noted that the municipality was not fully utilising all the modules on the systems. Of the 29 SAGE modules registered, the municipality only used 6.
- The Municipality has not filled the IT Manager position to ensure that IT related operations and processes are governed and managed effectively.

Impact

- Vacant positions in IT governance and functions can lead to compromised internal controls and errors in critical systems. In addition, the Municipality may rely heavily on service providers increasing costs and risk exposure.
- Fictitious creditors, employees, and banking details could be added and amended on the SAGE system. This could lead to the capturing of unauthorised invoices to fictitious suppliers. Furthermore, adding a VAT number linked to a creditor that is not VAT registered may lead to incorrect VAT declarations.



- The work focused on assessing the extent to which municipalities are taking advantage of the programme and sourcing insights on the compliance and write-off statuses, as well as root causes resulting in non-compliance.

WHAT WE FOUND

- We further explored strategic ways that municipalities undertake to generate additional revenue necessary to fund their activities, this included assessing the auditees' ability to intentionally scan their environments and jurisdictions to identify and optimise revenue-generating opportunities.

Observations

- The municipality is currently facing financial difficulties, and this is attributable to among others, the unreliability of revenue management system resulting in unbilled customers, duplicate billing, billing of properties not included in the valuation roll, and the incorrect application of indigent rebates. In addition, where the municipality had the opportunity to improve their financial position it continued to incur losses where the municipality only received R4.3 mil(34%) of the total cash received for traffic fines amounting to R12.7mil instead of R6.1mil(47%) as per the SLA resulting in possible financial loss of R2.2 million.
- Although National Treasury approved debt relief for the municipality effective December 2023, NWPT assessments indicate that only 69% of the prescribed conditions are being met monthly. Ongoing underpayment of the Eskom account has led to post-debt-relief growth in arrears, further exacerbating the municipality's financial position and undermining the debt relief objectives.
- The municipality developed a revenue enhancement plan, including data cleansing of the revenue management system, to improve revenue collection, fund essential expenditures, and address the unfunded budget. However, the Accounting Officer has not yet implemented effective measures to ensure the plan improves the municipality's financial stability.

Impact

- The identified weaknesses resulted in lost revenue, ongoing cash flow constraints, and increased financial instability, thereby limiting the municipality's ability to fund service delivery, meet creditor obligations, and achieve financial sustainability.
- Non-compliance with debt relief conditions and ongoing Eskom underpayments have worsened the municipality's financial position, limiting its capacity to achieve the objectives of the debt relief programme and sustain service delivery.
- Failure to implement the revenue enhancement plan effectively impedes revenue improvement, perpetuates financial strain, and threatens the municipality's capacity to deliver services and meet financial obligations



Call to action

13

Enhanced accountability mechanisms are essential to accelerate and sustain improvements in service delivery.

Activate the accountability ecosystem to address the current realities

1 Inadequate skills and capacity

2 Governance failures

3 Lack of accountability and consequences

Our recommendations

Recommendation 1

- Council should request the Accounting Officer to provide a quarterly progress report on the reduction of consultancy costs and the implementation of the COGTA skills report recommendations

Recommendation 2

- The Municipal Council should ensure that quarterly progress reports are requested from Internal Audit to verify the actions taken by management in implementing the post-audit action plan. The progress report should be interrogated and municipal manager held to account on any concerns noted.
- The Municipal Council should direct the Accounting Officer to provide a monthly progress report on the implementation of the Revenue Enhancement Plan, as well as on the initiatives undertaken to address the unfunded budget

Recommendation 3

Capacity Building for MPAC Support Staff:

- The MPAC Chairperson should approach the Department of Cooperative Governance and Traditional Affairs (COGTA) to upskill support staff, ensuring they are adequately equipped to assist the committee.

Development of a Comprehensive Activity Plan:

- The MPAC Chairperson should ensure support staff assist in compiling a comprehensive activity plan to address UIFWE.
- The compiled activity plan should be tabled before council for approval, and the Chairperson should oversee the commencement of activities aimed at addressing UIFWE.



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